

His Worship the Mayor  
Councillors  
**CITY OF MARION**



**NOTICE OF  
FINANCE AND AUDIT COMMITTEE**

Notice is hereby given pursuant to the provisions under Section 83 of the Local Government Act 1999 that a General Council meeting will be held

**Tuesday 16 August 2016**

**Commencing at 4.00pm**

**In the Chamber**

**Council Administration Centre**

**245 Sturt Road, Sturt**

A copy of the Agenda for this meeting is attached in accordance with Section 83 of the Act.

Meetings of the Council are open to the public and interested members of this community are welcome to attend. Access to Committee Room 1 is via the main entrance to the Administration building on Sturt Road, Sturt.

A handwritten signature in dark ink, appearing to read "Adrian Skull", with a stylized flourish at the end.

Adrian Skull  
**CHIEF EXECUTIVE OFFICER**

12 August 2016

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE AGENDA  
FOR THE MEETING TO BE HELD ON  
TUESDAY 16 AUGUST 2016  
COMMENCING AT 4.00 PM  
CHAMBER, ADMINISTRATION CENTRE  
245 STURT ROAD, STURT**



**1. OPEN MEETING**

**2. KAURNA ACKNOWLEDGEMENT**

*We acknowledge the Kurna people, the traditional custodians of this land and pay our respects to their elders past and present.*

**3. MEMBER'S DECLARATION OF INTEREST (if any)**

**4. CONFIRMATION OF MINUTES**

4.1 Confirmation of the Minutes for the Special Finance and Audit Committee  
Meeting held 20 June 2016

FAC160816R4.1 ..... I

**5. BUSINESS ARISING**

5.1 Review of the Business Arising from previous meetings of the Finance and Audit  
Committee

FAC160816R5.1 ..... FH

**6. ELECTED MEMBER REPORT**

6.1 Elected Members Report

FAC160816R6.1 ..... G€

**7. REPORTS**

**Matters for Discussion**

Corporate & Financial Management

Valuations of Buildings and Assets

FAC160816R7.1 ..... G

Treasury Management and Reserve Fund Policies

FAC160816R7.2 ..... HF

External Audit Tender

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## Risk Management

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## **8. CONFIDENTIAL ITEMS**

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## **9. ANY OTHER BUSINESS**

Nil

## **10. MEETING CLOSURE**

The Audit Committee meeting shall conclude on or before 6.00pm unless there is a specific motion adopted at the meeting to continue beyond that time.

## **11. NEXT MEETING**

An annual joint workshop with the Elected Member Forum is scheduled in Finance and Audit Committee Work Plan and a requirement of the FAC 'Terms of Reference' on:

**Time: 6.30 pm – 8.00 pm**  
**Date: 16 August 2016**  
**Venue: Committee Room 1 & 2, Administration Building**

The next General Meeting of the Finance and Audit Committee is scheduled to be held on:

**Time: 2.00 pm – 5.00 pm**  
**Date: 4 October 2016**  
**Venue: Council Chamber, Administration Building**

**MINUTES OF THE SPECIAL FINANCE AND AUDIT COMMITTEE MEETING  
HELD AT THE ADMINISTRATION CENTRE  
245 STURT ROAD, STURT  
ON MONDAY 20 JUNE 2016**



**PRESENT**

Mr. Greg Connor (Chair), Mr. Lew Owens, Ms. Kathryn Presser, Councillor Raelene Telfer and Councillor Tim Gard.

**In Attendance**

Mr. Adrian Skull	Chief Executive Officer
Mr. Vincent Mifsud	General Manager Corporate Services
Ms. Abby Dickson	General Manager City Development
Mr. Tony Lines	General Manager Operations
Ms. Deborah Horton	Unit Manager Performance & Improvement
Mr. Ray Barnwell	Manager Finance
Mr. John Valentine	Manager Strategic Projects
Ms. Birgit Stroehrer	Registered Architect, Strategic Projects
Mr. Jared Lawrence	KPMG

**1. OPEN MEETING**

The meeting commenced at 4.02 pm. The Chair welcomed all those present to the meeting.

**2. KAURNA ACKNOWLEDGEMENT**

*We begin by acknowledging the Kurna people, the traditional custodians of this land and pay our respects to their elders past and present.*

**3. MEMBERS DECLARATION OF INTEREST**

The Chair asked if any Member wished to disclose an interest in relation to any item being considered at the meeting.

Councillor Telfer advised of a perceived conflict of interest due to her involvement with the Dover Gardens Obedience & Kennel Club. The Chair thanked Councillor Telfer and advised that a perceived conflict of interest would not require Councillor Telfer to absolve her responsibility to hear and discuss this report as a member of the Finance and Audit Committee. Councillor Telfer therefore remained in the chamber to participate in the meeting and vote.

**4. CONFIRMATION OF MINUTES**

**4.1 Confirmation of Minutes for the Finance and Audit Committee held 31 May 2016  
Report Reference: FAC200616R4.1**

**Moved Councillor Gard, Seconded Ms Presser** that the minutes of the Finance and Audit Committee meeting held on 31 May 2016 are confirmed as a true and correct record of proceedings.

**Carried Unanimously  
Cr Telfer voted in affirmative**

Discussion was raised from Councillor Gard regarding the fullness of content of the minutes of the Finance & Audit Committee with particular reference to report FAC310516R7.4 titled “Cost Sharing with Councils”, whilst acknowledging the accuracy of the minutes as presented.

**Action:**

- **A progress report be presented to the Finance and Audit Committee regarding the report FAC310516R7.4 titled ‘Cost Sharing with Councils’ at the next meeting on 16 August, in relation to cost sharing opportunities.**

**5. BUSINESS ARISING**

Nil

**6. ELECTED MEMBER REPORT**

Nil

**7. REPORTS**

**7.1 Section 48 Report – Mitchell Park Sports and Community Centre  
Reference No: FAC200616R7.1**

The General Manager City Development gave a brief overview of the Mitchell Park Sports and Community Centre as a project that is well aligned to Council’s strategic directions. A key priority of Council has been to improve sporting infrastructure and facilities across the City. Council were also keen to look at indoor and outdoor sporting/community activation prospects whilst being cognisant of significant opportunities that the Tonsley Development will bring in conjunction with this development. The result is the four court multipurpose indoor facility and community centre precinct concept attached to this report.

The key areas of feedback requested from the Finance & Audit Committee (the Committee) relate to;

- Financial viability and sustainability of the project
- The risk register
- Governance and management models with financial forecasts.

The Manager Strategic Projects provided the Committee with a presentation which highlighted the design concepts, site layout and an overview of how the facility would operate. The project essentially rehouses three sites/services into one new facility at Mitchell Park to provide a diverse range of sports and community services activating the site during the day and evening.

Key messages during the presentation include;

- The existing basketball stadium located on Norfolk Rd, Marion built in 1965 is inadequate in size and design to meet the needs of Basketball South Australia (Basketball SA). The two indoor courts can no longer be resurfaced with a consequent remaining lifespan of three – five years.
- The existing building and sport infrastructure located at Mitchell Park Sports Club are inadequate in size and design to meet the needs of the various current and prospective tenants that will all benefit from its upgrade.

- Built approximately 1960, the Mitchell Park Neighborhood Centre requires upgrading in the relatively near future, as it is restrictive in size and design, with limited development potential.
- Community engagement has been undertaken initially with key project stakeholders with further consultation to be undertaken with the local community.
- Opportunities have been identified and are being progressed beyond the physical building of infrastructure to include strengthening relationships with a number of various groups/clubs with a regional reach or focus. Critical relationships have been identified with several key stakeholders including;
  - Junction Australia: Community services and sports monitoring and measuring.
  - Flinders University: linkages with Tonsley site with approximately 2,000 students having access to the site per week per day.
  - Basketball SA: Bringing regional competitions to the proposed facility. Initial discussions have been positive regarding leasing arrangements.

The Committee discussed Basketball SA's potential contributions and capacity noting that further discussions will take place regarding their future involvement. As their agreement to a significant increase in payments (from \$15,000 to \$386,000) is critical to the financial viability of the Development.

  - Tonsley: Redevelopment site will involve 850 dwellings and 1,200 residents, 6,300 on site jobs.
- The anticipated cost of the project is \$19,753,000. Council will be submitting an application to the Federal Governments National Stronger Regions Fund, for \$10,000,000 for this project.
- The cash impact of the project has been assessed with the Manager Finance advising Council that it has the funding capacity within its adopted long term financial plan (LTFP) to fund the \$9.87m capital contribution plus associated ongoing increases in operating, maintenance, renewal and borrowing costs required for the project (ie. whole of life costs).
- Basketball SA is a key and critical stakeholder in this project and it was acknowledged that if it was prepared to make an up-front capital contribution towards the project, this would increase the chance of Council being successful with its Federal grant application.
- Council is liaising with DPTI and the Minister for Planning's office to ensure that the DPA is progressed in a timeframe commensurate with the project's timelines. The rezoning is seen as complementary to the Tonsley development and is expected to be given priority as it complements this state significant project.

Mr. Jared Lawrence from KPMG presented their report entitled "Mitchell Park Sports and Community Centre Redevelopment Project" addressing three components of the Mitchell Park Sports and Community Centre redevelopment project report including governance and management recommendations along with a 10 year financial forecast. A summary of each element is provided below;

#### Governance Model

KPMG reviewed what the City of Marion was already doing at a local level and had recommended that a stand-alone skills based board or committee of management be implemented for the Mitchell Park Sports and Community Centre, with representation from Council. The purpose of this recommended model is to ensure that the City of Marion's interests as the asset owner are appropriately represented and managed and that

management models are consistent with other similar projects (Edwardstown Soldiers Memorial Recreation Ground).

The Chair raised the view that a regional body would be an ultimate governance model/position, as it would provide greater scale to the overall regional operations. However, it was noted that it would be difficult to establish from the onset whilst the infrastructure is being built. Such a regional board might be the second stage of the governance structure once the projects have been running for a number of years.

The Committee noted the following points regarding KPMG's proposed skills based board/committee model;

- Potential to transition to a regional body in the future, that would operate across all similar facilities in the City of Marion.
- Ensure existing clubs do not feel a loss of autonomy.
- Would need to ensure that a stand-alone skills based board would need to appropriately fit Council's culture and a suitable process should be put in place to ensure that any risks to this are mitigated.
- Opportunity to manage governance expectations/commitments via individual leasing and licensing agreements.
- Ensure opportunities for a strategic focus are incorporated in the governance model.
- Consistency in City of Marion governance/management models.
- A potential issue may arise based on the large variance in contributions from the organisations involved.

**Action:**

- **Greater clarity regarding the recruitment of a skills based board and its initial relationship to the City of Marion.**
- **Further clarity regarding the potential to transition to a regional City of Marion body in the future.**

Management Model

KPMG proposed a management/staffing structure to include a manager and assistant manager for every hour the centre is in operation. These roles are proposed to be employed by the management committee, based upon staffing levels consistent with current City of Marion staffing structures.

The proposal includes incorporating a Centre Manager role on site from 9am to 5pm, seven days a week with a supporting Centre Assistant role on site from 3pm – 11pm, seven days a week, with relevant bar and kitchen staff to support the facility during its times of operation.

The Committee noted the following regarding KPMG's proposed management model;

- Impost upon a newly formed skills based committee members to recruit staff and manage the facility.
- Level of risk that such a model could make it harder to recruit members for the management committee.
- That the Mitchell Park Neighborhood Community Centre is a stand-alone service and therefore is considered separate from the proposed management/staffing structure. (These staff will continue to operate as City of Marion employees.)

**Action:**

- **Further rigor is required regarding consideration of a management and staffing structure that has staff employed by the City of Marion as opposed to a management and staffing structure that is employed by the management committee of the facility.**

License/ sub license arrangements

KPMG has recommended that a head license agreement is arranged between the City of Marion and the proposed management committee with sub licenses between the management committee and each sport/community group as tenants of the facility.

It was acknowledged that Basketball SA will be a new user of the site and as such will be subject to a new sub-license.

Discussion regarding initial conversations with Basketball SA and their commitment and capacity (financially and generally). Basketball SA have been positive and are encouraging of other clubs utilizing the facilities, however it was acknowledged that further in-depth conversations to elucidate details will be required, especially regarding lease payments before the project progresses.

The Committee noted that Basketball SA are a significant and critical stakeholder (the majority of incoming funds are projected as being generated from basketball) and as such Council should be cognisant of balancing Basketball SA's involvement with that of other minor clubs whilst further discussions are progressing. In this regard, it is imperative that the stand-alone board does not forget about the desired broader community outcomes.

**Action:**

- **Further discussions with Basketball SA progress to determine;**
  - **Potential for capital contribution,**
  - **Current /future financial capacity,**
  - **Licensing fees.**

Financial Modelling

KPMG gave a brief overview and rationale regarding the City of Marion's contribution to the Mitchell Park Sports and Community Centre as being either debt funded or a combination of debt and equity – depending upon the success or otherwise of funds raised via successful grant applications and contributions by partners.

KPMG are confident of the figures provided in the report based upon a conservative philosophy (for example the Repairs and Maintenance budget line is based off 1.5% of the project net capital expenditure, which is a conservative approach to take in the first years of the new facility).

The current LTFP includes appropriate allowances for current capital and operating costs relating to the existing sites. The transitioning of these centres/activities to the proposed new Mitchell Park Sports and Community Centre, those planned costs will no longer be incurred. In addition, there will be some increase revenue coming to the new facility via license fees to offset the increased operating costs for the new facility.

The Committee noted the following regarding the KPMG financial modeling;

- Council has strong control measures in place to manage fees and expenditure.
- Council's existing treasury policy will assist to guide and manage any rate risks that may present, by establishing the average and maximum terms for debt.



- Page 388 (of the agenda), it is projected that Council will be paying for a \$423k operating loss in year one and a \$1.529m funding (Cash) loss, after capital renewal and loan principal funding requirements are taken into consideration.
- Page 388 (of the agenda), when taking into consideration the projected funding requirement of \$936k for the recently considered Edwardstown major project and the \$1.529m funding requirement for this project, this equates to a total funding (Cash) requirement from Council of \$2.465m in the first year if these two projects proceed (it was noted however that the projected funding requirement for the Edwardstown project is already included in the currently approved LTFP).
- The financial modelling presents a worst case scenario and includes a reasonable margin in relation to the interest rate that has been used for borrowings.
- It was highlighted that Council is currently holding large cash reserves and therefore if the project proceeds appropriate consideration would need to be given to what would be the best combination/mix of cash and borrowings appropriate for Council to fund the project (the modelling assumes that Council will fully loan fund its contribution, which is worst case scenario and unlikely). Regarding the amount to be borrowed or contributed from the Asset Sustainability Reserve (ASR) fund it would be useful to have a formal policy addressing how much of the ASR funds could be applied to one project, having regard to Council's plan or vision for other major projects in the longer term.
- From a financial perspective the modelling indicates that this project is achievable and makes sense, however there are risks and challenges that need to be taken into consideration, including;
  - the potential that rate capping may be introduced, noting that the Adelaide CPI is currently only 0.7% and the LTFP is currently based on a consistent annual rate rises of 2.75% and 0.5% reduction in the average rate rise would equate to approximately \$20m over the 10 year term of the LTFP.
  - The 2% wage increase assumption currently in the LTFP may present a challenge.
  - Council's capacity to fund its other two major aspirational project objectives (although a contribution of \$750,000 to the BMX track upgrade is now included in the proposed 2016/17 budget and LTFP).
  - The accumulated effect on the organisations existing resources of potentially implementing 2 to 4 major projects at the same time.
  - Basketball SA is a key and essential stakeholder to the success of this project progressing.
  - Risk that Federal Government funding does not come to fruition for this project and the significant impact that this would have on the current financial modelling.

**Action:**

- **Further rigor added to the report regarding cumulative effects on the organisation from a financial and resourcing perspective. Undertaking two of potentially four major projects at one time has a need to put in place plans, a suitable policy and appropriate resources to mitigate risk and impact so the projects can proceed on time and on budget.**
- **Define likelihoods and challenges of future funding opportunities to prioritise any additional future projects for Council, in order to make critical decisions regarding the debt levels it wants to carry.**

- **Partnership funding for the project to be sought via Basketball SA with further discussions regarding the modelled annual lease payments from Basketball SA, on the basis of an open book arrangement moving forward.**

#### Risk register

The risk register was noted by the Committee on page 421 as being a thorough and sound risk assessment. The Committee requested that the cumulative effect on the organisations existing resources of potentially two to four major projects being progressed at the same time by Council, be included in the risk register.

#### **Action:**

- **The cumulative effect on the organisations existing resources of potentially two to four major projects being progressed at the same time by Council, be included in the risk register.**

#### Stormwater management

The Committee noted that Warraparinga Creek used to feed into site however, technical advice and analysis has shown there is minimal benefit to capturing creek water via aquifers on site. Council has a regional ASR scheme where water collection occurs across the city.

It was discussed that it would be important to include an appropriate comment in the report in relation to the stormwater run-off into the Sturt River as a result of the proposed new facility.

#### **Action:**

- **Ensure an appropriate comment is included in the S48 report in relation to stormwater run-off into the Sturt River as a result of the proposed new facility.**

#### Economic Development

The Committee commented on the economic analysis in the Section 48 report, which considered the net present value (NPV) of the project from an economy-wide perspective, and noted that a normal approach to an NPV would be to examine the benefits received by the investor. In this (and other projects of this nature), the Council is investing in facilities for the benefit of rate-payers and residents, and there is not a financial return to Council. It was suggested that a more relevant consideration for inclusion in the report was whether this proposed project (consolidating three facilities into one) was the preferred solution, as opposed to the cost of upgrading all three facilities separately, but the report did not provide this information, nor did it indicate the cost of revenue of disposing the surplus two facilities. The Committee noted that the same model used to calculate economic development opportunities and values were utilised for the Edwardstown Soldiers Memorial for consistency.

Councillor Byram, from the gallery, raised the question regarding the existing Mitchell Park Neighbourhood Centre (MPNHC) which makes an operating loss and whether it is predicted that this position would improve in the proposed new facility and if the same operations and staff be re-located into the new facility? The Manager Finance advised that the financial modelling in relation to the MPNHC took a prudent approach and assumed status quo, with the same operations and staff to be relocated.

The Committee noted the following regarding economic development;

#### **Action:**

- **Further consultation with the local community regarding the impact of the project, including streetscape, car parking and larger volumes of cars coming/going.**
- **Further exploration of non-economic strategic objectives be included focusing on the existing MPNHC and basketball facility in Norfolk Road and what**

**opportunities may be explored when they are vacated, including whether they could be unusable for other purposes. In addition, further discussion is required in regard to the proposed impact for existing user groups and funding impacts for these groups upon moving into the new facility.**

### Summary

In summary, the Committee noted it was important for Council to consider the overall impact when progressing significant infrastructure projects. As multiple projects develop, it is critical for Council to understand and plan its financial position to ensure the project can continue on time and within budget.

To address the points highlighted within the recommendations, the Committee agreed:

1. The project supports Council's Strategic objectives.
2. The project aligns with the objectives of Council's development plan.
3. The assessment of the potential economic impacts is in line with previous project assessments.
4. Greater community consultation is required and could be achieved through further meetings with residents, businesses and key stakeholders, to address issues such as increased traffic, noise and hours of operation.
5. The assessment of the projects risks and mitigation strategies are appropriate and well documented.
6. The financial viability of the project in both the short and long term has been adequately addressed. It is however important to note that Basketball SA is a key and essential stakeholder to the success of this project progressing.
7. Council needs to understand its capacity to deliver these projects at a high standard. There are challenges and risks associated with delivering this project however, the project does make financial sense. It is a timely reminder to further develop and review Council's Treasury Management and Reserve Funds policies to guide such major projects.

### **Action:**

- **The Treasury Management and Reserve Funds policies to be brought for discussion to the next Finance & Audit Committee meeting.**

**5:47pm Moved Councillor Gard, Seconded Mr Owens** that the Finance and Audit Committee meeting extend to 6pm.

**Carried Unanimously**

**Clr Telfer voted in the affirmative**

The General Manager City Development, echoed by the Committee, acknowledged the comprehensive report and technical work that had been undertaken in short time frames congratulating and thanking all report contributors.

### **8. CONFIDENTIAL ITEMS**

Nil

### **9. ANY OTHER BUSINESS**

Nil

**10. MEETING CLOSURE**

The meeting was declared closed at 5:50 pm

**11. NEXT MEETING**

The next meeting of the Finance and Audit Committee is scheduled to be held on:

**Meeting of the Finance and Audit Committee**

**Time: 4.00pm – 6:00pm**

**Date: Tuesday – 16 August 2016**

**Venue: Chamber, Administration Building**

.....  
**CHAIRPERSON** / /

**CITY OF MARION**  
**BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS**  
**AS AT 12 AUGUST 2016**



	Date of Meeting	Item		Responsible	Due Date	Status	Con Rev Dat
1.	13 October 2015	Circulate project management review report out-of-session to Audit Committee for their feedback.		F Harvey	December 2015	See item 3	See
2.	15 December 2015	That the Audit Committee be provided with an update by June 2016 regarding the progress of surplus assets (particularly the status of the land at City Services).		J Valentine C Hampton	June 2016	Council wants to consider the surplus land at City Services in conjunction with consideration of the future use of the Administration building at 245 Sturt Rd. The Elected Member Forum scheduled for June 2016 to consider the matter has been delayed until September due to other priorities. An update will be provided at the October FAC meeting.	Oct 201
3.	8 March 2016	That the Project Management Report be brought to the next Committee Meeting		F Harvey	May 2016	Direction is sought from the Committee regarding items 1 and 3 regarding how to progress. The elements of the project management system are being developed, however further analysis is required before a detailed report can be tabled at the Committee. Therefore, either a high level report can be brought to the next meeting that sets out an overview of a system, or further work is undertaken to develop details of the system which is reported to the Committee at a later date.	
4.	8 March 2016	Investigate the development of a financial modeling tool to assist Council assess the Whole of Life financial impact of funding decisions for capital projects and demonstrate when such decisions would cause the Council to fall into a funding deficit.		R Barnwell	August 2016	The opportunity to implement a financial modelling tool is currently being investigated. This will be further progressed in conjunction with the development of 2017/18 Annual Business Plan.	Dec 201
5.	31 May 2016	Forward the conflict of interest information distributed to Elected Members to the		K McKenzie	June 2016	Email sent to FAC Members on 1 June 2016.	Cor

City of Marion  
Audit Committee Action Arising Statement as at 12 August 2016

	Date of Meeting	Item		Responsible	Due Date	Status	Com Rev Dat
		Independent Members of the Committee.					
6.	31 May 2016	Discuss with KPMG regarding how the value add services offered within the tender can be accessed to assist Council progress with some cost sharing initiatives.		F Harvey K McKenzie	August 2016	Meeting held (via phone) with Sally Calder from KPMG on 19 July 2016. Ms Calder provided her experience and background regarding shared services and indicated that the first step in any shared service arrangements is to establish the governance arrangements. This would include the cost modelling, ownership, reporting, if a separate entity is established, impact on FTE, etc. Her advice was the best way to progress these issues is through an MOU to underpin how the Council's would work together. The services that are generally considered first are corporate services such as HR, IT, Finance and Procurement. The CEO met with other Southern Councils CEO's recently to discuss Libraries and Sporting Facilities. Further updates will be provided in due course.	
6.1	20 June 2015	A progress report be presented to the Audit and Finance Committee regarding report FAC310516R7.4 entitled 'Cost Sharing with Councils' in August.					
7.	31 May 2016	Include within the work plan for the December 2016 meeting an update report regarding WHS.		K McKenzie	June 2016	A monthly WHS report to General Council Meetings has been implemented. An additional WHS Report has been included on the FAC Work Plan for December 2016.	Com
8.	31 May 2016	The Business Continuity Plan be presented to the Committee in August 2016.		K McKenzie	August 2016	Since the May FAC meeting, workshops have been held with all work areas to define critical services and develop recovery strategies. The BCP is currently in draft and consultation has commenced internally. The BCP will be presented to the October 2016 meeting once the internal consultation is complete.	Oct 201

City of Marion  
Audit Committee Action Arising Statement as at 12 August 2016

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9.	20 June 2016	<p><u>Special Meeting – Section 48 Report Mitchell Park actions</u></p> <p>Greater clarity regarding the recruitment of a skills based board and its initial relationship to the City of Marion.</p> <p>Further clarity regarding the management committee's projected future management of the facility to address the potential to transition to a regional body in the future.</p> <p>Further rigor regarding a management and staffing structure that has staff employed by the City of Marion as opposed to a management and staffing structure that is employed by a management committee of the facility.</p> <p>Further discussions with Basketball SA progress to determine;</p> <ul style="list-style-type: none"> <li>○ Potential for capital contribution,</li> <li>○ Current /future financial capacity,</li> <li>○ Licensing fees.</li> </ul> <p>Further rigor added to the report regarding accumulative effects on the organisation from a financial and resourcing perspective. Whilst undertaking potentially three to four major projects at one time to put in place plans that attempt to mitigate risk and impact so the projects can proceed on time and on budget.</p> <p>Council to determine what are the principles and what is the policy that takes effect for these projects that are over \$20m should unforeseen risks occur.</p> <p>Define likelihoods and challenges of future funding to prioritise any additional</p>	J Valentine	June 2016	All comments were considered and actioned as part of the final report presented to Council on the 28 June 2016.	
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City of Marion  
Audit Committee Action Arising Statement as at 12 August 2016

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		<p>future projects for Council to make critical decisions regarding the debt it wants to carry.</p> <p>Partnership funding to be sought via Basketball SA with further discussions regarding an open book arrangement.</p> <p>The impact of two large projects being progressed at the same time by Council identifying the cumulative impact be added.</p> <p>Further consultation with local community regarding the streetscape, cars coming/going.</p> <p>Further exploration of non-economic strategic objectives be included focusing on the Neighbourhood Centre and existing basketball facility in Norfolk St that is going to be unusable/vacant.</p>				
10.	20 June 2016	Treasury Management Policy to be brought as a discussion policy to the next Finance & Audit Committee meeting with some broad recommendations.	R Barnwell	August 2016	Report presented in item 7.2 on agenda for 16 August 2016 FAC Meeting	

\* completed items to be removed are shaded



<b>SCHEDULE OF MEETINGS 2016</b>			
<b>Day</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
Tuesday	8 March 2016	2.00 – 5.00 pm	Administration Centre
Tuesday	31 May 2016	2.00 – 5.00 pm	Administration Centre
Tuesday	16 August 2016	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council)	Administration Centre
Tuesday	4 October 2016	2.00 – 5.00 pm	Administration Centre
Tuesday	6 December 2016	2.00 – 5.00 pm	Administration Centre

### **INDICATIVE AUDIT COMMITTEE WORK PROGRAM – 2016**

#### **TUESDAY, 8 March 2016**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Draft Annual Business Plan and Budget 2015/16 and Draft Long Term Financial Plan	Review and Feedback
Corporate Risk Profile	Review and Feedback
Fraud Policy	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note

#### **Tuesday, 31 May 2016**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Engagement for the Year Ending 30 June 2016	Review and Recommendation to Council
Draft Annual Business Plan and Budget (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Scope for Audit Committee Bi-Annual Review Process	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Annual Review of WHS Program	Review and Feedback

**TUESDAY, 16 August 2016**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Claims and Insurance Renewal Report	Review and Feedback
Valuations of Buildings and Assets	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Outcome of Audit Committee Bi-Annual Review Process and development of Improvement Plan	Review and Feedback
Meeting with internal auditors in camera	Seeking feedback from Auditors

**TUESDAY, 4 October 2016**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Committee Annual Report to Council 2015/16	Review and Refer to Council
Independence of Council's Auditor for the year end 30 June 2016	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2016	Review and Recommendation to Council
Meeting with external auditors in camera	Seeking feedback from Auditors
LGA MLS Risk Review	Review and Feedback
Internal Audit Program - Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Investment Performance 2015/16	Noting

**Tuesday, 6 December 2016**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Feedback
Work Program and Meeting Schedule 2017	Review and Feedback
Ombudsman SA Annual Report 2015-16	Review and Feedback

City of Marion  
Audit Committee Improvement Plan as at July 2013

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WHS Interim Report	Review and Feedback
Framework and Key Assumptions Annual Business Plan and Budget and Long Term Financial Plan	Review and Feedback

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE MEETING  
16 AUGUST 2016**

**Originating Officer:** Kate McKenzie, Manager Corporate Governance  
Councillor Raelene Telfer

**Subject:** Elected Members Report

**Report Reference:** FAC160816R6.1

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**REPORT OBJECTIVE:**

Section 4.19 of the Audit Committee Policy states *“where the Council makes a decision relevant to the Audit Committees Terms of Reference, the Elected Member Representative will report the decision to the Audit Committee at the next Committee meeting and provide any relevant context”*.

**EXECUTIVE SUMMARY:**

Since the last Audit Committee meeting on 31 May 2016, Council has held two (2) Special Council Meetings on 12 July and 1 August and four (4) General Council meetings being the 14 June, 28 June, 26 July and 9 August 2016.

At these meetings, the Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference:

**14 June 2016 General Council Meeting**

3rd Quarter Budget Review 2015/16

Report Reference: GC140616R04

Council adopted the 3<sup>rd</sup> quarter budget review including the revised budgeted statements, the Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows. The 3<sup>rd</sup> Budget Review forecasts an underlying funding surplus of \$1.281m which is a favourable funding adjustment of \$0.886m from the 2<sup>nd</sup> Budget Review.

Draft Annual Business Plan & Budget 2016/17 and Draft Long Term Financial Plan

Report Reference: GC140616R05

Council endorsed the Draft Annual Business Plan 2016/17 be prepared for final consideration at the 28 June 2016 General Council meeting with variations as approved by council on the basis of an average rate increase of 2.75%.

Organisational Key Performance Indicators for 2016/17

Report Reference: GC140616R06

Council adopted the following KPIS for 2016/17

- Delivery within 5% parameters of agreed annual budget (95% - 105%)
- Delivery of agreed projects identified in the Annual Business Plan and the first year targets in the 3-year plan (95% or greater)
- Lost Time Injury Frequency Rate (reduction of 25% in the LTIFR from the previous year's result)
- Staff net numbers (full time equivalent, employee and agency) (A reduction)
- Retention of key staff (Equal to or greater than 95%)
- Community Satisfaction. Overall satisfaction with each of (1) community facilities (2) sports facilities (3) events (Greater than 75%)

## **28 June 2016 General Council Meeting**

### **Mitchell Park Sports and Community Centre - Section 48 Prudential Report** **Report Reference: GC280616R07**

Council received the feedback and advice from the Finance and Audit Committee on the draft Section 48 Prudential Report. Council authorised Council staff to finalise and submit a bid to the National Stronger Regions Fund (NSRF) Round 4 seeking \$9.875 million in Federal capital funding matching a \$9.875 million capital funding commitment by the City of Marion. The capital funding commitment of up to \$9.875 million for the redevelopment of Mitchell Park Sports and Community Club, 4 indoor multi-purpose courts and neighbourhood centre facilities was endorsed subject to the successful application for funding to the National Stronger Regions Fund.

### **Marion Learning Festival Service Review**

#### **Report Reference: GC280616R04**

Council considered the service review report for the Marion Learning Festival and resolved to discontinue the service and return the \$32,150 back into the council budget.

### **Living Kurna Cultural Centre Post Consultation Preferred Model**

#### **Report Reference: GC280616R05**

Council considered the LKCC Service Review (after staff consultation) and endorsed Option 2B Transition to Kurna Community Governance Model as the governance model for Living Kurna Cultural Centre.

### **Adoption of the Annual Business Plan & Budget 2016/17 & Long Term Financial Plan**

#### **Report Reference: GC280616R08**

Council adopted the Annual Business Plan and Budget 2016/17 and LTFP, including adopting the following policies:

- a) Rating Policy
- b) Treasury Management Policy
- c) Asset Management Policy
- d) Fees and Charges Policy
- e) Reserve Funds Policy
- f) Asset Accounting Policy
- g) Budget Policy

### **Valuation – Adoption for 2016/2017 Financial Year**

#### **Report Reference: GC280616R09**

Council adopted the capital valuations as supplied by the Office of the Valuer-General, as the Valuations that are to apply to land within its area for rating purposes for the 2016/2017 financial year. Council noted that, at the time of adoption, the Valuation totalled \$18,774,353,580 (including \$18,014,329,009 Rateable and \$760,024,571 Exempt).

### **Rates Declaration 2016/17**

#### **Report Reference: GC280616R10**

Council adopted a 2.5% rate increase for the 2016/17 financial year

### **Local Government Association (LGA) Membership (motion without notice)**

The Council resolved to withdraw its from membership with the Local Government Association (LGA) for the 2016/17 period and requested that a further report be presented to Council in March 2017 as to any progress of negotiating a more acceptable membership fee.

### **12 July 2016 Special Council Meeting**

#### Rate Rebates 2016-17

Report Reference: SGC120716R01

Council adopted the schedule of rate rebates

#### Final Annual Business Plan (ABP) & Long Term Financial Plan (LTFP)

Report Reference: SGC120716R02

Council authorised Administration to make the necessary changes to the 2016/17 Annual Budget and Long Term Financial Plan 2016/17 to 2025/26 figures and financial statements to reflect the decision as resolved (GC280616R10) to change the average rate increase in the Annual Budget and Long Term Financial Plan to 2.50% and not 2.75% as originally adopted

#### BMX – Deed for Funding

Report Reference: SGC120716R03

Council authorised the CEO to enter into a deed with the Minister for Recreation and Sport and the City of Marion for the development of an international standard BMX facility at Majors Road, O'Halloran Hill. Council noted that the City of Onkaparinga will contribute \$750,000 towards the project.

### **26 July 2016 General Council Meeting**

#### 2016-19 Business Plan

Report Reference: GC260716R03

Council adopted its Community Vision and 2016-2019 Business Plan, for public consultation.

#### Business Continuity Management

Report Reference: GC260716R10

Council adopted the revised Business Continuity Management Policy and Business Continuity Management Framework.

#### CEO Key Performance Indicators for 2016/17

Report Reference: GC260716R15

Council adopted the CEO KPI's subject to written approval from the CEO

### **1 August Special Council Meeting**

#### Local Government Association Membership

Report Reference: SGC010816F01

Council revoked its decision from the 28 June 2016 General Council Meeting stating: *"The City of Marion withdraws from membership with the Local Government Association (LGA) for the 2016/17 period. A report be presented to Council in March 2017 as to any progress of negotiating a more acceptable membership fee"* and requested a further report in March 2017 to determine its Local Government Association Membership for 2017/18 and beyond.

### **9 August 2016 General Council Meeting**

No items to report

## **COMMITTEES**

The Council's 4 Committees also met and discussed the following matters which relate to the FAC Terms of Reference:

### Urban Planning (7 June 2016)

No items to report

### Strategy (7 June 2016)

No items to report

### People and Culture (5 July 2016)

- Review of Elected Member and Staff Protocols for Communication
- Enterprise Agreement (EA) Negotiations Administrative Staff
- CEO Key Performance Indicators for 2016/17

### Infrastructure (5 July 2016)

- Infrastructure Project Updates

## **RECOMMENDATION (1)**

**The Audit Committee note the report.**

**DUE DATE**

**August 2016**

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE MEETING  
16 AUGUST 2016**

**Originating Officers:** Fiona Harvey, Manager Innovation and Strategy  
Ray Barnwell, Manager Finance

**General Managers:** Abby Dickson, General Manager City Development  
Vincent Mifsud, General Manager Corporate Services

**Subject:** Asset Valuation Process and Outcomes for 2015/16

**Report Reference:** FAC160816R7.1

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## **REPORT OBJECTIVES**

This report provides a summary of the process and outcomes of the 2015/16 asset valuations and a comparison with the 2014/15 valuations. It also provides an overview of the accounting standard AASB116 and its implication on the valuations and future depreciation.

## **EXECUTIVE SUMMARY**

At its meeting on the 14 October 2014 (AC141014R6.2) the Audit Committee requested that an annual report on valuations of buildings and assets, and their useful lives, be presented in July each year to enable an informed discussion on the annual valuations prior to the audited statements being received.

A comprehensive valuation of infrastructure assets (roads, drains, bridges, footpaths, kerbs, retaining walls) was undertaken this year by Australia Pacific Valuers (APV), and a desktop valuation for land, buildings, structures, site improvements, wetlands, bus stops, artworks and other assets was undertaken by Maloney Field Services.

The 2015/16 assets Fair Value valuation is \$1,077,235,367 compared with the 2014/15 Fair Value valuation of \$1,080,169,055. This equates to a 0.27% overall decrease in value which is in line with the current economic climate, and also reflects the small impact of the revised accounting standard on the valuations.

For the 2015/16 financial year, the revised Australian Accounting Standard (AASB116) was embedded in the valuations process ensuring Council's full compliance with the revised standard. This has had some marginal impacts on valuations for Infrastructure assets but a more significant impact on future depreciation provisions with the removal of residual values previously incorporated into depreciation estimates.

## **RECOMMENDATION (1)**

**That the Finance and Audit Committee:**

**DUE DATES**

- 1. Notes the 2015/16 asset valuations for all Infrastructure and non-Infrastructure Assets**

**16 Aug 2016**



## Background and Discussion

### Valuation Process

Council engages external, independent and qualified valuers to determine the fair value of the council's assets. This is conducted using the Australian Accounting Standards AASB13 Fair Value Measurement. The definition of 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'*

Under this overarching Standard all assets (with the exception of assets held for sale) are valued in accordance with AASB13 at Fair Value.

Currently comprehensive valuations are undertaken every 3 years with desktop valuations undertaken in alternate years. Desktop valuations in between the 3 yearly comprehensive valuations provides a means to monitor and counteract large valuation fluctuations due to external economic conditions over the course of the three years.

The 2015/16 valuation for Infrastructure assets was a comprehensive valuation undertaken by Australia Pacific Valuers (APV), while the non-infrastructure asset (land and property, structures, wetlands, bus stops, art work, etc.) valuation was a desktop valuation undertaken by Maloney Field Services. The contract for both valuations has now come to an end and a process to engage valuers for the next period of valuations will be undertaken during 2016/17.

Valuations are currently completed as at 31 March (March month end) and this will now be brought forward to 28 February (February month end) in future years to better facilitate the year end Statutory Accounts and organisational Insurance processes. The previous year's valuation data is provided to the responsible officers who update this data with any new information since the last valuation in relation to quantities, materials and unit rates with regard to acquisitions, disposals and contributed assets.

The updated data is then presented as at 31 March to the independent valuers for their valuation assessment. In addition, the financial accounts are appropriately updated to include all further asset acquisitions and disposals from 1 April to 30 June each year.

Under Australian Accounting Standards assets are required to be componentised and categorised. For example, roads are valued as formation, pavement and seal; buildings valued as roof, structure, fit-out, and services; stormwater pipes valued depending on materials (e.g. reinforced concrete, PVC, or Ribloc). Useful lives of assets are estimated based on an analysis done on City of Marion's asset conditions and external environment, in conjunction with consideration of modelled, standard useful lives for each asset type. Useful lives also vary for each asset component. The useful lives used for the valuations process are provided in Appendix 1.

### Implications of Full Compliance with AASB 116

The revision of Australian Accounting Standard AASB116 in late 2014/15 has now become fully effective through the 2015/16 valuations process. The key impact of being fully compliant with this standard is to define residual value as being the future sale price of an asset. Councils have been using residual value to recognise the value of materials salvaged *in situ* on the reconstruction of roads, for example, but the strict application of this definition means that as there is no financial consideration received for infrastructure assets, a residual value in these assets is longer recognised. This has resulted in Council depreciating an asset component that was not previously depreciated and a higher depreciation expense now having to be recognised in the Statutory Accounts.

In accordance with the depreciation requirements of AASB116 'complex assets' are componentized and depreciated separately. This includes splitting each component into its short life and long life parts, with remaining service potential of each part assessed separately.

As part of the 2015/16 valuation process, in conjunction with our infrastructure valuers, Council undertook a comprehensive review of all assumptions in relation to the determination of the componentisation of infrastructure assets and the re-assessment of their respectful useful lives. This has resulted in splitting the infrastructure assets into short life and long life components, which in turn have been used to determine the required depreciation.

The most significant financial impact has been in the depreciation provision required for Roads which will increase overall by \$1.8m for 2016/17 and overall depreciation for infrastructure assets will increase by \$2.42m in 2016/17. Whilst this will reduce Council's forecast Operating Surplus from \$7.6m to \$5.2m it will have no impact on required funding for 2016/17 as funding required for the renewal of assets is driven from Council's Asset Management Plans.

## ANALYSIS

This report provides a summary of the 2015/16 valuations for both Infrastructure and non-Infrastructure assets.

The summary tables below show Gross Values (Replacement Cost or Market Value) and Fair Values as per AASB 13, and a comparison of 2015/16 and 2014/15 valuations.

### Infrastructure Assets

Asset	Gross (RC or MV)			Fair Value		
	2014 / 2015	2015 / 2016	Var (%)	2014 / 2015	2015 / 2016	Var (%)
<b>Road Assets</b>						
Sealed Road	231,577,081	234,449,850	1.2%	208,941,079	203,223,623	-2.7%
Kerb & Channel	133,893,553	136,763,605	2.1%	119,494,725	117,489,273	-1.7%
Kerb & Channel DETI	9,389,447	9,559,100	1.8%	8,493,421	8,057,152	-5.1%
Bridge	5,149,997	5,579,108	8.3%	4,621,192	4,689,719	1.5%
Footpath	111,955,763	119,781,048	7.0%	94,940,619	95,679,709	0.8%
Traffic Device	13,670,315	14,156,826	3.6%	12,343,052	11,279,650	-8.6%
Traffic Sign	2,784,060	3,015,372	8.3%	2,288,680	1,601,193	-30.0%
<b>Road Asset Total</b>	<b>\$ 508,420,216</b>	<b>\$ 523,304,910</b>	<b>2.9%</b>	<b>\$ 451,122,768</b>	<b>\$ 442,020,318</b>	<b>-2.0%</b>
<b>Stormwater Assets</b>						
Stormwater Drain	148,236,930	152,383,659	2.8%	121,225,651	135,563,072	11.8%
Stormwater Pit	22,230,212	22,184,098	-0.2%	19,141,865	19,954,023	4.2%
Junction Box	7,442,665	7,767,103	4.4%	6,573,926	7,126,523	8.4%
Headwall	275,039	321,349	16.8%	229,041	291,120	27.1%
Culvert	13,009,936	13,415,883	3.1%	8,885,290	10,652,531	19.9%
Gross Pollutant Trap	2,398,579	2,428,500	1.2%	2,199,271	2,306,519	4.9%
<b>Stormwater Assets Total</b>	<b>\$ 193,593,361</b>	<b>\$ 198,500,592</b>	<b>2.5%</b>	<b>\$ 158,255,043</b>	<b>\$ 175,893,788</b>	<b>11.1%</b>
<b>Miscellaneous Assets</b>						
Parking Bay	46,855	48,474	3.5%	46,855	46,406	-1.0%
Retaining Wall	4,452,460	6,169,232	38.6%	4,452,460	5,734,161	28.8%
<b>Miscellaneous Assets Total</b>	<b>\$ 4,499,315</b>	<b>\$ 6,217,706</b>	<b>38.2%</b>	<b>\$ 4,499,315</b>	<b>\$ 5,780,567</b>	<b>28.5%</b>
<b>TOTAL</b>	<b>\$ 706,512,893</b>	<b>\$ 728,023,208</b>	<b>3.0%</b>	<b>\$ 613,877,127</b>	<b>\$ 623,694,673</b>	<b>1.6%</b>

Note: The Gross Values are provided for information purposes only. It is the Fair Values that are disclosed in the annual Statutory Accounts.

**Non-Infrastructure Assets**

Asset	Gross (RC or MV)			Fair Value		
	2014/15	2015/16	Var (%)	2014/15	2015/16	Var (%)
Land	341,725,439	341,725,439	0.0%	341,725,439	341,725,439	0.0%
Buildings	123,878,561	123,439,970	-0.4%	70,344,037	61,919,559	-12.0%
Structures	9,288,242	9,310,468	0.2%	4,664,927	4,310,454	-7.6%
Site Improvements	48,581,394	47,954,034	-1.3%	31,854,373	28,745,273	-9.8%
Bus Shelters	1,919,873	1,904,578	-0.8%	1,083,363	933,399	-13.8%
Other	880,740	898,130	2.0%	536,200	451,589	-15.8%
Artworks	225,820	225,820	0.0%	225,820	225,820	0.0%
Wetlands	17,871,771	18,225,632	2.0%	15,857,769	15,229,161	-4.0%
Total	544,371,840	543,684,071	-0.1%	466,291,928	453,540,694	-2.7%

**Total Assets**

	Gross (RC or MV)			Fair Value		
	2014/15	2015/16	Var (%)	2014/15	2015/16	Var (%)
Total Assets	1,250,884,733	1,271,707,279	1.66%	1,080,169,055	1,077,235,367	-0.27%

**2014/15 and 2015/16 comparisons**

Overall the comparison between 2014/15 and 2015/16 Fair Value shows a 0.27% decrease for all asset types. This includes a 1.6% increase in value of Infrastructure assets and 2.7% decrease in value of non-Infrastructure assets. These overall changes in values appear reasonable given the current economic climate and the small changes in Fair Value for most 'high value' asset types e.g. roads, kerb and channel, footpaths.

There are a number of asset types where more significant movement in Fair Value has occurred between the two financial years. These changes have mostly occurred for relatively low value (<\$12m) asset types resulting in only marginal impact to the overall Fair Value. The explanation for these changes are:

- Traffic Signs – 30% decrease: A new model of depreciation, the “straight line” model, has been applied to traffic signs this financial year to better reflect the ‘use profile’ of traffic signs (ie. their use and degradation is constant over their useful lives). This model was applied based on the professional judgement of the independent valuers and has resulted in an overall decrease in the value of traffic signs compared to 2014/15.
- Stormwater assets: New stormwater assets added to the asset register as a result of our ongoing stormwater asset inspection and mapping program has resulted in valuations increasing.
  - drains – 11.8% increase
  - headwalls – 27.1% increase
  - Culverts – 19.9% increase
- Retaining Walls – 28.8% increase: a number of new retaining walls were added to the asset register as a result of an audit of retaining walls.

- Building Assets – 12% decrease is primarily as a result of full compliance with the revised AASB116 accounting standard necessitating the removal of residual values and the re-assessment of useful lives for building long life components i.e building structures at 150 years.

## **CONCLUSION**

The 2015/2016 valuations reported an overall decrease in valuation at Fair Value of 0.27%. Notwithstanding the items mentioned above this very small change seems reasonable in the current economic climate.

Appendix 1: Summary of Useful Lives for asset types and components

Appendix 1  
**City of Marion Useful Lives**  
**Infrastructure Assets**

Hierarchy Data			Component Make Up		Short Life Component Useful Life	Long Life Component Useful Life
Class	Component	Type	Long Life %	Short Life		
<b>Bridge</b>	<b>Super Structure</b>	<b>Standard</b>	<b>40%</b>	<b>60%</b>	<b>80 - 140</b>	<b>200</b>
<b>Footpath</b>	<b>Surface</b>	<b>Concrete</b>	<b>0%</b>	<b>100%</b>	<b>50 - 85</b>	<b>200</b>
Footpath	Surface	Brick / Paved	0%	100%	50 - 85	200
Footpath	Surface	Asphalt	10%	90%	25 - 40	100
Footpath	Surface	Rubber	35%	65%	20 - 30	60
Footpath	Surface	Brick Paved	0%	100%	50 - 85	200
Footpath	Surface	PAVED	0%	100%	50 - 85	200
<b>Kerb &amp; Channel</b>	<b>Kerb</b>	<b>Standard</b>	<b>40%</b>	<b>60%</b>	<b>70 - 105</b>	<b>200</b>
<b>Sealed</b>	<b>Surface</b>	<b>Paved</b>	<b>0%</b>	<b>100%</b>	<b>50 - 65</b>	<b>100</b>
<b>Sealed</b>	<b>Surface</b>	<b>AC</b>	<b>0%</b>	<b>100%</b>	<b>25 - 40</b>	<b>100</b>
<b>Sealed</b>	<b>Pavement</b>	<b>Standard</b>	<b>20%</b>	<b>80%</b>	<b>85 - 100</b>	<b>200</b>
Sealed	Pavement	UD	20%	80%	70 - 90	200
Sealed	Pavement	UC	20%	80%	70 - 90	200
Sealed	Pavement	SA	20%	80%	60 - 80	200
Sealed	Pavement	UD SoM	20%	80%	70 - 90	200
Sealed	Pavement	UC SoM	20%	80%	70 - 90	200
Sealed	Pavement	SA SoM	20%	80%	60 - 80	200
Sealed	Pavement	UML	20%	80%	85 - 100	200
Sealed	Pavement	UML SoM	20%	80%	85 - 100	200
<b>Sealed</b>	<b>Formation</b>	<b>Standard</b>	<b>40%</b>	<b>60%</b>	<b>100 - 175</b>	<b>200</b>
<b>Stormwater Pit</b>	<b>Pits</b>	<b>Standard</b>	<b>20%</b>	<b>80%</b>	<b>100 - 175</b>	<b>200</b>
<b>Stormwater Drain</b>	<b>Stormwater</b>	<b>PVC</b>	<b>0%</b>	<b>100%</b>	<b>100 - 175</b>	<b>200</b>
Stormwater Drain	Stormwater	Culvert	20%	80%	100 - 175	200
Stormwater Drain	Stormwater	Ribloc	40%	60%	60 - 100	200
Stormwater Drain	Stormwater	Concrete / FRP etc	40%	60%	100 - 175	200
<b>Traffic Signs</b>	<b>Traffic Signs</b>	<b>Standard</b>	<b>0%</b>	<b>100%</b>	<b>15 - 20</b>	<b>60</b>
<b>Traffic Signal</b>	<b>Traffic Signal</b>	<b>Road Asset</b>	<b>40%</b>	<b>60%</b>	<b>15 - 20</b>	<b>60</b>
Traffic Signal	Traffic Signal	Road Hump	0%	100%	25 - 40	60
Traffic Signal	Traffic Signal	Slow Point	40%	60%	40 - 60	80
Traffic Signal	Traffic Signal	Median Concrete	40%	60%	35 - 45	70
Traffic Signal	Traffic Signal	Median Dolomite	40%	60%	35 - 45	70
Traffic Signal	Traffic Signal	Median Landscaped	40%	60%	35 - 45	70
Traffic Signal	Traffic Signal	Median Paved	40%	60%	35 - 45	70
Traffic Signal	Traffic Signal	Traffic Island Concrete	40%	60%	40 - 50	80
Traffic Signal	Traffic Signal	Traffic Island Dolomite	40%	60%	40 - 50	80
Traffic Signal	Traffic Signal	Traffic Island Landscaped	40%	60%	40 - 50	80
Traffic Signal	Traffic Signal	Traffic Island Paved	40%	60%	40 - 50	80
Traffic Signal	Traffic Signal	Traffic Island Bitumen	40%	60%	40 - 50	80
Traffic Signal	Traffic Signal	Kerb Protuberance Concrete	40%	60%	25 - 30	50
Traffic Signal	Traffic Signal	Kerb Protuberance Landscaped	40%	60%	25 - 30	50
Traffic Signal	Traffic Signal	Kerb Protuberance Bitumen	40%	60%	20 - 24	40
Traffic Signal	Traffic Signal	Kerb Protuberance Paved	40%	60%	25 - 30	50
Traffic Signal	Traffic Signal	Pedestrian Crossing	40%	60%	35 - 45	70
Traffic Signal	Traffic Signal	Pedestrian fence 1.2 metres	40%	60%	15 - 20	60
Traffic Signal	Traffic Signal	Driveway Structure	40%	60%	40 - 50	80
Traffic Signal	Traffic Signal	Entry Threshold	40%	60%	40 - 50	80
Traffic Signal	Traffic Signal	Road Closure	40%	60%	40 - 50	80
Traffic Signal	Traffic Signal	Roundabout	40%	60%	40 - 50	80
<b>Retaining Wall</b>	<b>Retaining Wall</b>	<b>Retaining Wall</b>	<b>40%</b>	<b>60%</b>	<b>80 - 140</b>	<b>200</b>
<b>Parking Bay</b>	<b>Sealed</b>	<b>Formation</b>	<b>40%</b>	<b>60%</b>	<b>100 - 175</b>	<b>200</b>
Parking Bay	Sealed	Pavement	20%	80%	85 - 100	200
Parking Bay	Sealed	Surface	0%	100%	25 - 40	-

## Non-Infrastructure Assets

Hierarchy Data		
Class	Type	Component Useful Life
BUILDINGS AND STRUCTURES	Buildings	15 - 80 years
BUILDINGS AND STRUCTURES	Structures	7 - 60 years
BUILDINGS AND STRUCTURES	Site improvements	5 - 100 years
BUILDINGS AND STRUCTURES	Bus Stops	20 years
OTHER INFRASTRUCTURE	Wetlands	15 - 100 years
OTHER INFRASTRUCTURE	Carparks	25 - 40 years
OTHER INFRASTRUCTURE	Fibre Optic	25 years
OTHER INFRASTRUCTURE	Lighting	25 years
OTHER INFRASTRUCTURE	Irrigation	25 years
OTHER INFRASTRUCTURE	Coastal Walking Trail	10 - 30 years
PLANT AND EQUIPMENT	Vehicles	3 - 10 years
PLANT AND EQUIPMENT	IT	1 - 15 years
FURNITURE AND FITTINGS	Furniture and Fittings	10 - 15 years
OTHER ASSETS	Artworks	30 - 80 years
OTHER ASSETS	Pool Equipment	8 - 15 years
OTHER ASSETS	Monuments	100 years
OTHER ASSETS	Band Instruments	30 years

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE  
16 AUGUST 2016**

**Originating Officer:** Ray Barnwell, Manager Finance

**General Manager:** Vincent Mifsud, General Manager Corporate Services

**Subject:** Treasury Management and Reserve Funds Policy

**Report Reference:** FAC160816R+"&

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## **REPORT OBJECTIVES**

This report is to provide information in order to facilitate discussion with regard to Council's existing policies in relation to Treasury Management and Reserve Funds.

## **EXECUTIVE SUMMARY**

At its Special Finance and Audit Committee (FAC) meeting on the 20 June 2016 the FAC requested that the Treasury Management Policy and the Reserves Funds policy be brought for discussion to the next FAC meeting.

At that 20 June meeting advice and feedback was sought from Council's FAC in relation to a Section 48 Report on the Mitchell Park Sports and Community centre prior to it being referred to Council on 28 June 2016.

Discussion took place at the meeting with regard to Council gaining a greater understanding of its capacity to deliver a number of major strategic projects and the challenges and risks associated with delivering these projects. It was decided that it would be beneficial to discuss the existing Treasury Management and Reserve Funds policies and how they guide and direct management, staff and Council in relation to the holistic management of its funding requirements to operate in a financially sustainable manner and fund major strategic projects.

## **RECOMMENDATIONS (2)**

	<b>DUE DATES</b>
<b>That the Finance and Audit Committee:</b>	
<b>1. Notes the report.</b>	<b>16 Aug 2016</b>
<b>2. Facilitates discussion and provide their feedback in relation to the following policies:</b>	<b>16 Aug 2016</b>
<ul style="list-style-type: none"> <li>• Treasury Management Policy; and</li> <li>• Reserve Funds Policy.</li> </ul>	

## Background and Discussion

Council has a number of accounting policies which seek to provide guidance and direction in relation to funding and treasury matters to management, staff and Council. These policies seek to underpin Council's decision making in relation to financing its operations and managing its long term funding requirements in a financially sustainable manner.

In particular Council's Treasury Management policy seeks to guide and direct Council in the way borrowings are raised and how its investments are managed and the Reserve Funds policy guides decision making with regard to the recognition and allocation of funding for future purposes.

The principles outlined in Council's Treasury Management policy are that Council's operating and capital expenditure decisions are made on the basis of:

- identified community need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery; and
- affordability of proposals having regard to Council's long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council's Net Financial Liabilities and Interest Cover ratios).

Council's Reserve Funds policy recognises the establishment of the following accounting reserve funds:

- Asset Revaluation Reserve
- Open Space Reserve
- Grants and Carry Forward Projects Reserve and
- Asset Sustainability Reserve.

The purpose of each of these reserve funds is outlined in the reserve funds policy as attached to this report (appendix 2).

Feedback and guidance is sought in relation to the existing policies and their alignment with Council's requirement to continue to operate in a financially sustainable manner. Points of discussion may include;

- Council borrowings – When, how and for what purpose Council should borrow.
- Opportunity cost of borrowing when holding cash reserves, including the opportunity cost arising from the difference between the cost of borrowings and return on investment.
- Consideration of inter-generational equity for the funding of long term infrastructure projects.
- Quarantining funds for future major strategic projects and how these funds should be distributed in the future.

Over the term of Council's Long Term Financial Plan (2016/17 to 2025/26) a total of \$33.8m will be quarantined in Council's Asset Sustainability Reserve for the Community Facilities Partnership Fund. At present, there is no planned expenditure out of this reserve.



Note: The recently adopted S.48 prudential management reports for the Edwardstown Soldiers Memorial Recreation Ground and Mitchell Park Sports and Community Centre projects now incorporated into the LTFP assume that Council's contribution for those projects will be fully loan funded. However, the opportunity exists to consider cash funding part or all of Council's contribution to those projects from funding quarantined in the Asset Sustainability Reserve.

Based on the recently adopted LTFP (refer excerpt at Appendix 3), it is projected that Council's reserve balances at the end of 2025/26 (excluding the Asset Revaluation Reserve – which has no funding requirements) will total \$49.6m, and its projected cash balance will be \$51.6m.

The following information is being provided to support discussion;

1. Treasury Management Policy (Appendix 1)
2. Reserve Funds Policy (Appendix 2)
3. Council's long Term Financial Plan (Appendix 3)

## **CONCLUSION**

Council's Treasury Management policy and Reserve Funds policy seek to underpin Council's decision making in relation to financing its operations and managing its long term funding requirements in a financially sustainable manner. Feedback and guidance is sought from the Finance and Audit Committee in relation to the existing policies and the structure they provide Council with to make decisions in relation to financing its operations and managing its long term funding requirements in a financially sustainable manner.

## **APPENDICES**

Appendix 1: Treasury Management Policy

Appendix 2: Reserve Funds Policy

Appendix 3: Councils Long Term Financial Plan

## Treasury Management Policy

### **POLICY STATEMENT:**

#### **INTRODUCTION**

This policy provides clear direction to the management, staff and Council in relation to the treasury function. It underpins Council's decision-making regarding the financing of its operations as documented in its annual budget, long-term financial plan, projected and actual cash flow receipts and outlays.

Council is committed to adopting and maintaining a long-term financial plan and operating in a financially sustainable manner.

#### **POLICY OBJECTIVES**

This Treasury Management Policy establishes a decision framework to ensure that:

- funds are available as required to support approved outlays;
- interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed;
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term

#### **OTHER RELATED POLICIES**

Reserve Funds Policy

#### **DEFINITIONS**

**Financial Assets** include cash, investments, receivables and prepayments. Equity held in a Council business is normally regarded as a financial asset but is excluded for the purpose of calculating Local Government published financial indicators. Also, inventories and land held for resale are not regarded as financial assets.

**Financial Sustainability** is achieved where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

**Net Financial Liabilities** equals total liabilities less financial assets, where financial assets for this purpose include cash, investments, receivables and prepayments, but excludes equity held in a Council business, inventories and land held for resale.

**Interest Cover Ratio** indicates the extent to which a Council's operating revenues are committed to interest expenses.

**Net Financial Liabilities Ratio** indicates the extent to which net financial liabilities of a Council could be met by its operating revenue.

## Appendix 1

**Non-financial or Physical Assets** means infrastructure, land, buildings, plant, equipment, furniture, and fittings, library books and inventories.

**Operating Revenues** are “operating revenues” as shown in the Income Statement but exclude profit on disposal on non-financial assets and grants and contributions received specifically for new/upgraded infrastructure and other assets, e.g. from a developer. For Local Government published financial indicators calculated where the denominator specified is total operating revenue, Natural Resource Management (NRM) levy revenue is excluded. For the purpose of calculating the **Interest Cover Ratio** investment income also is excluded from the denominator.

**Rates Revenue** is general and other rates net of the impact of rate rebates and revenue from the NRM levy.

## **PRINCIPLES**

### **Treasury Management Strategy**

Council's operating and capital expenditure decisions are made on the basis of:

- identified community need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery; and,
- affordability of proposals having regard to Council's long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council's Net Financial Liabilities and Interest Cover ratios)

Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

- maintain target ranges for both its Net Financial Liabilities and Interest Cover ratios;

Net Financial Liabilities ratio:      Between 0 - 50%

Interest Cover ratio:                Between 0 - 5%

- borrow funds in accordance with the requirements set out in its Long-Term Financial Plan;
- not utilise borrowings to finance operating activities or recurrent expenditure;
- endeavour to fund all capital renewal projects from operating cash flow and borrow only for new/upgrade capital projects, having regard to sound financial management principles and giving consideration to inter-generational equity for the funding of long term infrastructure projects;
- not retain and quarantine money for particular future purposes unless required by legislation or contractual agreement with other parties (related policy: Reserve Funds Policy);
- apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

## Appendix 1

**Borrowings**

All borrowings will be subject to Council approval on the recommendation of the Director responsible for Financial Services.

To ensure an adequate mix of interest rate exposures, Council will structure its portfolio of borrowings to ensure an optimal Treasury Management position, taking into account all borrowing options including fixed and variable terms. In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity spectrum.

Council will establish, and make extensive use of, a *long-term variable interest rate borrowing facility / LGFA's Cash Advance Debenture facility* that requires interest payments only and that enables any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity when needed.

**Investments**

Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings will be invested. The balance of funds held in any operating bank account that does not provide investment returns at least consistent with 'at call' market rates shall be kept at a level that is no greater than is required to meet immediate working capital requirements.

Council funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments the term should not exceed a point in time where the funds could otherwise be applied to cost-effectively defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.

When investing funds Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

Investments fixed for a period greater than 12 months are to be approved by Council.

Council may from time to time invest surplus funds in:

- deposits with the Local Government Finance Authority;
- bank interest bearing deposits;
- bank accepted/endorsed bank bills;
- bank negotiable Certificate of Deposits;
- State/Commonwealth Government Bonds.

*Investment of surplus funds outside of the above investment choices must be reported to Council for approval.*

*Examples of specific investment activities Council would not participate in include shares in private/public companies, listed or unlisted property trusts and derivatives.*

## Appendix 1

**Reporting**

In accordance with Section 140 of the Local Government Act, a report will be presented to Council annually which will summarise the performance of the investment portfolio.

**RELEVANT LEGISLATION****For Borrowings**

- Local Government Act, 1999
  - Section 44/Section 122/Section 134
- Regulations 5 and 5B of the Financial Management Regulations under the Act

*The main legislative provisions in the Local Government Act covering borrowings are:*

- *Section 44 – a Council must approve all borrowings and the legislation clearly states that the power to borrow cannot be delegated (for simplicity many Councils appropriately just have all proposed borrowings for the year approved at the time the annual budget is adopted)*
- *Section 22 – a Council's strategic managements plans must include an assessment a Council's proposals with respect to debt levels*
- *Section 134 – empowers a Council to borrow and requires a Council to consider expert advice before entering into financial arrangements for the purpose of managing, hedging or protecting against interest rate movements and other risks associated with borrowing money*
- *Regulations 5 and 7 of the Financial Managements Regulations under the Act – require the preparation of Cash Flow Statements (including financing transactions) covering Councils' Long-term Financial Plans and Budgets*

**For Investments**

- Local Government Act, 1999
  - Section 47/Section 139/Section 140

*The main Local Government Act provisions covering investments are:-*

- *Section 47 – prohibits a Council from directly acquiring shares in a company*
- *Section 139 – empowers a Council to invest and requires that the power of investment be exercised with the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons. Section 139 also requires Council to avoid investments that are speculative or hazardous in nature*
- *Section 140 – requires that a Council review the performance of its investments at least annually*

## Reserve Funds Policy

### POLICY STATEMENT:

Council will maintain Accounting Reserves as a means by which to separate monies for a particular purpose.

### DEFINITIONS:

Reserve - any part of the accumulated surplus of Council or controlling authority set aside for a particular purpose.

### PRINCIPLES:

Council has established the following reserves:

#### Asset Revaluation Reserve

Purpose - this is a statutory reserve fund required under Australian Accounting Standards. The balance of this reserve represents net increments associated with the revaluation of non-current assets.

#### Open Space Reserve

Purpose - this reserve has been established to account for the following:

- I. set aside open space contributions provided by developers in accordance with the Development Act (conditions may apply)
- II. separate net proceeds associated with Road Closures.
- III. net proceeds associated with disposal of minor land holdings
- IV. funds received from the 'Urban Trees Fund'

Use of Fund - monies can be applied to the development of Open Space facilities as approved by Council and in accordance with the Open Space Policy (pending). Interest revenues earned on contributions provided by developers are transferred to the Fund.

#### Grants/Carry Forward Projects Reserve

Purpose - this reserve was created to account for:

Grants received in advance - occasionally a funding body has provided Grant funds relating to the following financial year in advance. When this has occurred it has been necessary to transfer these funds to this reserve so that they can be matched against the expenditures planned to be incurred in the next financial year.

Unexpended Grants - when grant monies have not been fully acquitted in the financial year this reserve is used to transfer the unexpended balance to the following financial year.

Carryovers - typically represent unspent capital and service improvement budgets carried forward to the following financial year.

Use of Fund - monies are utilised in accordance with the initial transfer of funds

## Appendix 2

Asset Sustainability Reserve

Purpose - this is a reserve fund established to:

- I. Primary Purpose – Provide Council with the ability to access sufficient funds to enable it to respond to a major infrastructure failure or fund an infrastructure gap identified in periodic asset audits. A minimum balance of \$2 million will be retained in the Asset Sustainability Reserve for this purpose.
- II. Assist Council fund its Long Term Asset Management objectives.
- III. Provide a means by which to spread the cost of intergenerational assets thereby reducing the need for borrowings.
- IV. Provide a means by which Council can strategically plan to maintain its asset base within a long term Financial framework.
- V. Quarantine funds specifically set aside in the Community Facilities Partnership Program (CFPP) for the purpose of funding the renewal, upgrade and purchase of Council assets as resolved by Council. This will include encouraging organisations leasing council facilities to seek partnership funding for required renewal and upgrade of those community facilities.

The Asset Sustainability Reserve is underpinned by Council's Annual Savings Initiative that was established in June 2003 with the objective of identifying annual budget savings. Initially the target was set at \$1 million per annum over a 3 year period. As of 27 June 2006 this target was revised to 2% per annum of operating expenditures from original adopted budget. This resolution came as a result of a number of discussions that raised the need for Council to have increased flexibility in setting the annual budget to more effectively respond to the changing needs of the people of Marion.

Identified savings are allocated providing a balance between funding new prioritised service improvements identified in the Strategic Plan and addressing Council's financial position.

- I. Savings identified during a financial year are forecasts only and therefore will be held for consideration by Council in the 1<sup>st</sup> Budget Review in the following year.
- II. Savings will be separated between recurrent (ongoing) and once off savings. This process is designed to develop a high level of trust in the organisation in the budget review process.
- III. Savings of a:
  - a. recurrent nature may be allocated to service improvements identified in the Strategic Plan that are of a recurrent nature.
  - b. one-off nature may be applied to capital items, new or renewal, or a non recurrent service improvement (once off).
- IV. Council must ensure that it continues the improvement in its financial performance. It is essential that the Annual Savings Initiative focuses on achieving that objective. In relation to the long term financial plan the Annual Savings Initiative will focus on four areas:
  - a. Increase expenditure on Infrastructure/Asset replacement/renewal sustainability
  - b. Reduce proposed borrowing program - debt servicing ratio improves
  - c. Retain savings to improve liquidity (cash) - working capital improves
  - d. Reduce reliance on rate revenue to achieve community objectives

The Asset Sustainability Reserve will be funded from planned surpluses identified in the Long Term Financial Plan (LTFP) and from funds specifically set aside for the CFPP in the LTFP.

**CITY OF MARION  
LONG TERM FINANCIAL PLAN**

**Summarised Budgeted Funding Statement**

		<b>ABP&amp;B</b>									
		<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/2025</b>	<b>2025/2026</b>
		<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
	<b>Operating Revenue</b>	84,610	85,818	88,693	91,666	94,742	97,923	101,213	104,615	108,133	111,774
<i>Less</i>	<b>Operating Expenses</b>	76,957	77,788	81,145	83,028	84,736	86,674	89,278	90,869	93,107	95,435
	<b>Operating Surplus/(Deficit) before Capital Revenues</b>	<b>7,653</b>	<b>8,029</b>	<b>7,547</b>	<b>8,638</b>	<b>10,005</b>	<b>11,249</b>	<b>11,934</b>	<b>13,746</b>	<b>15,026</b>	<b>16,339</b>
<b>Capital</b>											
<i>Add</i>	Depreciation	14,020	14,580	15,190	15,797	16,429	17,087	17,771	18,483	19,222	19,991
<i>Less</i>	Capital Expenditure (Net of Capital Revenues)	18,598	30,217	39,852	21,063	22,600	22,764	25,703	24,929	23,456	23,921
<i>Equals</i>	<b>Net Overall funding Surplus/(Deficit)</b>	<b>3,075</b>	<b>(7,608)</b>	<b>(17,115)</b>	<b>3,372</b>	<b>3,834</b>	<b>5,572</b>	<b>4,002</b>	<b>7,300</b>	<b>10,792</b>	<b>12,409</b>
<b>Funding transactions associated with accommodating the above net overall funding deficit (or applying the net overall funding surplus) are as follows:</b>											
	<b>Loans - Increase/(Decrease)</b>	(1,400)	5,516	8,343	(2,581)	(2,726)	(2,381)	(2,508)	(2,642)	(2,107)	(2,107)
<i>Less</i>	Reserves Transfer from/(Transfer to)	(2,031)	(1,520)	(2,813)	(3,658)	(3,764)	(3,873)	(3,985)	(4,101)	(4,220)	(4,343)
<i>Less</i>	<b>Funding Surplus / (Deficit)</b>	<b>(680)</b>	<b>55</b>	<b>(1,928)</b>	<b>(3,221)</b>	<b>(3,020)</b>	<b>(1,058)</b>	<b>(2,877)</b>	<b>159</b>	<b>4,055</b>	<b>5,427</b>
<i>Equals</i>	<b>Funding Transactions</b>	<b>(2,751)</b>	<b>3,941</b>	<b>7,458</b>	<b>(3,018)</b>	<b>(3,470)</b>	<b>(5,196)</b>	<b>(3,616)</b>	<b>(6,902)</b>	<b>(10,382)</b>	<b>(11,877)</b>
<b>Closing Cash Balance</b>		<b>21,747</b>	<b>23,321</b>	<b>24,206</b>	<b>24,644</b>	<b>25,387</b>	<b>28,202</b>	<b>29,310</b>	<b>33,571</b>	<b>41,845</b>	<b>51,615</b>
<b>Reserve Account Balance*</b>		<b>17,369</b>	<b>18,889</b>	<b>21,702</b>	<b>25,360</b>	<b>29,124</b>	<b>32,997</b>	<b>36,982</b>	<b>41,083</b>	<b>45,303</b>	<b>49,646</b>

\* Note - the Reserve Account Balance includes the Asset Sustainability Reserve, the Open Space Reserve and the Grants & Carryover Reserve



**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE MEETING  
16 AUGUST 2016**

**Manager:** Kate McKenzie, Manager Corporate Governance  
Ray Barnwell, Manager Finance

**General Manager:** Vincent Mifsud, Corporate Services

**Subject:** External Audit Tender

**Report Reference:** FAC160816R7.3

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**REPORT OBJECTIVES AND EXECUTIVE SUMMARY**

The current external audit contract is due to expire at the conclusion of the audit for the 30 June 2016 financial year. This report provides an overview of the approach and timeline for the external audit tender. It is recommended that a 5 year fixed term contract be advertised via select tender. The FAC is required to oversee the tender process and make a recommendation to Council at the conclusion of the tender.

The purpose of this report is to advise the Finance and Audit Committee (FAC) of the approach and timeline for the upcoming external audit tender and seek any feedback or comment.

**BACKGROUND**

Sections 128 and 129 of the *Local Government Act 1999* outlines the requirements regarding Council's obligations to have an auditor, the conditions of their appointment and the conduct of the auditor.

Section 128 (2) specifically requires that the auditor will be appointed by the Council on the recommendation of the council's Audit Committee. In making this recommendation, the Audit Committee must take into account any factors prescribed by the regulations.

The appointment of an auditor must not exceed a period of 5 years and a firm may be reappointed at the expiration of a terms of office if the audit partner that held the office of auditor of the council for at least 5 successive financial years, does not then play a significant role in the audit of the council for at least 2 financial years.

The external audit contract is currently awarded to Deloitte and is due to expire at the conclusion of the 30 June 2016 audit. Prior to this current contract, the contract was awarded to KPMG.

**ANALYSIS**

Consistent with previous contracts, it is recommended that Council seeks a five (5) year fixed price contract to commence with the audit for the financial year ending 30 June 2017 and concluded following the audit for the financial year ending 30 June 2021.

It is also recommended that a select tender be undertaken on the basis there are limited audit firms who would have the capacity, experience and knowledge specific to Local Government.

It is proposed that the following firms be approached:

- Deloitte (current auditors)
- Ernst and Young
- PriceWaterhouseCoopers
- UHY Haines Norton
- Bentleys
- Grant Thornton
- BDO
- Deane Newbury & Partners
- PKF Kennedy

These firms have been identified on the basis that they are known to have the capability and capacity to conduct this type of audit and/or have existing local government auditing experience.

**Note:** Independence requirements preclude our current Internal Auditors, KPMG (current contract expires on 30 June 2017) from participating in this tender process.

The 2015/16 Audit outcomes are due to be finalised and reported to the FAC in October 2016.

It is recommended that the tender process commence once the current audit is finalised. Based on this, the following timetable has been developed.

Prepare tender documents	October 2016
Advertise Tender	Early November 2016
Evaluate tender	November / December 2016
FAC considerations	February 2017
Council Consideration and Appointment of Auditor	February 2017
Awarding of Contract	March 2017

It is proposed that the tender evaluation team will comprise of the Manager Finance, Manager Strategy and Innovation and Manager Corporate Governance. Criteria and weightings for the assessment will be established by the evaluation team prior to the tender documentation being released. The criteria will take into account such matters as tenderers capacity and capability, the proposed methodologies and value for money.

A further report will be presented to the October 2016 FAC meeting with the tender specifications, criteria and weightings for FAC consideration.

## RECOMMENDATIONS (1)

## DUE DATES

**That the Finance and Audit Committee endorse the tender timeline and approach, including a select tender.**

**August 2016**

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE MEETING  
16 AUGUST 2016**

**Originating Officer:** Colin Heath, Manager Contracts & Operations Support  
**Corporate Manager:** Colin Heath, Manager Contracts & Operations Support  
**General Manager:** Vincent Mifsud, General Manager Corporate Services  
**Subject:** Procurement and Contractor Management Policy  
**Report Reference:** FAC160816R7.4

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**REPORT OBJECTIVES**

To seek Finance and Audit Committee input into the revised Procurement and Contractor Management Policy.

**EXECUTIVE SUMMARY**

Section 49 of the *Local Government Act 1999 (SA)* requires council to develop and maintain procurement policies, practices and procedures directed towards

- obtaining value in the expenditure of public money; and
- providing for ethical and fair treatment of participants; and
- ensuring probity, accountability and transparency in procurement operations.

The City of Marion's Procurement and Contractor Management Policy has been revised to support the City of Marion's procurement processes. The purpose of this report is to seek the Committee's input regarding the policy prior to it being presented to Council for consideration and adoption.

**RECOMMENDATIONS (1)**

**DUE DATES**

**That the Finance and Audit Committee:**

- 1. Review and endorse the Procurement and Contractor Management Policy (Appendix 1) subject to the following amendments: -**

**16 August 2016**

## BACKGROUND

During 2015 two reviews were undertaken in relation to contractor management processes within the City of Marion:

- April 2015 - BDO undertook an efficiency and effectiveness review of current practices for contractor management to identify any gaps and/or opportunities for improvement, and identified a range of recommendations
- September 2015 - the LGA Workers Compensation Scheme (LGAWCS) undertook a WHS Audit of the City of Marion's procurement and contractor management documentation and processes against the LGAWCS Contractor Management/legislative requirements, and identified a range of proposed changes to existing documentation (some similar to the BDO recommendations)

In addition, the City of Marion's Procurement Policy has not undergone formal review since being endorsed by Council in November 2007.

An internal review has also been undertaken to refine council's procurement policy and procedures to take into consideration:

- integration of Environmental Management System documentation
- a sample of similar sized metropolitan council's procurement policies
- current procurement practices

The proposed Procurement and Contractor Management Policy (refer Appendix 1) is underpinned by detailed procedures. In addition to revisions to the Procurement and Contractor Management Policy (formerly Procurement Policy), major changes have been made to the following internally approved procedures as a consequence of the LGAWCS /BDO recommendations and the internal review process:

- Procurement Procedure
- Tender Evaluation Procedure
- Use of Purchase Order Procedure
- Contract Management Procedure

The Executive Leadership Team review and internal consultation on these supporting procedures has occurred. Following formal endorsement of the revised Procurement and Contractor Management Policy, these procedures will be formally adopted, and staff training undertaken.

### ***Summary of Changes to Policy***

Primary changes made to the policy reflect:

- expanding the scope of the policy to cover Contractor Management activities in addition to Procurement activities
- removal of procedural related references which are incorporated into procedures underpinning the policy
- addition of elements to strengthen our policy position related to work health safety and contract management responsibilities

Major changes to the current Procurement Policy (refer Appendix 2) are highlighted in the table below:

<b>Document Section</b>	<b>Major Changes Adopted</b>
1- Policy Purpose	<ul style="list-style-type: none"> <li>• added reference to section 49 of the Local Government Act 1999</li> </ul>
2- Policy Scope	<ul style="list-style-type: none"> <li>• expanded scope to include reference to procurement and contract management</li> <li>• added policy exclusions</li> </ul>
3 - Definitions	<ul style="list-style-type: none"> <li>• added definitions for Contract Administrator, Contractor and Procurement</li> </ul>
4 - Policy Statement	<ul style="list-style-type: none"> <li>• added clearer policy statements associated with procurement and contract management activities</li> <li>• added additional procurement principle to provide clarity regarding Open and Effective Competition</li> <li>• strengthened procurement principles related to Use of Local Contractors and Sustainable Procurement (recognising the desire to incorporate economic development, sustainability or social inclusion elements specific to the procurement within our market documents)</li> </ul>
5 - Contract Management	<ul style="list-style-type: none"> <li>• strengthened responsibilities of contract administrators</li> </ul>

## CONCLUSION

The proposed Procurement and Contractor Management Policy incorporates enhancements recommended by recent external and internal reviews, and has been endorsed by the Executive Leadership Team for the Committee's review and feedback.

## Appendix

Appendix 1 – Proposed Procurement and Contractor Management Policy

Appendix 2 – Current Procurement Policy

# Procurement and Contractor Management Policy



## 1. Policy Purpose

The purpose of this policy is to provide City of Marion officers, potential suppliers, contractors and the community with a framework detailing how procurement activities and contractor management will be undertaken in the City of Marion.

This policy has been developed to address the requirements of section 49 of the Local Government Act 1999 (SA) which requires council to develop and maintain procurement policies, practices and procedures directed towards

- obtaining value in the expenditure of public money; and
- providing for ethical and fair treatment of participants; and
- ensuring probity, accountability and transparency in procurement operations.

## 2. Policy Scope

This policy covers all procurement and contractor management activities associated with the acquisition of goods, services, consultants and construction works by the City of Marion.

This policy does not cover:

- non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts; or
- the disposal of land and other assets owned by the City of Marion; or ☐ the purchase of land by the City of Marion

## 3. Definitions

**"Contract Administrator"** means the Council officer responsible for the management and administration of a contract.

**"Contractor"** means an organisation engaged by the City of Marion to undertake defined services, Construction Work, or supply of goods.

**"Market Document"** means the document used to invite offers from contractors and includes a specification or brief, conditions of contract and any other information required by contractors to provide sufficient detail for the City of Marion to make an informed decision.

**"Procurement"** means the acquisition of any goods, services or construction works by any means, including purchasing or leasing.

**"Value for money"** means the best outcome achievable when all costs and benefits (both qualitative and quantitative) over the procurement lifecycle (acquisition, use, maintenance and disposal) are considered on a case by case basis.

# Procurement and Contractor Management Policy



## 4. Policy Statement

With respect to procurement activities within Council:

- all procurement activities are to be undertaken by Council staff in accordance with this Policy and supporting procurement procedures and delegations. Elected Members involvement in procurement activities is to consider recommendations put forward by staff through Council.
- the procurement method for the acquisition of goods, services, consultants and construction works will be determined in accordance with Council's Procurement Procedure.
- contract variations or extensions are to be authorised in accordance with the relevant delegated authority process.
- the authority to provide an exemption from relevant procurement procedures will be delegated to officers of Council.
- Procurement and Contractor Management within the City of Marion shall be consistent with and support Council's current Strategic Plan.
- procurement activities will be based on application of the following ten key principles:

### 4.1. Intent to Contract

The City of Marion will only approach the market after gaining budget approval and any other internal approval required for the proposed expenditure and with the intent to engage a contractor, subject to achieving acceptable outcomes in terms of value for money, work health safety, environmental outcomes and risk.

Where prices are sought from the market for budgeting purposes only, that intent shall be made clear to the contractors.

### 4.2. Value for Money

The City of Marion will strive to achieve the best value for money outcome in its procurement activities, with consideration to all relevant costs and benefits over the whole product life cycle from the sourcing of raw materials to disposal of goods or services being procured.

### 4.3. Open and Effective Competition

The City of Marion will seek to provide open and effective competition by providing contractors with fair and reasonable access to opportunities to do business with Council, in line with relevant procurement procedures. Contractors will be offered feedback on unsuccessful tenders to demonstrate transparency of the procurement process.

# Procurement and Contractor Management Policy



## 4.4. Risk Management

The City of Marion will adopt sound risk management principles in its procurement activities consistent with the corporate risk management approach. All relevant risks will be taken into consideration.

## 4.5. Confidentiality

The City of Marion will maintain the confidentiality of information provided by contractors in any procurement process, both during the process and for the period after, until documents are destroyed in accordance with statutory requirements.

### Probity, Accountability and Transparency

The City of Marion will deal with all contractors and potential contractors on the basis of mutual trust and respect. To facilitate this, the City of Marion will act in an open and transparent manner in its procurement activities. Contractors will be treated fairly and equitably in any procurement process. The City of Marion will comply with all legislation relevant to the procurement process.

## 4.6. Efficient Procurement Practices

Standard tender and contract documentation will be used wherever possible to ensure consistency. Panel arrangements and pre-qualification of contractors will be utilised where appropriate, to improve the efficiency of the procurement process and reduce the impact of repetitive bidding on potential contractors.

## 4.7. Work Health and Safety

The City of Marion is committed to achieving a high level of pro-active Work Health and Safety (WHS) management during its procurement processes and management of contracts. The City of Marion seeks to engage contractors who can demonstrate an appropriate WHS Management System (WHSMS) capability that, at a minimum, meets the City of Marion's WHS standards which will optimise safety management for workers contracted by the City of Marion. As a minimum, this will be:

- compliance to the Work Health, Safety Act, 2012 (and all associated Regulations, Codes of Practice and Standards),
- cooperating with any safety policies, procedures and information provided by the City of Marion, and
- identifying hazards associated with work being undertaken and ensuring all identified hazards are managed in accordance with the WHS legislation.

Additional work health and safety requirements specific to the procurement and contractor management will be advised in the Market Document.



# Procurement and Contractor Management Policy



The City of Marion's contractor management system will provide for the

- selection of contractors with appropriate safety controls,
- the exchange of information between the City of Marion and its contractors to facilitate the identification of hazards and appropriate risk management, and □ the appropriate monitoring of the contractors engaged.

## 4.8. Environmental Management

The City of Marion recognises it has an important role in environmental management, through its procurement activities and contractor management.

When engaging contractors, the City of Marion requires a minimum standard of environmental management which includes:

- compliance with all applicable environmental laws, protection policies, guidelines, codes of practice, and/or the condition of any licence or approval obtained from the Environment Protection Authority (EPA); and
- requirements to conduct their operations in an environmentally sensitive manner.

Additional environmental requirements specific to the procurement will be advised in the Market Document.

## 4.9. Use of Local Contractors and Sustainable Procurement

Where appropriate, economic development, sustainability, or social inclusion elements specific to the procurement may be advised in the Market Document to reflect the City of Marion's desire to:

- promote economic development within the Southern Region of Adelaide; or
- engage contractors that seek to minimise the impact of their operations on the environment; or
- support state and national efforts to increase workforce participation, skill development and social inclusion through employment of Aboriginal people, trainees and apprentices, or local people with barriers to employment

To the extent permitted by law, the City of Marion may give preference to the engagement of local contractors (that is those operating within the City of Marion Council area boundaries) when all other commercial factors are considered equal. The definition of 'local' may vary, depending on the identified geographic market for the relevant procurement activity.

## 5. Contract Management

### 5.1. Competence of Contract Administrators

Officers required to manage contracts will be adequately trained to carry out those duties and understand the rights and obligations conferred by the contract.

# Procurement and Contractor Management Policy



## 5.2. Responsibilities of Contract Administrators

City of Marion officers responsible for the management of contracts shall ensure that:

- the administration of contracts complies with the City of Marion's Policies and Procedures
- foreseeable WHS risks relevant to contract work, including any specific WHS requirements of the contract, are identified and communicated to the Contractor
- any technical aspects of the work including risk assessments/ job safety environmental analysis/ safe work method statements are reviewed and confirmed
- key environmental aspects are identified prior to construction activities and communicated to the Contractor
- any training or induction required to be undertaken by the Contractor prior to commencing work is completed
- appropriate monitoring is undertaken of WHS and environmental management systems and work practices undertaken by Contractors
- the Contractor and the City of Marion comply with their respective obligations under the contract
- approval is gained for variations to the contract which are outside of the original scope, have the effect of varying the contract sum or alter the terms and conditions of the contract
- any claims for payment are in accordance with the contract
- approved budget funds are available to authorise payment of invoices

## 6. Supporting Documentation

### 6.1. Delegations

This Policy will be supported by a delegation framework that clearly identifies the responsibilities of every officer involved in the procurement process and their levels of authority. Delegated officers will be required to sign off the procurement process at various stages. Any commitment will be confirmed in writing by either a purchase order or contract document.

### 6.2. Procedures

The Policy will be underpinned by documented procedures that set out how City of Marion officers will undertake any procurement and contractor management activities.

# Procurement and Contractor Management Policy



## 7. Conduct of Officers

City of Marion officers involved in the procurement process will at all times undertake their duties in an ethical and impartial manner with the highest level of integrity.

Officers will not engage in any activity that would create a conflict between personal interests and the interests of the Council. City of Marion employees are bound by a Code of Conduct which addresses issues such as conflict of interest, gifts and hospitality and improper influence.

## 8. Complaints

Any complaint about the way in which a procurement process was undertaken can be made in accordance with Council's Complaints and Grievance Policy.

## 9. References

### 9.1. Procedure References

City of Marion Procurement Procedure  
 City of Marion Tender Evaluation Procedure  
 City of Marion Contract Management Procedure  
 City of Marion Use of Purchase Orders Procedure

### 9.2. Other Related References

City of Marion Risk Management Policy  
 City of Marion Complaints and Grievance Policy  
 WHS Act 2012  
 Environment Protection Act 1993

## AUTHOR

Manager Contracts & Operational Support

# Procurement Policy



## 1. Policy Statement

The purpose of this policy is to provide City of Marion officers, potential suppliers and the community with a framework detailing how procurement activities will be undertaken in the City of Marion. The policy will be supported by internal procedures and delegations.

Procurement within the City of Marion shall be consistent with and support Council's current Strategic Plan.

## 2. Policy Scope

This policy covers all activities associated with the acquisition of goods, services, consultants and works by the City of Marion.

## 3. Definitions

### “Market Document”

Means the document used to solicit offers from suppliers and includes a specification or brief, conditions of contract and any other information required by suppliers to provide sufficient detail for the City of Marion to make an informed decision.

### “Value for money”

Means the best outcome achievable when all costs and benefits, both qualitative and quantitative, over the procurement lifecycle (acquisition, use and maintenance and disposal) are considered and varies on a case by case basis.

## 4. Principles

### 4.1. Intent to Contract

The City of Marion will only approach the market after gaining budget approval and any other internal approval required for the proposed expenditure and with the intent to engage a supplier, subject to achieving an acceptable outcome in terms of value for money and risk. Where prices are sought from the market for budgeting purposes only, that intent shall be made clear to the suppliers.

### 4.2. Value for Money

The City of Marion will strive to achieve the best value for money in its procurement activities.

### 4.3. Risk Management

The City of Marion will adopt sound risk management principles in its procurement activities consistent with the corporate risk management plan. All relevant risks will be taken into consideration.

#### **4.4. Confidentiality**

The City of Marion will maintain the confidentiality of information provided by suppliers in any procurement process both during the process and for the period after until documents are destroyed in accordance with statutory requirements.

#### **4.5. Probity, Accountability and Transparency**

The City of Marion will use its best endeavours to deal with all suppliers and potential suppliers on the basis of mutual trust and respect. To facilitate this, the City of Marion will act in an open and transparent manner in its procurement activities. Suppliers will be treated fairly and equitably in any procurement process. The City of Marion will comply with all legislation relevant to the procurement process.

#### **4.6. Efficient Procurement Practices**

Standard tender and contract documentation will be used wherever possible to ensure consistency. Panel arrangements and pre-qualification of suppliers will be utilised to improve the efficiency of the procurement process and reduce the impact of repetitive bidding on potential suppliers.

#### **4.7. Use of Local Suppliers**

In any procurement process, where all other factors are equal, the City of Marion may favour the engagement of local suppliers that is those operating within the City of Marion Council area boundaries, to the extent permitted by law.

#### **4.8. Occupational Health and Safety**

The City of Marion will only engage suppliers who are able to maintain a level of Occupational Health and Safety acceptable to the City of Marion. As a minimum, this will be compliance to the Occupational Health, Safety and Welfare Act, 1986 and all associated regulations. Additional occupational health and safety requirements specific to the procurement will be advised in the Market Document's

#### **4.9. Environmental Management and Sustainability**

The City of Marion has a commitment to environmental sustainability and corporate responsibility. Procurement practices which conserve resources, improve energy efficiency and minimise waste will be encouraged.

When engaging suppliers, the City of Marion requires a minimum standard of environmental management which includes compliance with all applicable environmental Laws, protection policies and the requirements of these, or the condition of any licence or approval obtained from the Environment Protection Authority. Additional environmental requirements specific to the procurement will be advised in the Market Document.

### **5. Procurement Methods**

#### **5.1. Types of Market Approach**

The City of Marion will utilise a number of different market approaches including:

- requests for expressions of interest;
- open, public tendering;
- select tendering;
- direct negotiation with a particular supplier or group of suppliers;
- request for quotations;
- joint procurement arrangements with other Councils including G6; and
- use of third party contracts.

## 5.2. Selection of Procurement Strategy and Contract Type

The procurement strategy including market approach, type and length of contract will be based on a critical analysis of all the relevant factors in the circumstances including, but not limited to:

- value of the acquisition (whole of life cost);
- risk profile of the acquisition;
- cost of the market approach versus the value of the acquisition and the potential benefits;
- size of the market;
- number of competent suppliers;
- capacity of the market to meet the requirements for the life of the contract/project;
- maturity of the market and potential changes;
- City of Marion's leverage in the marketplace;
- rate of technological change in the industry sector;
- innovative nature of the acquisition;
- City of Marion's ability to clearly define required outcomes;
- time constraints; and
- costs incurred by suppliers in responding to requests.

The chosen strategy will seek to meet the principles outlined in clause 4. The outcome of the analysis and selection of the strategy will be documented and approved by the delegated officer.

## 5.3. Closing of Registrations of Interest and Tenders

Where formal market approaches such as tenders and registrations of interest are closed through the City of Marion's tender box, acknowledgement of receipt of submissions will be confirmed by letter within 5 working days.

Where formal market approaches are closed electronically through the SA Tenders and Contracts website, [www.tenders.sa.gov.au](http://www.tenders.sa.gov.au), Tenderers shall automatically be notified of receipt of their tender.

Late tenders or registrations of interest will not be accepted.

#### 5.4. Evaluation Methodology

The evaluation methodology used for a procurement process will be dependent on the objectives of the procurement, the complexity involved, the level of innovation in the industry and the risk profile. Evaluation criteria will be included in the market document.

#### 5.5. Low Value/Low Risk Acquisitions

For low value/low risk acquisitions, the focus will be on efficiency so that the cost of undertaking the procurement does not outweigh the benefits achieved. In these cases, either quotations will be sought or the City of Marion will utilise third party contracts such as Local Government Corporate Services, Procurement Australia, or State Government contracts.

For repetitive low value/low risk acquisitions, the City of Marion may seek to aggregate those purchases into a period type contract.

#### 5.6. Use of Pre -Qualified Suppliers

Pre-qualified suppliers will have demonstrated capability and therefore, the focus of the procurement process is on maximising project outcomes rather than assessing baseline qualifications of suppliers. Pre-qualified suppliers can focus on showing how they can provide important "value adds" in any project.

#### 5.7. Use of Panel Arrangements

The City of Marion may seek to enter into panel arrangements where a number of suppliers are contracted on the basis of a standing offer. This may occur in situations where the City of Marion cannot commit to future requirements due to annual budget cycles or where a range of expertise is required which cannot be provided by a sole supplier.

#### 5.8. Use of Third Party Contracts

The use of third party contracts such as Local Government Corporate Services, Procurement Australia, or State Government contracts will be considered for low value/low risk purchases to improve efficiency and value for money and where the City of Marion's leverage in the market is minimal and a better outcome can be achieved by adding the City of Marion's requirements to a larger contract.

### 6. Supporting Documentation

#### 6.1. Delegations

The Procurement Policy will be supported by a delegation framework that clearly identifies the responsibilities of every officer involved in the procurement process and their levels of authority. Delegated officers will be required to sign off the procurement process at various stages. Any commitment will be confirmed in writing by either a purchase order or contract document. Suppliers undertake work without written confirmation at their own risk.

#### 6.2. Procedures

The Procurement Policy will be underpinned by documented procurement procedures that set out how City of Marion

**Current Procurement Policy Policy**

officers will undertake any procurement activity.

## **7. Contract Administration**

### **7.1. Competence of Contract Administrators**

Officers required to administer contracts will be adequately trained to carry out those duties and understand the rights and obligations conferred by the contract.

### **7.2. Responsibilities of Contract Administrators**

City of Marion officers responsible for the administration of contracts shall ensure that:

- the administration of contracts complies with the City of Marion's Policies and Procedures
- any training or induction required to be undertaken by the supplier prior to commencing work is completed
- the Supplier and the City of Marion comply with their respective obligations under the contract
- approval is gained for variations to the contract which are outside of the original scope, have the effect of varying the contract sum or alter the terms and conditions of the contract
- any claims for payment are in accordance with the contract
- approved budget funds are available to authorise payment of invoices

## **8. Conduct of Officers**

City of Marion officers involved in the procurement process will at all times undertake their duties in an ethical and impartial manner with the highest level of integrity.

Officers will not engage in any activity that would create a conflict between personal interests and the interests of the Council. City of Marion employees are bound by a Code of Conduct which addresses issues such as conflict of interest, gifts and hospitality and improper influence.

## **9. Complaints**

Any complaint about the way in which a procurement process was undertaken should be made in writing to the Manager Governance.

## **10. References**

### **10.1 Corporate Plan**

EG1 Apply the principles of business excellence to achieve best practice in governance

### **10.2 Procedure References**



City of Marion Procurement Procedure

City of Marion Tender Evaluation Procedure

City of Marion Contract Administration Procedure

City of Marion Use of Purchase Orders Procedure

### **10.3 Council Agenda Reference**

Adopted by Council 27 November 2007 reference GC271107R04

### **10.4 Other Related References**

## **AUTHOR**

Colin Heath

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE MEETING  
16 AUGUST 2016**

**Manager:** Kate McKenzie, Manager Corporate Governance

**General Manager:** Vincent Mifsud, General Manager Corporate Services

**Subject:** Result of the Bi-Annual Performance and Effectiveness Review of the Finance and Audit Committee

**Report Reference:** FAC160816R7.5

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### **REPORT OBJECTIVES**

To review the results of the Bi-Annual Performance and Effectiveness Review of the Finance and Audit Committee (FAC) with the intent to set an improvement plan and/or include items within the work program over the next two years.

### **EXECUTIVE SUMMARY**

Regular review of a governing body's performance (including Committees) provides the time to reflect on how effective the group is operating. Understanding performance directly relates to improving the operations and outcomes of the Committee that will also improve the overall performance of the Council.

Section 4.10 of the FAC Terms of Reference states that the Committee will review its performance on a bi-annual basis to ensure the continual improvement of its performance. The Committee has now completed its bi-annual review. The results suggest that the Committee is performing well and there are approximately 11 statements that the Committee may want to discuss in more detail to consider the development of an improvement plan.

### **RECOMMENDATION (1)**

**That the Finance and Audit Committee review the results and agree to an improvement plan to be implemented over the next two years.**

### **DUE DATES**

**August 2016**

## BACKGROUND

At its meeting of 31 May 2016, the FAC considered a report on its Bi- Annual Performance and Effectiveness Review. The FAC agreed to an Effectiveness Survey of 52 statements across the following areas:

- Committee Structure and Membership
- Committee Meetings
- Leadership and Integrity
- Relationships and Reporting
- Roles and Responsibilities

The survey was distributed to FAC Members, Council Members and key senior staff in June 2016. A total of 12 people completed the survey which included 4 FAC Members, 2 Elected Members and 6 staff. Individuals were asked to rate the questions based on the scale of strongly agree, agree, disagree and strongly disagree.

The FAC agreed that the results would be considered at the 16 August 2016 meeting with the intent to develop an improvement plan.

## ANALYSIS

Overall the response to the Effectiveness Survey was very positive, with the majority of the statements responded to with either a 'strongly agree' or 'agree'.

Full details of the responses and comments are provided in **Appendix 1**. A short summary has been provided on each category below.

### **1. Committee Structure**

Based on the responses provided in Section 1, all areas (apart from 1.5), have been assessed as either 'strongly agree' or 'agree'. Question 1.5 received one 'disagree' response that related to the FAC induction process. Overall the Committee seems to be operating effectively in this area.

### **2. Committee Meetings**

Section 2 received a slightly more mixed response than Section 1, with 4 out of 10 questions receiving a 'disagree' response. This section included the scheduling of meetings, distribution of agendas, confidential orders and follow up of actions. Further discussion on these points by the Committee may be useful.

### **3. Leadership and Integrity**

Based on the responses provided in Section 3, all areas have been assessed as either 'strongly agree' or 'agree'. There is strong agreement that the Committee is adding value to the work of the Council and are working well as a team. There is also strong support that the presiding member is building healthy room dynamics and has an effective and constructive working relationship with Council and management.

### **4. Relationships and Reporting**

Based on the responses provided in Section 4, all areas (apart from 4.7) have been assessed as either 'strongly agree' or 'agree'. Question 4.7 received one 'disagree' response that related to Management keeping the Committee informed of relevant information and risks between meetings. This statement also scored the lowest within this Section. There is strong agreement that the Committee's operations do not diminish the ultimate responsibility of the Council.

## **5. Roles and Responsibilities**

Based on the information provided in Section 5, all areas (apart from 5.1) have been assessed as either 'strongly agree' or 'agree'. Question 5.1 received one 'disagree' response that related to the Committee having a clear understanding of Council's risk tolerance. Although the responses to Section 5 were positive and indicated that all areas are performing well, it would be prudent to ensure a continued strong focus on the following key areas:-

- understanding risk tolerance
  - reporting on the effectiveness of internal controls
  - oversight of compliance with regulations, policies, best practice guidelines and contractual arrangements
- delivery of the service review program

## **CONCLUSION**

Based on the information contained within the report, there seems to be general consensus between the Committee, Elected Members (who responded) and Management that the Committee is operating well. Although it is performing above an acceptable level, the following areas should be discussed by the Committee and could form part of the Committees improvement plan and or work program over the next two years:

- Improvement to the FAC Induction Program
- Scheduling of meetings
- Distribution of agendas
- Use of confidential orders
- Follow up of actions from committee meetings
- The presiding member ensuring that the Committees workload is managed appropriately
- Management keeping the Committee informed of relevant information and risks between meetings.
- Understanding of the Council's risk tolerance
- Reporting on the effectiveness of internal controls
- Oversight of compliance with regulations, policies, guidelines and contractual arrangements
- Delivery of the service review program

## FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW – JUNE 2016

## APPENDIX 1

Statement		Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
<b>1 Committee Structure and Membership</b>						
1.1 The structure of the Committee is appropriate to manage workload and obligations.		8	4	0	0	<ul style="list-style-type: none"> <li>The structure is simple and hard to imagine anything else</li> <li>Insights perceived saved resources</li> <li>We are blessed with excellent members who work hard for good outcomes</li> <li>The structure is appropriate with an independent chair, two independent members and two elected members. Though the workload is substantial at times it is managed well by all on the committee</li> </ul>
1.2 The balance of independent v's Council members is appropriate		8	4	0	0	<ul style="list-style-type: none"> <li>Majority of independents gives it strength and independence while involving Councillors</li> <li>Good Team</li> <li>Good balance of skills and experience</li> <li>The addition of a second elected member on the committee has further enhanced the representation and viewpoint of the elected body on the committee</li> </ul>
1.3 The Committee's terms of reference clearly outline roles and responsibilities		9	3	0	0	<ul style="list-style-type: none"> <li>No comments</li> </ul>
1.4 Committee members have the right skills, experience and knowledge		7	5	0	0	<ul style="list-style-type: none"> <li>Good mix, but it will never be perfect</li> <li>I do believe the Committee has a good balance. key to on-going success is the quality of the Externals</li> <li>Excellent Skill set on the Committee</li> <li>Independent members are well qualified</li> <li>Very impressed the members depth of knowledge</li> <li>The committee is made up of high calibre individuals with various business backgrounds offering a wealth of knowledge and experience to Council</li> </ul>

# FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW – JUNE 2016

## APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
1.5 Committee members are appropriately inducted	2	9	1	0	<ul style="list-style-type: none"> <li>Limited if any</li> <li>Hard for me to answer this one as I don't know</li> </ul>
1.6 Committee members are recruited based on required skills, experience and knowledge	8	4	0	0	<ul style="list-style-type: none"> <li>Councillors are to represent council interests, not specifically skills other than an inquisitive mind</li> <li>See 1.4</li> <li>Agree in relation to independent members</li> <li>This is apparent in the calibre of people on the Committee</li> <li>It is clear from the committee members recruited that they have indeed been recruited to ensure they bring a wealth of knowledge skills and experience to benefit Council</li> </ul>
1.7 All Committee members understand their legal duties on behalf of the Council	5	7	0	0	<ul style="list-style-type: none"> <li>Not sure I have the information to accurately answer this question</li> <li>I'm sure they do, there was a few questions about what a section 48 report was, which I thought they should know</li> <li>Very experienced members</li> </ul>
1.8 The Committee does not rely on any one Committee Member to provide appropriate advice and experience	9	3	0	0	<ul style="list-style-type: none"> <li>Excellent interaction between all members of the Committee</li> <li>The Committee is certainly not overly reliant on any one member to provide sound advice with each member providing sound advice based on their own individual skillset and background be it risk, finance engineering etc.</li> </ul>
1.9 The remuneration of the Committee is appropriate based on role, responsibility, skills/experience, time commitment and retention	5	7	0	0	<ul style="list-style-type: none"> <li>May need to consider a smaller "sitting fee" when members attend planning sessions and the like to acknowledge extra time spent</li> <li>Unknown, but the survey needs an answer</li> <li>The remuneration appropriately reflects the time and commitment given by the highly skilled individuals who work through some very comprehensive agendas</li> </ul>

## FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW – JUNE 2016

## APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
<b>2 Committee Meetings</b>					
2.1 The Committee has a comprehensive work plan that covers the requirements of the Committee's Terms of Reference	6	6	0	0	<ul style="list-style-type: none"> <li>This is agreed upfront at the beginning of the year and reviewed on a regular basis</li> </ul>
2.2 The Committee meeting are appropriately scheduled (i.e. frequency, timing, duration, etc.	5	6	1	0	<ul style="list-style-type: none"> <li>Would be better to be scheduled in the evenings to be consistent with all other committees and enable maximised EM attendance</li> <li>The quarterly meetings are appropriately scheduled ensuring key reports are reviewed with the Committee offering sound advice and feedback which then flows through to Council ensuring the benefit of the Committee's advice is reflected in critical reports coming before Council for consideration. Special meetings have also been called where required with the Committee members making themselves available</li> </ul>
2.3 Agendas and reports are distributed in a timely manner	1	10	1	0	<ul style="list-style-type: none"> <li>Some are short notice for long papers</li> <li>Some times with the volume of papers distributed on a Friday for a Monday/ Tuesday meeting does create unneeded pressure</li> <li>Whilst meetings are provided with sufficient timing - papers could be provided in a more timely manner to ensure vigilant review</li> </ul>
2.4 The size of the agenda is manageable within the meeting	1	11	0	0	<ul style="list-style-type: none"> <li>Agendas are very full but manageable with the timeframes set for the meetings</li> <li>Some agendas can be quite daunting in size</li> <li>Some meetings have ended late, but generally run to time</li> </ul>
2.5 Committee reports are well written and can be easily understood	2	10	0	0	<ul style="list-style-type: none"> <li>Information provided is selective in some cases</li> <li>Whilst papers are fulsome at times they can be extensive</li> <li>Always room for improvement and the Committee advice in shaping future reports is very much appreciated</li> </ul>

## FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW – JUNE 2016

## APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
2.6 The business of the Committee is accurately captured in the minutes	6	6	0	0	<ul style="list-style-type: none"> <li>In the main I think the minutes accurately capture the business of the meeting with all members having the opportunity to provide input prior to their finalisation</li> <li>The discussion within the Committee meetings are relevant and useful for decision making</li> </ul>
2.7 The discussion within the Committee meetings are relevant and useful for decision making	9	3	0	0	<ul style="list-style-type: none"> <li>Some deep perceptions and balanced</li> <li>The independent advice offered by the Committee is very much appreciated and valued by management and as such reports are structured to allow that independent advice be given without being unduly influenced by management</li> <li>The current members would not be unduly influenced by staff</li> </ul>
2.8 Management does not unduly influence the recommendations of the Committee	8	4	0	0	<ul style="list-style-type: none"> <li>See above comment</li> <li>The independent advice offered by the Committee is very much appreciated and valued by management and as such reports are structured to allow that independent advice be given without being unduly influenced by management</li> <li>The current members would not be unduly influenced by staff</li> </ul>
2.9 The Committee uses confidential orders appropriately and conducts sessions without management present from time to time	7	4	1	0	<ul style="list-style-type: none"> <li>Well managed with Governance support</li> </ul>
2.10 The Committee has a useful process to following up actions from previous meetings	6	5	1	0	<ul style="list-style-type: none"> <li>Needs better reporting back on outcomes</li> <li>Minutes and action items followed up in a timely manner. If not explanations are received and a new timeframe agreed</li> <li>Action items are appropriately reviewed each meeting</li> </ul>



## FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW – JUNE 2016

## APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
<b>3 Leadership and Integrity</b>					
3.1 All Committee members express their professional view within the meeting	9	3	0	0	<ul style="list-style-type: none"> <li>Frank and fearless professional advice is provided at all times</li> <li>Balanced contribution from all</li> <li>All participate. I am particularly impressed by Greg</li> </ul>
3.2 All Committee members appropriately disclose any conflicts of interests	8	4	0	0	<ul style="list-style-type: none"> <li>No comments</li> </ul>
3.3 Committee members act in accordance with the City of Marion values being Respect, Integrity, Achievement and Innovation	8	4	0	0	<ul style="list-style-type: none"> <li>The values are evident in all the Committee do</li> <li>In my opinion, a strong positive of the current committee is that they provide innovative ideas</li> </ul>
3.4 The Committee works effectively as a team	10	2	0	0	<ul style="list-style-type: none"> <li>The dynamic team with a great skillset work very effectively together</li> <li>It is apparent that they group respects each other and gets on well</li> </ul>
3.5 The Committee presiding member has an effective and constructive working relationships with Council and management	10	2	0	0	<ul style="list-style-type: none"> <li>Without question the presiding member has built very healthy and constructive working relationships with both Council and management and on many occasions has expressed his willingness to take a phone</li> <li>Greg is well regarded - and deservedly</li> <li>Again, very impressed with Greg</li> </ul>
3.6 The Committee presiding member builds healthy room dynamics	11	1	0	0	<ul style="list-style-type: none"> <li>The meetings are conducted in a very free flowing way allowing for great discussion from all parties concerned</li> <li>A strong Chair - we are fortunate</li> </ul>

## FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW – JUNE 2016

## APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
3.7 The Committee presiding member ensures that the Committees workload is managed appropriately	6	6	0	0	<ul style="list-style-type: none"> <li>Please refer to answer about the size of agendas</li> </ul>
3.8 The Committee presiding member keeps the meeting focused and does not get side tracked	8	4	0	0	<ul style="list-style-type: none"> <li>Should the meeting begin to move off track the presiding member will certainly pull it back into focus</li> </ul>
3.9 The Committee is adding value to the work of the City of Marion	11	1	0	0	<ul style="list-style-type: none"> <li>The City of Marion is very fortunate to have such high calibre Audit Committee members with a dynamic skillset which adds great value to Council</li> <li>Absolutely</li> <li>Could not agree more</li> </ul>
<b>4 Relationships and Reporting</b>					
4.1 All Committee members understand how their role operates and the Committees reporting obligations to Council	6	6	0	0	<ul style="list-style-type: none"> <li>No comments</li> </ul>
4.2 The Council actively seeks the views of the Committee on matters relating to its terms of reference	5	7	0	0	<ul style="list-style-type: none"> <li>I believe the conduit via the Elected members report and conversations in-between meetings works well</li> <li>Not sure on this one</li> <li>There may be further opportunities for Council to proactively seek the views of the Audit Committee</li> </ul>

## FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW – JUNE 2016

## APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
4.3 The Committee's operations does not diminish the ultimate responsibility of the Council	10	2	0	0	<ul style="list-style-type: none"> <li>The Committee are happy to provide their professional advice but make it very clear that ultimate responsibility lies with Council</li> <li>And the committee clearly acknowledge that</li> </ul>
4.4 The Committee has a constructive relationship with the Council	5	7	0	0	<ul style="list-style-type: none"> <li>Little interaction</li> <li>Generally, yes</li> </ul>
4.5 The Committee has a constructive relationship with Management	7	5	0	0	<ul style="list-style-type: none"> <li>Management are very respectful and interact well with the Committee</li> </ul>
4.6 The Committee has appropriate access to information and staff	7	5	0	0	<ul style="list-style-type: none"> <li>If the committee asks for missing information which is not obviously missing, it will be provided</li> </ul>
4.7 Management keep the Committee informed of relevant information and risks between meetings	4	7	1	0	<ul style="list-style-type: none"> <li>No Comments</li> </ul>
4.8 The minutes, decisions and actions of the Committee are reported to Council in a timely and accurate manner	8	4	0	0	<ul style="list-style-type: none"> <li>No Comments</li> </ul>

## FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW – JUNE 2016

## APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
<b>5 Roles and Responsibilities</b>					
5.1 The Committee has a clear understanding of the Council's risk tolerance	3	8	1	0	<ul style="list-style-type: none"> <li>• Tolerance level of staff or Councillors?</li> <li>• Risk is always a consideration on agenda items</li> <li>• I think Council could further clarify its risk tolerance</li> </ul>
5.2 The Committee ensures that the organisation has appropriate internal controls, frameworks, systems and processes established for the management of risks	5	7	0	0	<ul style="list-style-type: none"> <li>• These are reviewed regularly</li> <li>• And has asked to see policy documentation</li> </ul>
5.3 The Committee reviews and understands the organisations risk profile	4	8	0	0	<ul style="list-style-type: none"> <li>• The organisation continues to clarify and strengthen its risk profile</li> </ul>
5.4 The Committee is confident that senior executives understand their responsibilities for managing risks	4	8	0	0	<ul style="list-style-type: none"> <li>• Difficult to respond from staff perspective</li> </ul>
5.5 The Committee is confident that the Council has appropriate internal controls established to manage risks	4	8	0	0	<ul style="list-style-type: none"> <li>• Internal audit program for the year is reviewed for its appropriateness by the Committee with regular reporting coming to the Committee on reviews carried out</li> <li>• Difficult to respond from staff perspective</li> </ul>

# FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW – JUNE 2016

## APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
5.6 The Committee receives comprehensive reporting that assesses the effectiveness of internal controls	2	10	0	0	<ul style="list-style-type: none"> <li>The effectiveness of internal controls is comprehensively reported on the external auditors annually in addition to independent reviews carried out by KPMG</li> </ul>
5.7 The Committee has oversight of compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements	3	9	0	0	<ul style="list-style-type: none"> <li>No Comments</li> </ul>
5.8 The Committee has oversight and recommends to Council the engagement of the City of Marion's Internal Audit contract	9	3	0	0	<ul style="list-style-type: none"> <li>Ultimate decision rests with Council but the Committee has oversight and may make recommendations</li> </ul>
5.9 The Internal Audit function is appropriately resourced and managed	7	5	0	0	<ul style="list-style-type: none"> <li>The new contract appears to be working well, much better than the previous</li> <li>There is a comprehensive internal audit program carried out by through the engagement of City of Marion's internal auditors</li> </ul>
5.10 The Internal Audit Work plan is endorsed by the Committee and has the right balance of risk, compliance and financial matters to be reviewed	8	4	0	0	<ul style="list-style-type: none"> <li>Workplan is reviewed and endorsed by the Committee</li> </ul>

## FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW – JUNE 2016

## APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
5.11 The Committee has robust discussion and agrees to the basis upon how financial reporting will be prepared	6	6	0	0	<ul style="list-style-type: none"> <li>We tend to comment on effectiveness of reporting and recommend changes as we see applicable</li> <li>Guidance and recommendations are made on a regular basis with the aim of ultimately improving the financial reporting being provided</li> </ul>
5.12 The Committee undertakes an in-depth review of the financial reporting disclosures for the City of Marion	6	6	0	0	<ul style="list-style-type: none"> <li>All reports are thoroughly reviewed and assessed by the Committee</li> </ul>
5.13 The Committee receives comprehensive financial information and analysis that is used to support and assist Council with its prudential management and fiduciary responsibilities	7	5	0	0	<ul style="list-style-type: none"> <li>See 5.11</li> </ul>
5.14 The conditions of the External Auditors engagements are consistent with all relevant statutory requirements and accepted best practice principles	7	5	0	0	<ul style="list-style-type: none"> <li>No comments</li> </ul>
5.15 The Committee has oversight and recommends to Council the engagement of the City of Marion's External Audit contract	8	4	0	0	<ul style="list-style-type: none"> <li>Ultimate decision rests with Council but the Committee has oversight and may make recommendations</li> </ul>
5.16 The External Audit function is appropriately resourced and managed	9	3	0	0	<ul style="list-style-type: none"> <li>Adequate resources are provided to ensure a comprehensive external audit</li> </ul>

## FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW – JUNE 2016

## APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
5.17 The External Audit Work Plan is comprehensive and aligned to the requirements of the financial obligations of the Council	8	4	0	0	<ul style="list-style-type: none"> <li>The Committee comprehensively review the audit plan presented by the external auditors each year</li> </ul>
5.18 The Committee has oversight of the service review program and is confident it will deliver efficiencies to the organisation	2	10	0	0	<ul style="list-style-type: none"> <li>Difficult to rate confidence of committee</li> </ul>
5.19 The Committee receives service reviews reporting and critically analyses the data provided	7	5	0	0	The Committee critically analyse all service reviews provided

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE MEETING  
16 AUGUST 2016**

**Originating Officer:** Sherie Walczak, Risk Unit Manager

**Corporate Manager:** Kate McKenzie, Manager Corporate Governance

**General Manager:** Vincent Mifsud, General Manager Corporate Services

**Subject:** Insurance Claims Management Activity Report

**Report Reference:** FAC160816R7.6

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**REPORT OBJECTIVES:**

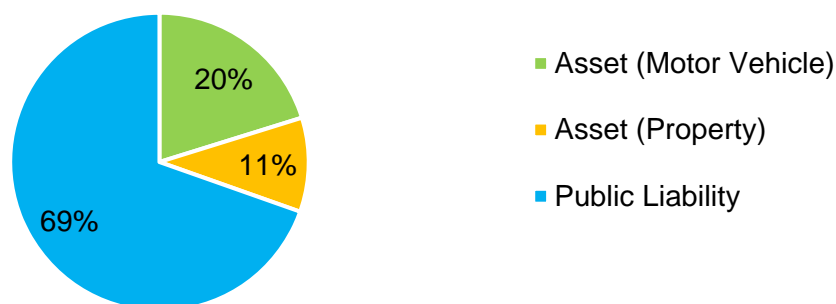
To provide the Finance and Audit Committee details about the incidents reported to and claimed against the City of Marion (CoM) for the period 1 July 2015 to 30 June 2016.

**BACKGROUND:**

Local Government Risk Services (LGRS), a division of Jardine Lloyd Thompson, have been specialist risk and insurance providers to Local Government in South Australia for over 40 years. Under the banner of LGRS, which encompasses Local Government Association Mutual Liability Scheme (LGAMLS) and Local Government Association Asset Mutual Fund (LGAAMF), the CoM is provided with a comprehensive range of insurance products including, property, asset, civil and professional liability insurance.

**EXECUTIVE SUMMARY:**

During the reporting period there was a total of 490 incidents reported, proportioned as below:



Of the incidents reported, 99 reports related to CoM Assets (Motor Vehicles) resulting in 47 claims, 50 reports were related to CoM Assets (Property) resulting in 7 claims and 341 reports were related to Public Liability matters and resulted in 52 claims. In summary of the 490 incidents 106 claims were made.

The proportion of claims and incidents experienced in the reporting period is lower than previous years and the majority of claims and incidents continue to relate to public liability matters.

**RECOMMENDATIONS (2)****DUE DATES**

**That the Finance and Audit Committee:**

- |   |                       |
|---|-----------------------|
| <b>1. Receives and notes this report.</b>   | <b>16 August 2016</b> |
| <b>2. Provides comment on the adequacy of the mitigating actions in response to incident data for the period 2015/2016.</b> | <b>16 August 2016</b> |



## DISCUSSION:

### **Asset (Motor Vehicle) Incidents and Claims**

During the reporting period there was a total of 99 incidents reported involving CoM Motor Vehicles resulting in 47 claims against the City of Marion and of these 27 claims were submitted to the LGAAMF.

- CoM workers were 'at fault' in 82% of incidents that occurred during the period. Most incidents were low speed impacts. Of these incidents 43% resulted in a formal claim to the LGAAMF.
- There has been a 33% reduction in the number of incidents reported this year compared to the previous year.
- 20% of Motor Vehicle incidents reported are actually "registered plant" therefore are incidents associated with plant working on a worksite, ie affected unidentified buried services, compared to a motor vehicle accident on the road.

The table and graph below provide further details relating to the incidents and claims for this reporting period compared to previous reporting periods.

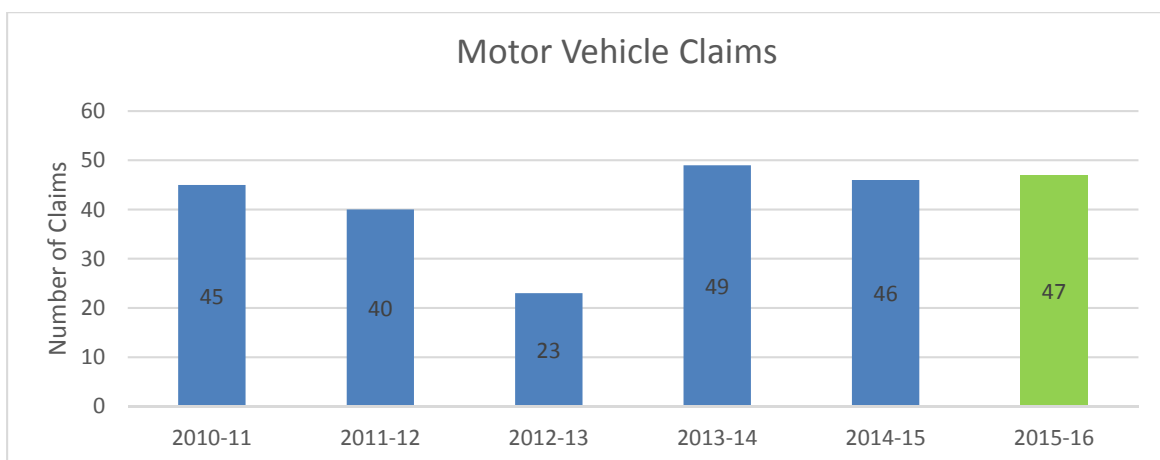
### **Action in response to Asset (Motor Vehicle) Incidents and Claims:**

During the period various training was provided to relevant staff including; Business Driver Awareness presented by SAPOL in addition to drug and alcohol training.

The programmed renewal of fleet assets has included a review of safety considerations by undertaking pre-purchase risk assessments to enhance decision making regarding the appropriateness of the fleet relevant to the task being performed and also to provide higher level safety features such as reversing sensors and cameras across fleet vehicles. This period also saw the implementation and use of wheel nut tyre indicators on heavy fleet, to demonstrate when wheels may become loose.

Safe driving and early reporting practices continue to be promoted as part of the Think Safe Live Well program and updates are provided by regular communication methods including newsletters, toolbox talks and staff meetings.

Insurance Category	Incidents 2015	Claims 2015	\$ Value of Claims 2015	Incidents 2016	Claims 2016	\$ Value of Claims 2016
CoM 'at fault'	123	37	54,719	82	36	45,080
Third Party 'at fault'	13	9	15,237	17	11	20,785
<b>TOTAL</b>	<b>136</b>	<b>46</b>	<b>69,956</b>	<b>99</b>	<b>47</b>	<b>65,865</b>



### **Asset (Property) incidents and claims**

During the reporting period there was a total of 50 incidents reported relating to CoM Property resulting in 7 claims submitted to the LGAAMF.

- There was a 20.6% decrease in the number of incidents reported compared to the previous year
- The number of claims reduced from 63 last period compared to 50 this period, however the percentage of incidents resulting in claims remains steady at 14%.
- Break-ins reduced this year due to the increased security at the Marion Outdoor Swimming Pool during the off season.
- Vandalism events increased this year upon the opening of the Oaklands Wetlands, mostly related to the light tower cabinet, security measures were introduced in October 2015 and no further incidents were experienced.

The most significant claims for this period were:

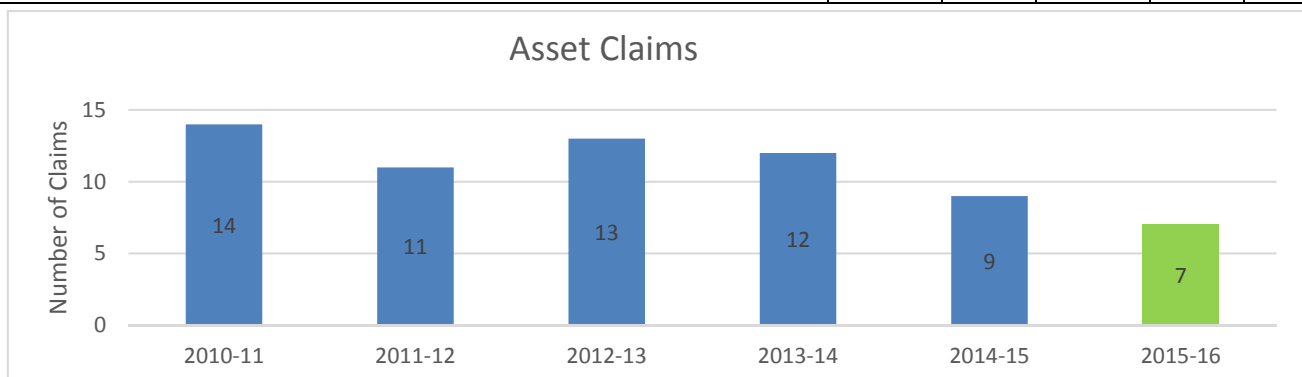
- Accidental damage to an uninsured CoM fibre optic network by a contractor working on the Marion Road Interchange upgrade valued at \$16k. The LGAAMF have been engaged by the CoM to recover costs. To date this matter is ongoing and has not been settled.
- Accidental damage to the dance floor at Clovelly Park Memorial Community Centre by a hirer valued at \$8.8k
- Accidental damage to surge protection at City Services valued at \$5.8k
- Accidental damage to the pool cover winder at the Marion Outdoor Swimming Pool valued at \$5.4k
- Environmental damage as a result of a storm occurred at the Cove Civic Centre valued at \$3k

### **Action in response to Asset (Property) incidents and claims:**

Incident and claims data is regularly reviewed by the Risk Management Unit in collaboration with the LGAAMF and the relative business unit ie Land and Property, Operational Services, Civil and Open Space Operations with the view to identifying opportunities to improve asset management, maintenance and security in order to minimise potential losses.

The table and graph below provide further detail relating to the incidents and claims for this reporting period compared to previous reporting periods.

Insurance Category	Insurance Category Description	Incidents 2015	Claims 2015	Incidents 2016	Claims 2016	\$ Value of Claims 2016
<b>Accidental Damage</b>	Incidents that are not intentional or deliberately caused	9	0	11	5	37,827
<b>Arson</b>	CoM asset that has been deliberately set on fire	1	1	3		
<b>Break-in</b>	Forced entry into building with the intention of theft/damage	12	2	1		
<b>Environmental</b>	An incident caused by environmental factors ie heavy rain, high winds	7	0	3	1	4,486
<b>Fire</b>	Fire not caused by deliberate activity ie faulty electrical equipment	1	0	2		
<b>Machinery Break Down</b>	Break down of electrical plant and machinery	1	0	4		
<b>Motor Vehicle Impact</b>	An incident where a motor vehicle collides with a CoM asset	12	2	6	1	1,400
<b>Theft</b>	Theft of City of Marion asset, e.g. playground equipment from reserve.	6	1	1		
<b>Vandalism</b>	Deliberate damage to City of Marion asset	8	1	18		
<b>Water Damage</b>	Water damage not caused by environmental issue	6	2	1		
<b>TOTAL</b>		<b>63</b>	<b>9</b>	<b>50</b>	<b>7</b>	<b>43,713</b>



## **Public Liability and Professional Indemnity Incidents and Claims**

During the reporting period there was a total of 341 incidents reported that resulted in 52 public liability claims, outlined as follows:

- There was a 14.9% decrease in the number of incidents reported compared to the previous year
- The number of claims reduced from 58 last period compared to 52 this period, however the percentage of incidents resulting in claims increased from 14.4% to 15.2%.

Three categories represent 84% of public liability incidents as outlined:

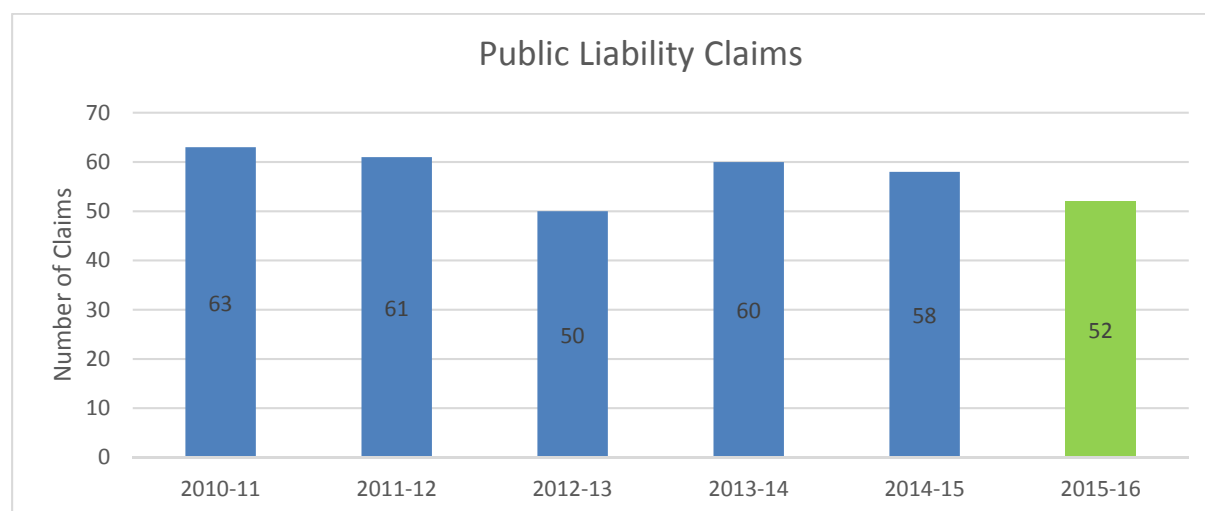
- Road Management represents 43% of public liability incidents and relates to both footpaths and roads. These incidents generally involve trips and falls on footpaths and minor motor vehicle accidents such as cars driving over pot holes or colliding with kerb and water table.
- Community Land represents 26% of public liability incidents and usually relates to incidents occurring in playspaces and reserves.
- Tree Management represents 15% of public liability incidents and usually relates to extreme weather events experienced during the reporting period (i.e. rain, wind, etc).

### **Actions in response to public liability and professional indemnity Claims:**

The LGAMLS undertake an Annual Risk Management Review and Civil Liability Risk Profile in May of each year. It includes an assessment of CoM's exposure to civil liability risks and evaluates our risk mitigation systems in place to minimise exposures. This will result in a detailed action plan and a formal report will be provided to the Finance and Audit Committee scheduled for 4<sup>th</sup> October 2016.

The table and graph below provides further detail relating to the incidents and claims for this reporting period compared to previous reporting periods.

Insurance Category	Insurance Category Description	Incidents 2015	Claims 2015	Incidents 2016	Claims 2016	\$ Value of Claims 2016
Community Land	Incidents that occur on Community Land such as reserves, playgrounds, buildings, walkways, etc	112	14	90	3	770
Contract Management	CoM Contractor causing damage to property or personal injury.	20	0	17	4	
Road Management	Trip & fall on uneven footpath. Motor vehicle damaged on pot hole.	165	31	148	38	38,251
Non-Employment Relationships	Incident involving a CoM Volunteer or Work Experience person, and incidents caused by these parties resulting in civil liability exposure.	2		4		
Professional Indemnity	Incorrect information/advice provided to the public eg Development Assessment decisions	2	2	1		
Event RM	Personal injury to participants of CoM run community programs/events	29		30	1	161
Tree Management	Street, reserve, & tree management eg Fallen branches, overhanging vegetation and roots causing property damage or person injury	71	11	51	6	291
Committee Management	Incorrect Committee Management causes financial loss.					
<b>TOTAL</b>		<b>401</b>	<b>58</b>	<b>341</b>	<b>52</b>	<b>39,474</b>



**CONCLUSION:**

A proactive response to incidents and investigation of claims is provided for each category of insurance and the City of Marion continues to focus on key risk areas including review and implementation of the Risk Management Policy and Framework, Workplace Emergency Management Plans, the Business Continuity Plan in addition to the implementation of the new Assess Management Plan.

The Risk Management Unit continues to record all reported incidents and claims received and work in collaboration with the relative business units to ensure that they are investigated, preventative actions are implemented and the issue is managed and monitored effectively to mitigate the risk to the public and property. Risks are reviewed and monitored regularly via project risk registers and work area risk registers which identify appropriate risk controls and treatments. These are reviewed annually and reported through to the Finance and Audit Committee as per the Risk Management Framework.

**CITY OF MARION  
FINANCE & AUDIT COMMITTEE MEETING  
16 AUGUST 2016**

**Originating Officer:** Deborah Horton  
Unit Manager Performance & Improvement

**Corporate Manager:** Kate McKenzie, Manager Corporate Governance

**General Manager:** Vincent Mifsud, General Manager Corporate Service

**Subject:** Service Review Program

**Report Reference:** FAC160816R7.7

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**EXECUTIVE SUMMARY:**

The organisation has embarked upon a new approach to service reviews with a focus of undertaking the majority of reviews internally, delivered within a three-year period with the intention to integrate reviews into annual work area planning.

The organisation has undertaken a preliminary self-assessment by completing a service statement, for its services (this is referred to as stage one within the Service Review Framework). The stage one service statements provide a snap shot, of a point in time about the service, to assist in determining the service's likelihood and prioritisation of a stage two review. This is based upon questions regarding the service underpinned by three principles of commercial viability, public value and innovation. The services have been categorised by a tool into: priority one (yes), two (potential) and three (no) (Appendix 1).

Further analysis and organisational consultation was undertaken to the tools identified list of services and their prioritisation to provide a recommendation to Council (via the Finance and Audit Committee) on which reviews should progress to a stage two review (Appendix 2).

The results of stage one are incorporated in this report with the following key results;

- 130 service statements (stage one) were completed by 30 June 2016 by the Leadership Team. These statements provided a self-assessment of the service with baseline data to test in the future. One service (Living Kaurua Cultural Centre) did not provide a service statement as a Stage 2 review was in train while the service statement data collection and analysis was being conducted. Therefore, there are 131 services in total. The amount of service statements completed are however, not reflective of the amount of services provided by Council due to differing interpretations of what constitutes a service.
- 19 services were initially identified (using a scatter graph) as services that should progress to a stage two review as a priority one, 71 were priority two and 38 a priority three. (19 + 71 + 38 = 128 ≠ 130 ≠ 131)
- It is recommended that a three-year stage two service review program be implemented across the organisation reviewing a total of 36 services (12 priority 1 and 24 priority 2). Following today's Finance & Audit Committee meeting, a joint forum/workshop will be held with Elected Members and Finance & Audit Committee members to seek their input and consideration of the proposed stage two service reviews. A report will be taken to Council for their consideration, input and endorsement.

This report seeks the Finance & Audit Committee's (the Committee) opinion regarding the service review results to date and the proposed priority of future service reviews, prior to seeking Council approval.

## RECOMMENDATION (1):

That the Finance and Audit Committee:

## DUE DATES

1. Notes the progress and results of service reviews undertaken to date and provide comment regarding the initial results and recommended priority of services indicated as benefiting a stage two service review for 2016/17 – 2018/19 inclusive.

16 Aug 2016

## BACKGROUND

In May 2016, the Committee reviewed and provided feedback on the new service review framework and associated processes (FAC310516R7.9) in accordance with section 2.2.5 of the Committee's Terms of Reference. The Committee noted at the time that the processes developed may need further refinement as it evolves and it was acknowledged that it was estimated that 12 services would be scheduled to be reviewed each financial year until the end of this current Councils' term of office, with the final scheduling and prioritisation of such identified as ultimately a decision of Council.

The following table provides a status update of the services that had been previously identified in a report to the Committee in May 2016 (FAC310516R7.10) that have been reviewed concurrently with organisational wide service reviews;

Service	Commenced		Status		
	Y	N	Progress %	1st Draft (F&AC)	Final Report Council
Hard Waste	✓		100%	✓ Mar-16	23 Aug-16
Living Kaurua Cultural Centre (LKCC)	Completed		100%	✓ May-16	14 Jun-16
Libraries	✓		15% (scope only)	TBA	TBA
Learning Festival	Completed		100%	✓ May-16	14 Jun-16

Note: this table identifies the status of the review only.

## Organisational wide service reviews

Essentially the organisational service reviews are a two staged approach. The first stage initially identified 136 services and surveyed them (in the form of service statements) to gather initial data which resulted in a 'profile' of the service and the value of the service based upon three principles of public value, commercial viability and innovation. This stage was completed by 30 June 2016.

Of the 136 services, 130 service statements were completed and assessed. Nine service statements were combined into three service statements to reflect the 'entirety' of the service, for example: three individual statements titled 'Food auditing', 'Food education' and 'Food inspections and investigation of complaints' were compiled into one statement titled 'Food auditing, education and inspections'.

The data collected from the service statements was entered and scored in accordance with the Service Review Framework, whereby each service was given a score (%) for the profile of the service, and a score (%) of the services compatibility with each of the three principles.

Essentially the higher the score, the more opportunities for improvement were attributed to the service and therefore, the more likelihood the service would progress to a stage two review as a more rigorous approach. The higher the score for the individual principle, the more likelihood opportunities exist for improvements to be achieved and therefore, the focus of the stage two review.

## **ANALYSIS:**

### **Stage One – identification of service list**

An internal service list dated 2015 identified 129 services which evolved from extracting services as captured in previous work area plans. This list was sent to the leadership group seeking their critique and feedback regarding its accuracy. Various adjustments were made to reflect the organisational structure from the newly created Executive Leadership Team and services as currently provided. As a result, a final list of 131 services were identified (see appendix three).

### **<sup>1</sup>Stage One - service statement results**

The service statements are a two-page document with 42 questions in total (22 questions regarding the service, six questions regarding commercial viability, eight questions regarding public value, six questions regarding innovation). Initially, a higher weighting was given to the value of innovation. The following provides a high level analysis of the service statements to date, noting that this is a self-assessment and the results have not been audited at this point.

#### Profile of the services

- 73% of services have service standards associated with the service, with 79% meeting service standards.<sup>2</sup>
- 94% of services involve other departments across Council, 5% do not involve other areas of council and 1% did not provide a response.
- 64% of services involve five or more departments in order to provide the service, 14% involve four, 11% involve three, 5% two and 7% one.<sup>3</sup>
- 79% of services are resourced by employees or a combination of employees and volunteers, 14% of services are resourced by employees and contract staff, 5% are resourced by a combination of employees and contract and volunteers, 1% are contract and 1% volunteers.<sup>4</sup>
- 68% of services are resourced by 0.1-2.9 FTE's, 15% are resourced by 3-4.9FTE's, 9% are resourced by 10 or more FTE's, 4% are resourced by 7-9.9FTE's, 3% are resourced by 5-6.9FTE's, 2% no response.<sup>5</sup>
- 82% of services collect data that monitors the performance of the service
- 41% of services align with liveable, 10% valuing nature, 1% Innovative, 3% Prosperous, 6% Connected, 8% Engaged, 31% Excellence and 1% no response.<sup>6</sup>

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<sup>1</sup> % results provided are calculated upon the total responses NOT the total number of service statements as some questions could provide more than one answer.

<sup>2</sup> This anomaly is explained by a 'no' response to service standards, and a 'yes' response to the question asking if standards were being met.

<sup>3</sup> Refer to footnote: 1

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

### Commercial viability

- 59% of services are funded completely by rates, 21% as a user charge or combination of rates and user charge, 10% as a grant or combination of user charge or 'other', 8% as a combination of rates, grants and user charge, 2% did not know and 1% didn't provide a response.<sup>7</sup>
- 35% of services have identified that a fee could be charged for the service, 61% identified they couldn't, 3% did not know and 1% did not respond.
- Of the 35% of services that identified a fee could be charged for the service, 65% identified there were constraints that effected the implementation. Explanations include: legislation (40%), customers' ability to pay (32%), internal service (12%) and the remaining 16% were attributed to a range of other individual constraints.

### Public value

- 53% of responses rated public value as 'very high' (81%+) in relation to those that use the service, 24% are rated as 'high' (51 –80%), 13% are rated as 'moderate' (21 -50%), 6% are rated as 'low' (0-20%), 3% did not know, and 1% did not respond.
- 61% rated the service as 'very high' (81%+) in relation to community need, 20% were rated as 'high' (51-80%), 5% were rated as 'moderate' (21-50%), 6% were rate as 'low'(0-20%), 8% did not know, and 1% did not respond.<sup>8</sup>
- 67% of responses indicated that the demand for the service was increasing, 26% indicated future demand would remain the same, 2% would decrease, 4% did not know and 1% did not respond.

### Innovation/Continuous Improvement

- 43% of responses had processes, 34% procedures, 23% policies.
- 82% of responses indicated that improvements to some form of the service was identified in work area plans, 18% did not. Of those 18% that did not include improvements to their work area plans, 19% indicated software was a barrier, 14% indicated they required resourcing, 17% indicated budget, 11% indicated approval and 31% indicated 'other' – but did not provide an additional response to understand what the 'other' reasons were.
- The most common form of improvements identified as a result of the service review include internal processes 40%, improvements made to the delivery of the service (or a component of the service) 28%, improvements made direct to the customer 10%, 6% were costs, 5% were charge and 11% did not know.

### **Prioritisation of services for stage two review as indicated by the results of service statements**

The results of stage one provide a significant amount of information that will be used to provide a depiction of that particular service at that point in time and will become data that can be further tested and evaluated each year in work area planning as the service review process matures and evolves.

The tool used to analyse the responses (see diagram 1 below) essentially identifies the higher the percentage score given, the more likelihood the service would benefit from a stage 2 detailed review.

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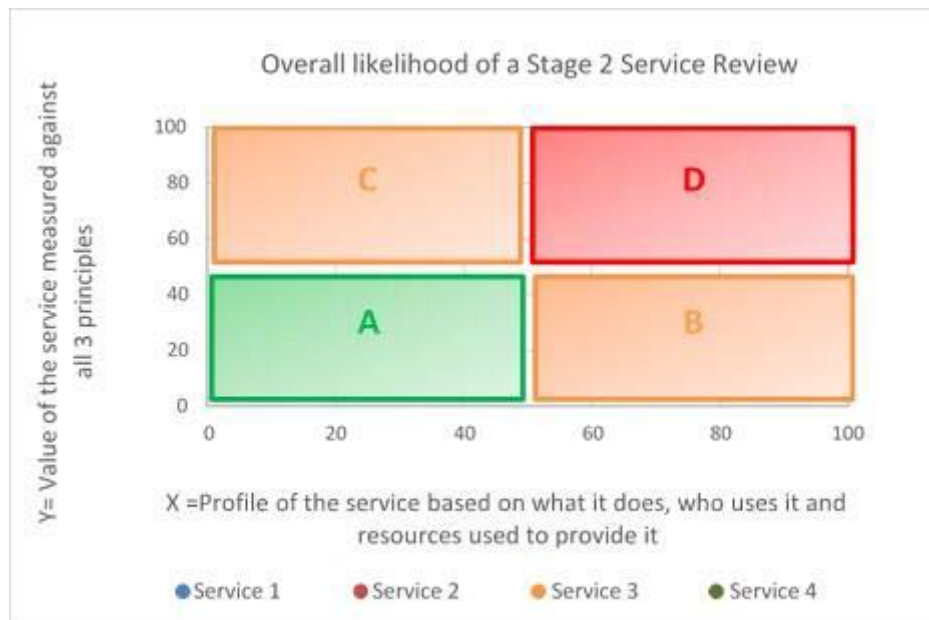
<sup>7</sup> Ibid.

<sup>8</sup> Ibid.



Any service that had a score of >50% for both the 'Profile of the service' and 'Value of the service based upon the three principles', were identified in a scatter-graph as a service that could benefit from a stage two review as a priority 1.

Diagram 1:

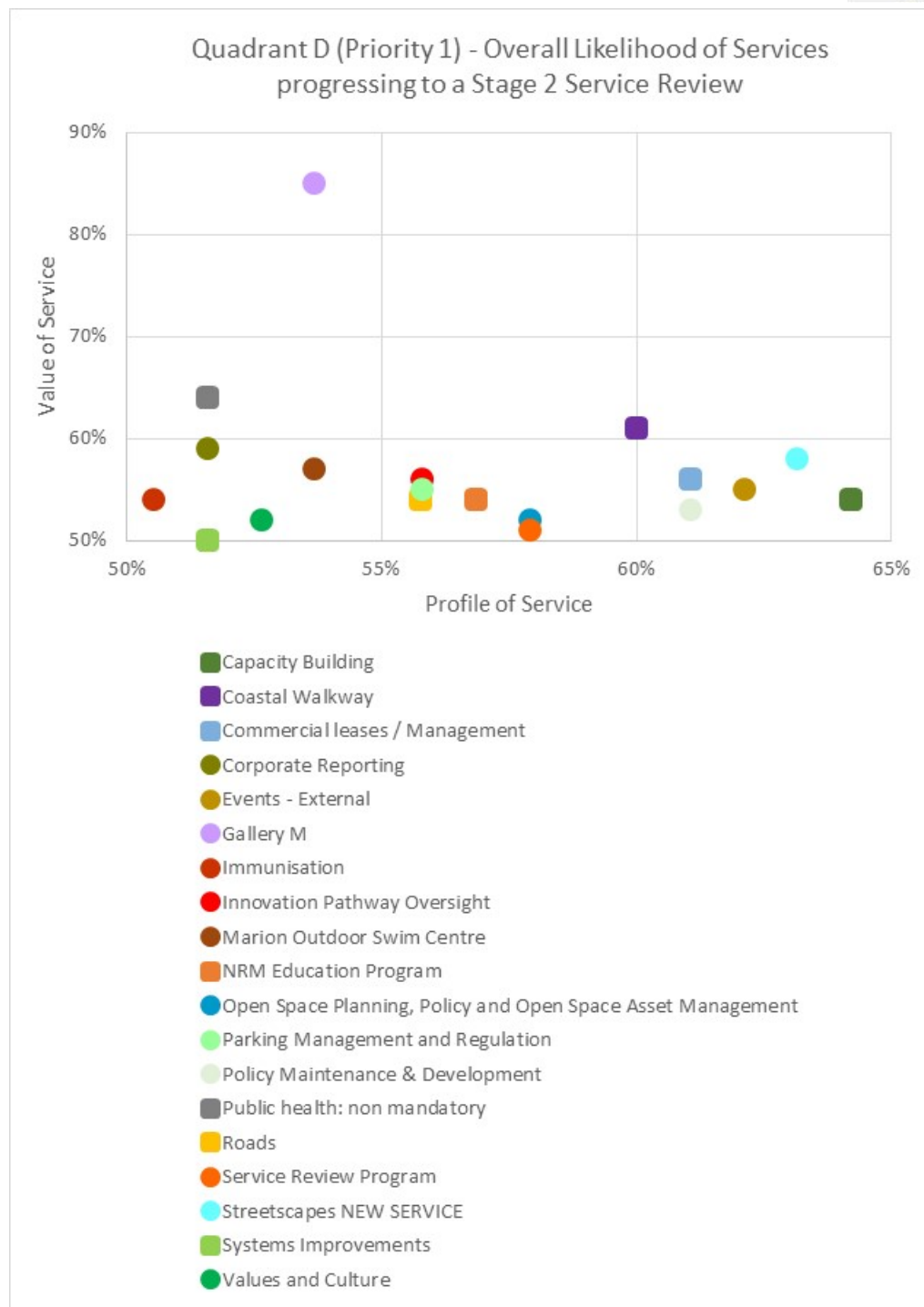
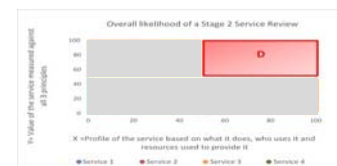


**Quadrant D, Priority 1:** Profile of the service is assessed as high (more opportunities for improvement and the value of the service measured against principles is high (more opportunities for improvement).

**Quadrant B & C, Priority 2:** Profile of the service is assessed as high (more opportunities for improvement) and the overall value of the service measured against principles is low (less opportunities for improvement) OR Profile of the service is assessed as low (less opportunities for improvement) and the overall value of the service measured against principles is high (more opportunities for improvement).

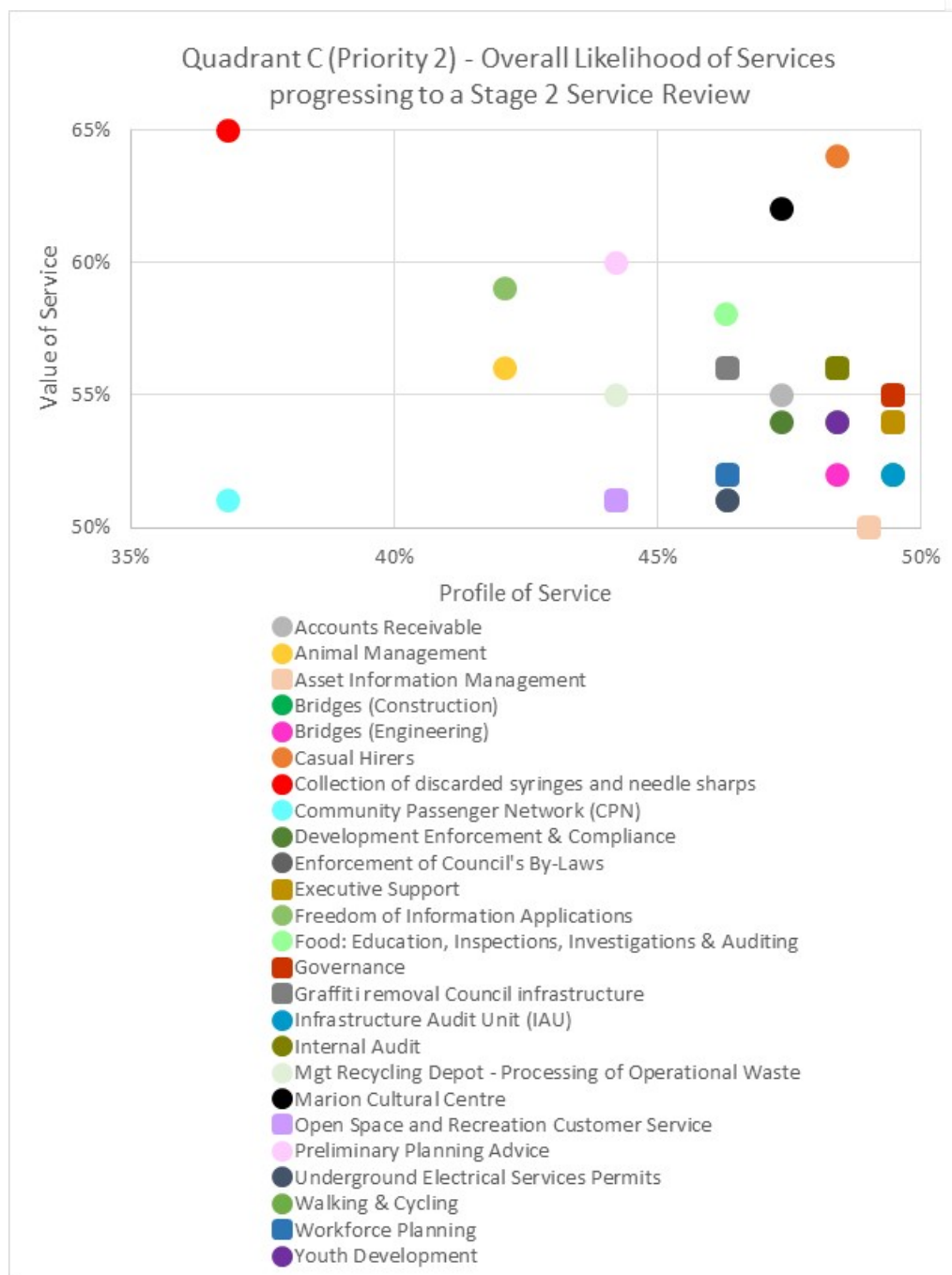
**Quadrant A, Priority 3 or Further investigation:** Profile of the service is assessed as low (less opportunities for improvement) and the overall value of the service measured against principles is low (less opportunities for improvement).

Graph 1:  
Services identified as Priority 1 (Quadrant D) for a Service Review



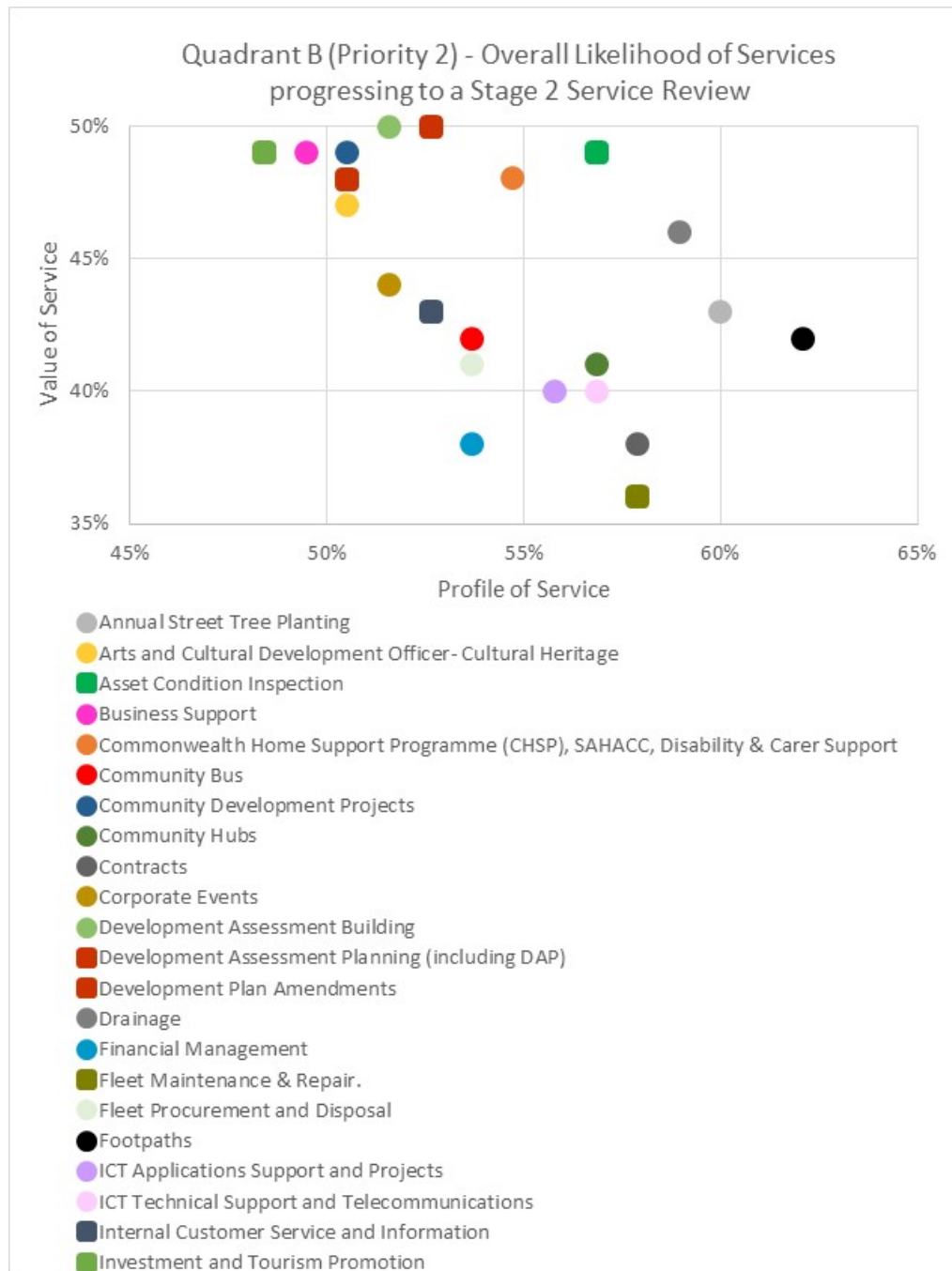
These services had a value of greater than 50% for the Profile of the Service and Value of the Service.

Graph 2: Services identified as Priority 2 (Quadrant C) for a Service Review



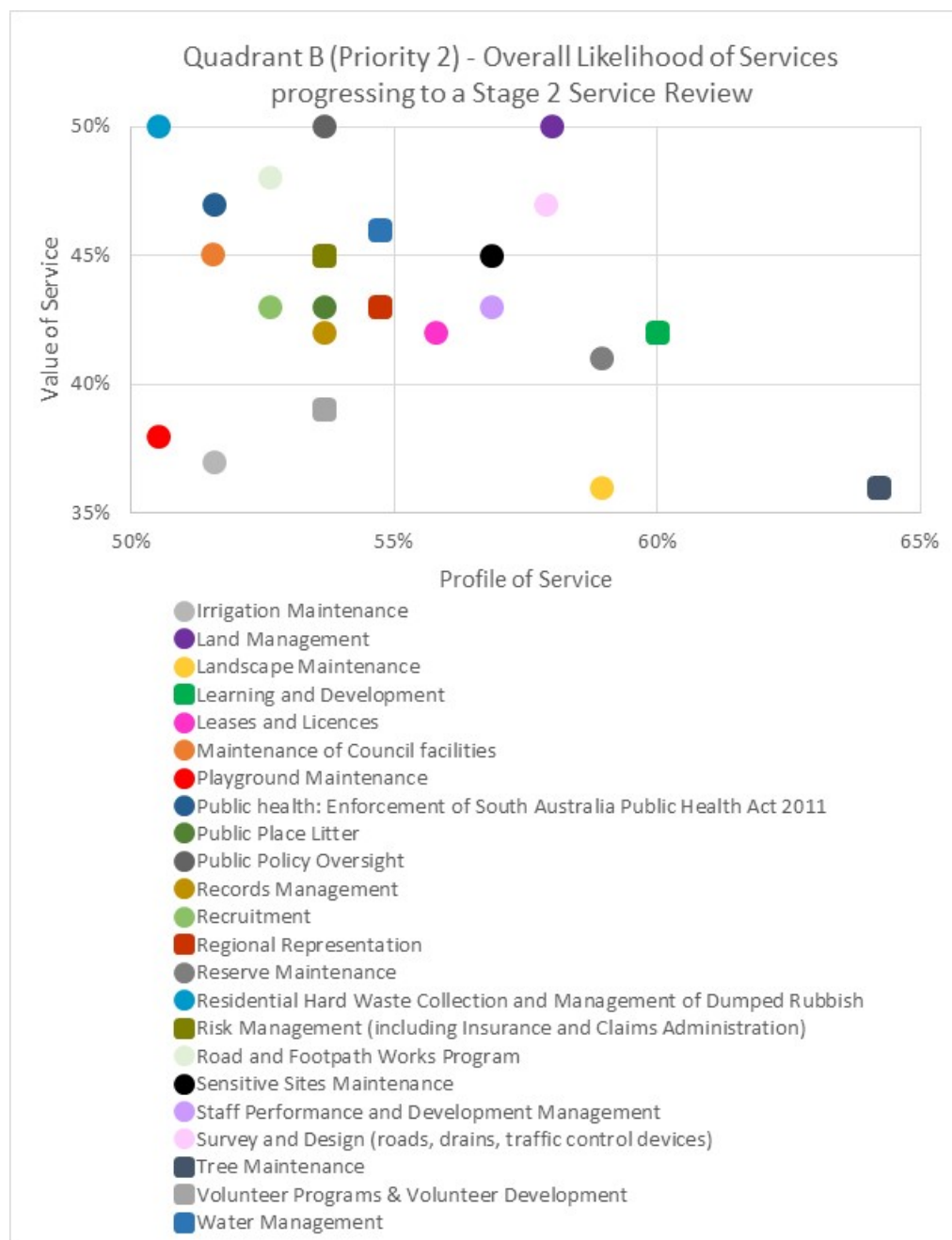
These services had a value of less than 50% for the Profile of the Service and equal to or greater than 50% for the Value of the Service.

Graph 3A: Services identified as Priority 2 (Quadrant B) for a Service Review – 1st of 2 graphs due to the high number of services indicated within this quadrant.



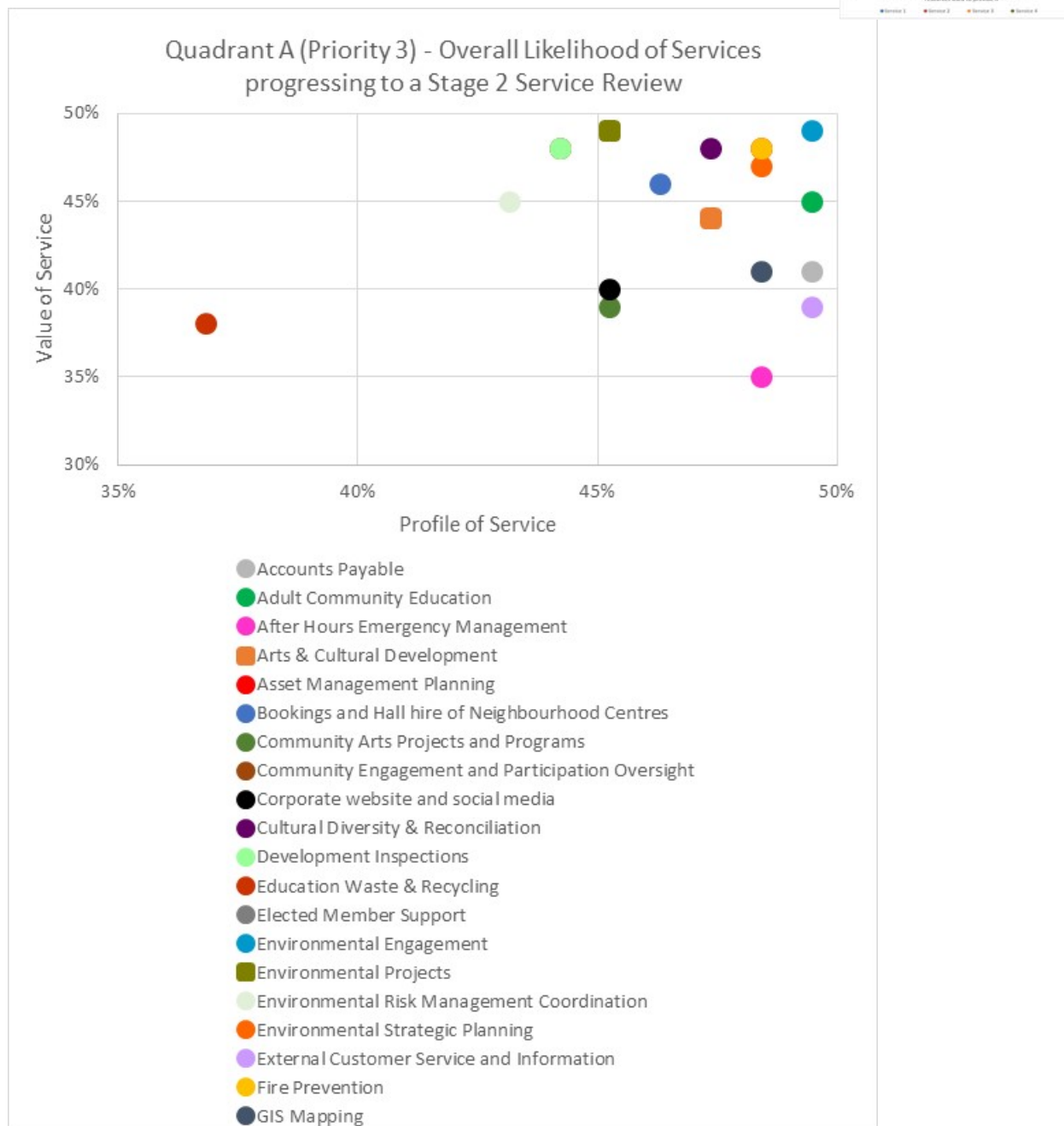
These services had a value greater than 50% for the Profile of the Service and less than 50% for the Value of the Service.

Graph 3B: Services identified as Priority 2 (Quadrant B) for a Service Review  
 – 2nd of 2 graphs due to the high number of services indicated within this quadrant.



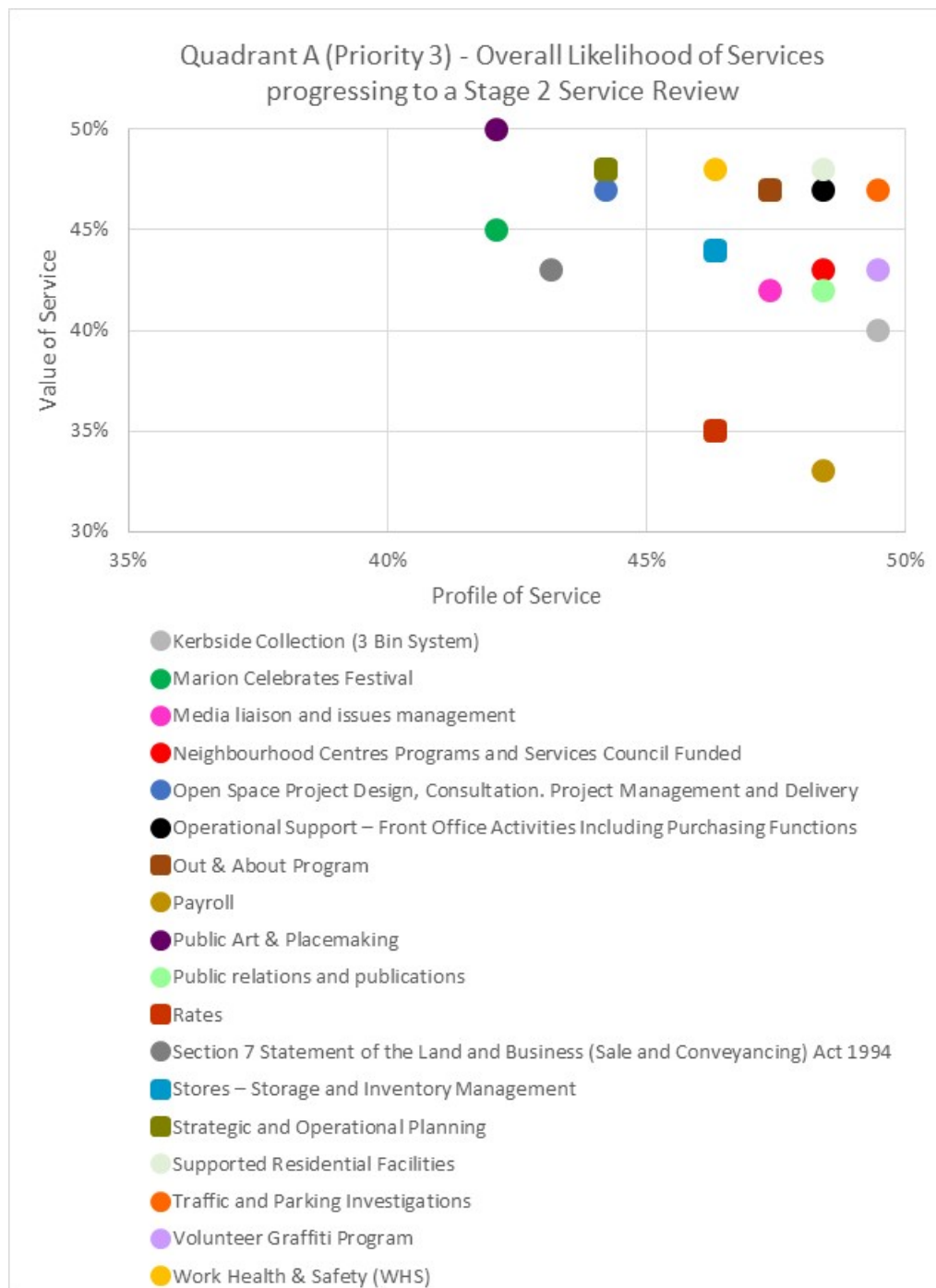
These services had a value greater than 50% for the Profile of the Service and less than 50% for the Value of the Service.

Graph 4A: Services identified as Priority 3 (Quadrant A) for a Service Review – 1st of 2 graphs due to the high number of services indicated within this quadrant.



These services had a value less than 50% for the Profile of the Service and less than 50% for the Value of the Service.

Graph 4B: Services identified as Priority 3 (Quadrant A) for a Service Review – 2nd of 2 graphs due to the high number of services indicated within this quadrant.



These services had a value less than 50% for the Profile of the Service and less than 50% for the Value of the Service.

The services that have been prioritised by the service statement tool and graphed above are provided in table format in Appendix 1.

As the service statements and the tools created to score the service is essentially a self-assessment, its main focus was to be used as a guide to highlight those services with the most opportunities for improvement or efficiencies. Its results should not be seen in isolation

to other key factors that can influence efficiencies, and hence the following considerations have also been applied when recommending services for a stage two review:

- Strategic alignment including the newly adopted Business Plan 2016-2016 and work area planning,
- Industry reforms,
- Community expectation,
- Legislative provisions if applicable,
- Resources available to undertake a review at a particular time,
- Status of the service to benefit from a review at a particular time,
- Budgetary considerations.

In light of these factors, the initial results were reviewed testing the tools ability to identify the services expected to be identified for a stage two. This had varying results across the organisation but provided further insight into the organisations' knowledge of the service and its status. In most cases, this information could be triangulated with the initial results to reflect the expected outcomes, for example;

- 'Corporate Reporting' was identified as a service that could benefit from a stage two review as a priority one and this service had already been identified in the City of Marion Internal Audit program as requiring a review. This review is currently being scoped for an internal audit.
- 'Drainage' was initially identified as a service that could benefit from a stage two review as a priority two, however this service was reprioritised as a priority one due to additional knowledge of user charges that could not have been identified by the service statement.
- Development services were identified as priorities however given the current legislative reform impetus, a review would not be beneficial at this time until the new legislation is in full operation.

These instances have been recorded as learnings for future service review processes.

As a result of the above analysis, 12 services have been identified and are recommended for consideration of a stage two, priority one review (Table 1) and a further 30 as a priority two review (Table 2). It is noted that 24 of the 30 services would be recommended for progression to a stage two review and are provided to give fullness to the discussion. It is also noted that ultimately a service's identification and prioritisation for a review is a decision of council. Appendix two provides additional commentary.



Table 1: Top 12 - Recommended Services for Stage 2 Review (Identified with organisational input)	
Division, Department & Service	No. of Services
<b>Chief Executive Officer</b>	
Human Resources	1
Recruitment	
<b>General Manager City Development</b>	
City Property	2
Maintenance of Council facilities	
Marion Outdoor Swim Centre	
Development & Regulatory Services	1
Parking Management and Regulation	
Innovation & Strategy	1
Asset Information Management	
<b>General Manager Corporate Services</b>	
Contracts & Operational Support	2
Management of Recycling Depot - Processing of Operational Waste	
Stores – Storage and Inventory Management	
Corporate Governance	2
Governance	
Records Management	
<b>General Manager Operations</b>	
Engineering & Field Services	2
Drainage	
Road and Footpath Works Program	
Community & Cultural Services	1
Commonwealth Home Support Programme (CHSP), SA Home and Community Care (HACC), Disability & Carer Support	
<b>Grand Total</b>	<b>12</b>

The table provided below provides for another 30 services that have been identified as potential services to be scheduled as a priority two stage two review;

Table 2: Recommended Services for Priority 2 (potential) for Stage 2 Review (Identified with organisational input)	
Division, Department & Service	No. of Services
<b>General Manager City Development</b>	
<b>Innovation &amp; Strategy</b>	<b>4</b>
Asset Condition Inspection	
Asset Management Planning	
Open Space Planning, Policy and Open Space Asset Management	
Systems Improvements	
<b>City Property</b>	<b>3</b>
Capacity Building	
Casual Hirers	
<b>Development &amp; Regulatory Services</b>	<b>1</b>
Collection of discarded syringes and needle sharps	
<b>Strategic Projects</b>	<b>1</b>
Creation, modification and disposal of Assets	
<b>Economic Development</b>	<b>1</b>
Investment and Tourism Promotion	
<b>General Manager Corporate Services</b>	
<b>Contracts &amp; Operational Support</b>	<b>4</b>
After Hours Emergency Management	
Education Waste & Recycling	
Fleet Maintenance & Repair	
Operational Support – Front Office Activities Including Purchasing Functions	
<b>Corporate Governance</b>	<b>1</b>
Corporate Events	
<b>General Manager Operations</b>	
<b>Community &amp; Cultural Services</b>	<b>9</b>
Bookings and Hall hire of Neighbourhood Centres	
Community Bus	
Community Development Projects	
External Customer Service and Information	
Internal Customer Service and Information	
Marion Celebrates Festival	
Public Art & Place-making	
Volunteer Programs & Volunteer Development	
Youth Development	
<b>Engineering &amp; Field Services</b>	<b>7</b>
Bridges (Engineering)	
Footpaths	
Infrastructure Audit Unit (IAU)	
Landscape Maintenance	
Roads	
Walking & Cycling	
Water Management	
<b>Grand Total</b>	<b>30</b>

It must be noted that the services falling outside of the two lists above will be suggested as not progressing to a stage two service review.

**CONCLUSION:**

The organisation has embarked upon a new approach to service reviews with a focus of undertaking the majority of reviews internally, delivered within a three-year period with the intention to integrate reviews into annual work area planning. This first body of work provides much data that can be used to benchmark and evaluate services as the service review process matures and evolves.

Appendix 1: List of services identified and prioritised for a stage two review by service statements from the completed stage one reviews.

Appendix 2: List of services re-prioritised with organisational input.

Appendix 3: List of services

# Appendix 1

## Priorities for Stage 2 Review – Identified by Service Statement Tool



Provided below are three tables with the list of services that the Service Statement Tool identified as benefiting a stage two review as a priority one (table 1), priority two (table 2) and priority three (table 3);

**\*Note:** The following services have not been included in the prioritisation:

- Marion Library Service (currently under review)
- Living Kurna Culture Centre (recently reviewed)
- Marion Learning Festival (service was discontinued in June 2016)

**Table 1: Priority 1 for Stage 2 Review (Identified by Service Statement Tool)**

Division, Department and Service	No. of Services
<b>Chief Executive Officer</b>	
<b>Human Resources</b>	<b>1</b>
Values and Culture	
<b>General Manager City Development</b>	
<b>City Property</b>	<b>6</b>
Capacity Building	
Coastal Walkway	
Commercial leases / Management	
Events - External	
Gallery M	
Marion Outdoor Swim Centre	
<b>Development &amp; Regulatory Services</b>	<b>3</b>
Immunisation	
Parking Management and Regulation	
Public health: Non mandatory	
<b>Economic Development</b>	<b>0</b>
<b>Innovation &amp; Strategy</b>	<b>4</b>
Innovation Pathway Oversight	
NRM Education Program (hosted position/service)	
Open Space Planning, Policy and Open Space Asset Management	
Systems Improvements	
<b>Strategic Projects</b>	<b>0</b>
<b>General Manager Corporate Services</b>	
<b>Contracts &amp; Operational Support</b>	<b>0</b>
<b>Corporate Governance</b>	<b>3</b>
Corporate Reporting	
Policy Maintenance & Development	
Service Review Program	
<b>Finance</b>	<b>0</b>
<b>ICT</b>	<b>0</b>
<b>General Manager Operations</b>	
<b>Community &amp; Cultural Services</b>	<b>0</b>
<b>Engineering &amp; Field Services</b>	<b>2</b>
Roads	
Streetscapes	
<b>Grand Total</b>	<b>19</b>

**Appendix 1**

## Priorities for Stage 2 Review – Identified by Service Statement Tool

Table 2: Priority 2 (potential) for Stage 2 Review (Identified by Service Statement Tool)

Division, Department and Service	No. of Services
<b>Chief Executive Officer</b>	
<b>Human Resources</b>	<b>4</b>
Learning and Development	
Recruitment	
Staff Performance and Development Management	
Workforce Planning	
<b>General Manager City Development</b>	
<b>City Property</b>	<b>5</b>
Casual Hirers	
Land Management	
Leases and Licences	
Maintenance of Council facilities	
Marion Cultural Centre	
<b>Development &amp; Regulatory Services</b>	<b>10</b>
Animal Management	
Collection of discarded syringes and needle sharps	
Development Assessment Building	
Development Assessment Planning (including DAP)	
Development Enforcement & Compliance	
Development Plan Amendments	
Enforcement of Council's By-Laws	
Food: Education, Inspections, Investigations & Auditing	
Preliminary Planning Advice	
Public health: Enforcement of South Australia Public Health Act 2011	
<b>Economic Development</b>	<b>3</b>
Business Support	
Investment and Tourism Promotion	
Regional Representation	
<b>Innovation &amp; Strategy</b>	<b>4</b>
Asset Condition Inspection	
Asset Information Management	
Open Space and Recreation Customer Service	
Public Policy Oversight	
<b>Strategic Projects</b>	<b>1</b>
Creation, modification and disposal of Assets	
<b>General Manager Corporate Services</b>	
<b>Contracts &amp; Operational Support</b>	<b>6</b>
Contracts	
Fleet Maintenance & Repair	
Fleet Procurement and Disposal	
Management of Recycling Depot - Processing of Operational Waste	
Public Place Litter	
Residential Hard Waste Collection and Management of Dumped Rubbish	

**Appendix 1**

## Priorities for Stage 2 Review – Identified by Service Statement Tool

Table 2: Priority 2 (potential) for Stage 2 Review (Identified by Service Statement Tool)

Division, Department and Service	No. of Services
<b>Corporate Governance</b>	<b>7</b>
Corporate Events	
Executive Support	
Freedom of Information Applications	
Governance	
Internal Audit	
Records Management	
Risk Management (including Insurance and Claims Administration)	
<b>Finance</b>	<b>2</b>
Accounts Receivable	
Financial Management	
<b>ICT</b>	<b>2</b>
ICT Applications Support and Projects	
ICT Technical Support and Telecommunications	
<b>General Manager Operations</b>	
<b>Community &amp; Cultural Services</b>	<b>9</b>
Arts and Cultural Development Officer- Cultural Heritage	
Commonwealth Home Support Programme (CHSP), SA Home and Community Care (HACC),	
Disability & Carer Support	
Community Bus	
Community Development Projects	
Community Hubs	
Community Passenger Network (CPN)	
Internal Customer Service and Information	
Volunteer Programs & Volunteer Development	
Youth Development	
<b>Engineering &amp; Field Services</b>	<b>18</b>
Annual Street Tree Planting	
Bridges (Construction)	
Bridges (Engineering)	
Drainage	
Footpaths	
Graffiti removal Council infrastructure	
Infrastructure Audit Unit (IAU)	
Irrigation Maintenance	
Landscape Maintenance	
Playground Maintenance	
Reserve Maintenance	
Road and Footpath Works Program	
Sensitive Sites Maintenance	
Survey and Design (roads, drains, traffic control devices)	
Tree Maintenance	
Underground Electrical Services Permits	
Walking & Cycling	
Water Management	
<b>Grand Total</b>	<b>71</b>

**Appendix 1**

## Priorities for Stage 2 Review – Identified by Service Statement Tool

Table 3: Priority 3 not requiring a review at this time (Identified by Service Statement Tool)

Division, Department and Service	No. of Services
<b>Chief Executive Officer</b>	
Human Resources	0
<b>General Manager City Development</b>	
City Property	0
Development & Regulatory Services	5
Development Inspections	
Fire Prevention	
Section 7 Statement of the Land and Business (Sale and Conveyancing) Act 1994	
Supported Residential Facilities	
Volunteer Graffiti Program	
<b>Economic Development</b>	0
<b>Innovation &amp; Strategy</b>	8
Asset Management Planning	
Community Engagement and Participation Oversight	
Environmental Engagement	
Environmental Projects	
Environmental Risk Management Coordination	
Environmental Strategic Planning	
Open Space Project Design, Consultation. Project Management and Delivery	
Strategic and Operational Planning	
<b>Strategic Projects</b>	0
<b>General Manager Corporate Services</b>	
<b>Contracts &amp; Operational Support</b>	5
After Hours Emergency Management	
Education Waste & Recycling	
Kerbside Collection (3 Bin System)	
Residential Hard Waste Collection and Management of Dumped Rubbish	
Stores – Storage and Inventory Management	
<b>Corporate Governance</b>	5
Corporate website and social media	
Elected Member Support	
Media liaison and issues management	
Public relations and publications	
Work Health & Safety (WHS)	
<b>Finance</b>	3
Accounts Payable	
Payroll	
Rates	
<b>ICT</b>	1
GIS Mapping	
<b>General Manager Operations</b>	
<b>Community &amp; Cultural Services</b>	10
Adult Community Education	
Arts & Cultural Development	
Bookings and Hall hire of Neighbourhood Centres	
Community Arts Projects and Programs	
Cultural Diversity & Reconciliation	
External Customer Service and Information	
Marion Celebrates Festival	
Neighbourhood Centres Programs and Services Council Funded	

**Appendix 1**

## Priorities for Stage 2 Review – Identified by Service Statement Tool

Table 3: Priority 3 not requiring a review at this time (Identified by Service Statement Tool)

Division, Department and Service	No. of Services
<b>Community &amp; Cultural Services - Continued</b>	
Out & About Program	
Public Art & Placemaking	
<b>Engineering &amp; Field Services</b>	<b>1</b>
Traffic and Parking Investigations	
<b>Grand Total</b>	<b>38</b>

Priority 1: 19

Priority 2: 71

Priority 3: 38

+ Marion learning Festival &amp; Libraries

TOTAL: 130



## Organisational Service Review Progress

## Appendix 2

## Priorities for Stage 2 Review – Identified with organisational input



Provided below are two tables with the list of services that the organisation has identified as benefiting a stage two review as a priority one (table 1) and priority two (table 2);

*Table 1: Top 12 - Recommended Services for Stage 2 Review (Identified with organisational input)		
Division, Department & Service	No. of Services	Comments
<b>Chief Executive Officer</b>		
<b>Human Resources</b>	<b>1</b>	
Recruitment		Opportunities exist for driving more efficient and effective practices in the provision of this service.
<b>General Manager City Development</b>		
<b>City Property</b>	<b>2</b>	
Maintenance of Council facilities		The relatively high budget value, potential organisational risk and need for contracts to be awarded were identified as a stage 2 review (Priority 1).
Marion Outdoor Swim Centre		The relatively high budget value and customer service opportunities were identified as a stage 2 review (Priority 1).
<b>Development &amp; Regulatory Service</b>	<b>1</b>	
Parking Management and Regulation		Opportunities to drive efficiencies in relation to processes were identified in the service statement tool as a stage two review (Priority 1).
<b>Economic Development</b>	<b>0</b>	
<b>Innovation &amp; Strategy</b>	<b>1</b>	
Asset Information Management		Timely to incorporate this service into Strategic Asset Management Review as a stage 2 review (Priority 1).
<b>Strategic Projects</b>	<b>0</b>	
<b>General Manager Corporate Services</b>		
<b>Contracts &amp; Operational Support</b>	<b>2</b>	
Management of Recycling Depot - Processing of Operational Waste		Opportunities exist for driving more efficient and effective practices regarding these two services by linking them together in one service review as a stage 2 review (Priority 1).
Stores – Storage and Inventory Management		
<b>Corporate Governance</b>	<b>2</b>	
Governance		Opportunities exist for driving more efficient and effective practices regarding Council reporting as a stage 2 review (Priority 1).
Records Management		Timely to link a review with the integration of new organisational information software systems as a stage 2 review (Priority 1).
<b>Finance</b>	<b>0</b>	
<b>ICT</b>	<b>0</b>	
<b>General Manager Operations</b>		
<b>Community &amp; Cultural Services</b>	<b>1</b>	
Commonwealth Home Support Programme (CHSP), SA Home and Community Care (HACC), Disability & Carer Support		The funding agreement for these projects ends on 30 June 2018. Given the significant value of the service, and its linkages with State/Fed Government funding, it is timely for this service to be reviewed as a stage 2 review (Priority 1). It is also noted that this service is scheduled for discussion with Elected Members at a forum in November.

## Organisational Service Review Progress

## Appendix 2

## Priorities for Stage 2 Review – Identified with organisational input

\*Table 1: Top 12 - Recommended Services for Stage 2 Review (Identified with organisational input)

Division, Department & Service	No. of Services	Comments
<b>Engineering &amp; Field Services</b>	<b>2</b>	
Road & Footpath Works Program		Potential opportunities exist for driving more efficient and effective practices in the provision of this service and links with the City of Marion's Internal Audit Program as a stage 2 review (Priority 1).
Drainage		The relatively high budget value identified this service as a stage 2 review (Priority 1).
<b>Grand Total</b>	<b>12</b>	

Table 2: Recommended Services for Priority 2 (potential) for Stage 2 Review (Identified with organisational input)

Division, Department & Service	No. of Services
<b>Chief Executive Officer</b>	
Human Resources	0
<b>General Manager City Development</b>	
Innovation & Strategy	4
Asset Condition Inspection	
Asset Management Planning	
Open Space Planning, Policy and Open Space Asset Management	
Systems Improvements	
<b>City Property</b>	<b>2</b>
Capacity Building	
Casual Hirers	
<b>Development &amp; Regulatory Services</b>	<b>1</b>
Collection of discarded syringes and needle sharps	
<b>Economic Development</b>	<b>1</b>
Investment and Tourism Promotion	
<b>Strategic Projects</b>	<b>1</b>
Creation, modification and disposal of Assets	
<b>General Manager Corporate Services</b>	
<b>Contracts &amp; Operational Support</b>	<b>4</b>
After Hours Emergency Management	
Education Waste & Recycling	
Fleet Maintenance & Repair	
Operational Support – Front Office Activities Including Purchasing Functions	
<b>Corporate Governance</b>	<b>1</b>
Corporate Events	
<b>Finance</b>	<b>0</b>
<b>ICT</b>	<b>0</b>
<b>General Manager Operations</b>	
<b>Community &amp; Cultural Services</b>	<b>9</b>
Bookings and Hall hire of Neighbourhood Centres	
Community Bus	
Community Development Projects	
External Customer Service and Information	
Internal Customer Service and Information	

## Organisational Service Review Progress

**Appendix 2**

## Priorities for Stage 2 Review – Identified with organisational input



Table 2: Recommended Services for Priority 2 (potential) for Stage 2 Review (Identified with organisational input)

Division, Department & Service	No. of Services
<b>Community &amp; Cultural Services - Continued</b>	
Marion Celebrates Festival	
Public Art & Placemaking	
Volunteer Programs & Volunteer Development	
Youth Development	
<b>Engineering &amp; Field Services</b>	<b>7</b>
Bridges (Engineering)	
Footpaths	
Infrastructure Audit Unit (IAU)	
Landscape Maintenance	
Roads	
Walking & Cycling	
Water Management	
<b>Grand Total</b>	<b>30</b>

Table 1: Services

Division, Department and Service	No. of Services
<b>Chief Executive Officer</b>	
<b>Human Resources</b>	<b>5</b>
Learning and Development	
Recruitment	
Staff Performance and Development Management	
Values and Culture	
Workforce Planning	
<b>General Manager City Development</b>	
<b>City Property</b>	<b>11</b>
Capacity Building	
Casual Hirers	
Coastal Walkway	
Commercial leases / Management	
Events - External	
Gallery M	
Land Management	
Leases and Licences	
Maintenance of Council facilities	
Marion Cultural Centre	
Marion Outdoor Swim Centre	
<b>Development &amp; Regulatory Services</b>	<b>18</b>
Animal Management	
Collection of discarded syringes and needle sharps	
Development Assessment Building	
Development Assessment Planning (including DAP)	
Development Enforcement & Compliance	
Development Inspections	
Development Plan Amendments	
Enforcement of Council's By-Laws	
Fire Prevention	
Food: Education, Inspections, Investigations & Auditing	
Immunisation	
Parking Management and Regulation	
Preliminary Planning Advice	
Public health: Enforcement of South Australia Public Health Act 2011	
Public health: non mandatory	
Section 7 Statement of the Land and Business (Sale and Conveyancing) Act 1994	
Supported Residential Facilities	
Volunteer Graffiti Program	
<b>Economic Development</b>	<b>3</b>
Business Support	
Investment and Tourism Promotion	
Regional Representation	

Table 1: Services

Division, Department and Service	No. of Services
<b>Innovation &amp; Strategy</b>	<b>16</b>
Asset Condition Inspection	
Asset Information Management	
Asset Management Planning	
Community Engagement and Participation Oversight	
Environmental Engagement	
Environmental Projects	
Environmental Risk Management Coordination	
Environmental Strategic Planning	
Innovation Pathway Oversight	
NRM Education Program (hosted position/service)	
Open Space and Recreation Customer Service	
Open Space Planning, Policy and Open Space Asset Management	
Open Space Project Design, Consultation. Project Management and Delivery	
Public Policy Oversight	
Strategic and Operational Planning	
Systems Improvements	
<b>Strategic Projects</b>	<b>1</b>
Creation, modification and disposal of Assets	
<b>General Manager Corporate Services</b>	
<b>Contracts &amp; Operational Support</b>	<b>11</b>
After Hours Emergency Management	
Contracts	
Education Waste & Recycling	
Fleet Maintenance & Repair	
Fleet Procurement and Disposal	
Kerbside Collection (3 Bin System)	
Management of Recycling Depot - Processing of Operational Waste	
Operational Support – Front Office Activities Including Purchasing Functions	
Public Place Litter	
Residential Hard Waste Collection and Management of Dumped Rubbish	
Stores – Storage and Inventory Management	
<b>Corporate Governance</b>	<b>15</b>
Corporate Events	
Corporate Reporting	
Corporate website and social media	
Elected Member Support	
Executive Support	
Freedom of Information Applications	
Governance	
Internal Audit	
Media liaison and issues management	
Policy Maintenance & Development	
Public relations and publications	
Records Management	

Table 1: Services

Division, Department and Service	No. of Services
<b>Corporate Governance - Continued</b>	
Risk Management (including Insurance and Claims Administration)	
Service Review Program	
Work Health & Safety (WHS)	
<b>Finance</b>	<b>5</b>
Accounts Payable	
Accounts Receivable	
Financial Management	
Payroll	
Rates	
<b>ICT</b>	<b>3</b>
GIS Mapping	
ICT Applications Support and Projects	
ICT Technical Support and Telecommunications	
<b>General Manager Operations</b>	
<b>Community &amp; Cultural Services</b>	<b>22</b>
Adult Community Education	
Arts & Cultural Development	
Arts and Cultural Development Officer- Cultural Heritage	
Bookings and Hall hire of Neighbourhood Centres	
Commonwealth Home Support Programme (CHSP), SA Home and Community Care (HACC), Disability & Carer Support	
Community Arts Projects and Programs	
Community Bus	
Community Development Projects	
Community Hubs	
Community Passenger Network (CPN)	
Cultural Diversity & Reconciliation	
External Customer Service and Information	
Internal Customer Service and Information	
Living Kurna Cultural Centre	
Marion Celebrates Festival	
Marion Learning Festival	
Marion Library Service	
Neighbourhood Centres Programs and Services Council Funded	
Out & About Program	
Public Art & Placemaking	
Volunteer Programs & Volunteer Development	
Youth Development	
<b>Engineering &amp; Field Services</b>	<b>21</b>
Annual Street Tree Planting	
Bridges (Construction)	
Bridges (Engineering)	
Drainage	
Footpaths	

**Appendix 3**

## Services

Table 1: Services

Division, Department and Service	No. of Services
<b>Engineering &amp; Field Services - Continued</b>	
Graffiti removal Council infrastructure	
Infrastructure Audit Unit (IAU)	
Irrigation Maintenance	
Landscape Maintenance	
Playground Maintenance	
Reserve Maintenance	
Road and Footpath Works Program	
Roads	
Sensitive Sites Maintenance	
Streetscapes	
Survey and Design (roads, drains, traffic control devices)	
Traffic and Parking Investigations	
Tree Maintenance	
Underground Electrical Services Permits	
Walking & Cycling	
Water Management	
<b>Grand Total</b>	<b>131</b>

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE  
16 AUGUST 2016**

**Originating Officer:** Kate McKenzie, Manager Corporate Governance

**General Manager:** Vincent Mifsud, General Manager Corporate Services

**Subject:** Internal Audit Program

**Report Reference:** FAC160816R7.8

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**REPORT OBJECTIVES:**

To provide the Finance and Audit Committee (FAC) with:

1. An overview of the status of the Internal Audit Program,
2. Cash Handling Report (**Confidential - Appendix 1**)

**EXECUTIVE SUMMARY:**

The FAC endorsed the Internal Audit Program 2015-2017 at its meeting of 15 December 2015 (AC151215R7.7).

The delivery of the program is on track with 5 of the 6 projects now complete. Scoping of three reviews for 2016/17 has now commenced. These scopes will be presented to the FAC meeting in October 2016.

The most recent review completed is the Cash Handling Review. Due to the nature of this report, it has been presented in a confidential appendix. The Committee will be required to move into confidence to discuss this item.

**RECOMMENDATIONS (3)**

**DUE DATES**

1. That the Finance and Audit Committee notes and provides any feedback on the progression and management of the Internal Audit Program.
2. That pursuant to Section 90(2) and (3)(e) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following Adrian Skull, Vincent Mifsud, Abby Dickson, Tony Lines, Kate McKenzie and Ray Barnwell be excluded from the meeting as the Committee receives and considers information relating to the Cash Handling Internal Audit Review which is attached in appendix 1 of this report, upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to security matters of the Council.

**August 2016**

**August 2016**



3. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that Appendix 1 – Cash Handling Internal Audit Review and the minutes arising from this appendix having been considered in confidence under Section 90(2) and (3)(e) of the Act shall, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2016.

August 2016

## BACKGROUND:

The Internal Audit Program is a key element of the City of Marion Risk Management Framework with the objective to provide independent, objective assurance regarding the operations of Council. The Internal Audit Program brings a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance process.

KPMG have been appointed as the City of Marion's internal auditor for a two year period concluding on 30 June 2017 (with the option for an additional 2 years on the contract).

In consultation with the Executive Leadership Team (ELT) and key Senior Managers, KPMG developed the Internal Audit Plan 2015 – 2017, that was considered and endorsed by the FAC at its meeting of 15 December 2015.

### Internal Audit Plan Status

The Plan identifies six (6) projects to be completed for the 2015/16 financial year. Five (5) projects have now been completed in total, being:

- The Development of a two-year Internal Audit Plan,
- Capital Works (Carryovers),
- Building Insurance and Asset Valuations,
- Payroll Operations,
- Cash Handling (Confidential Appendix).

The final project to be completed is "People, Leadership and Culture Management". It has been determined not to progress with this review through internal audit as better organisational outcomes could be achieved through a different type of consultancy/expert.

The table below provides a summary of the program to date.

Project	Commence Date	Scope	Progress	1 <sup>st</sup> Draft	Final Draft	FAC
Internal Audit Plan 2015-17	Nov 15	✓	✓	✓	✓	✓
Capital Works Program Delivery	Jan 16	✓	✓	✓	✓	✓
Payroll	Jan 16	✓	✓	✓	✓	✓
Purchase Card	March 16	✓	Deferred until 2017			
Cash Handling	March 16	✓	✓	✓	✓	✓
Building Insurance and Asset Valuation	April 16	✓	✓	✓	✓	✓
People, Leadership & Culture	April 16	✓	Not progressing			

### Cash Handling (Appendix 1)

This audit concentrated upon the adequacy and effectiveness of existing cash handling controls and procedures to ensure their completeness and accuracy when handling cash across a number of sites and facilities operated by the City of Marion.

The report identified eight recommendations; one high, four moderate and three low. The review has been presented as a confidential report pursuant to section 90(3)(e) of the *Local Government Act 1999* that states a matter may be kept confidential if the matter may impact on the security of the Council.

### Monitoring of Internal Audit Recommendations

The table below provides the status of recommendations from the Internal Audit Plan 2015-2017 including comments.

Project	Findings	In progress	Overdue	Completed	Comments
Capital Works Program	8	8	0	0	All recommendations are due in September 2016.
Payroll	6	2	0	4	Ongoing discussions will continue with the LGA regarding market testing Insurance schemes across the Local Government Sector in response to the AG's report. (Due Sept '16)
Insurance & Asset Valuation	8	1	0	7	
Cash Handling	8	-	-	-	

### Internal Audit Plan Status 2016/17

The following reviews are schedule for the 2016/17. Management and KPMG are currently progressing with scoping the first three reviews. These scopes will be presented to the October 2016 FAC Meeting.

Project	Commence Date	Scope	Progress	1 <sup>st</sup> Draft	Final Draft	F&AC
Corporate performance reporting	Jul '16					
Accounts receivable	Sep '16					
Purchase Cards	Nov 16					
IT Security – Cyber maturity	Jan '17					
Policy framework review	Jan '17					
Property Portfolio Management	Mar '17					

## **CONCLUSION**

The Internal Audit Program provides assurance to the Council (via the FAC) that operations, internal controls and processes are operating in an efficient and effective manner.

**NB – Appendix 1 – distributed separately (Confidential)**

## **FINANCE AND AUDIT COMMITTEE MEETING CONFIDENTIAL REPORT**

**Corporate Manager:** Kate McKenzie, Manager Corporate Governance

**General Manager:** Vincent Mifsud, General Manager Corporate Services

**Subject:** Meeting with the Internal Auditors in Confidence (without management present)

**Reference No:** FAC160816F01

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If the Finance and Audit Committee so determines, this matter may be considered in confidence under Section 90(2) and (3 (g) of the Local Government Act 1999 and orders that all persons present with the exception of Councillors XX be excluded from the meeting as the Committee meets with the Council's program evaluation service provider, on in order to ensure that the Council does not breach any law, order or direction of a court or tribunal by law, any duty of confidence or other legal obligation or duty.



**Adrian Skull**  
**Chief Executive Officer**

### **REPORT OBJECTIVE AND EXECUTIVE SUMMARY:**

The Finance and Audit Committee Terms Policy recognises that the Committee will meet with both the external auditor and internal auditor without management at least once per year (clause 4.12). This provides the Committee an opportunity to have a confidential conversation with the Auditors without management present.

The purpose of this report is to exclude the public and staff from the meeting to enable this conversation to occur.

The chair of the Committee will provide a summary of the discussion to the Manager Corporate Governance to be published in the minutes.

### **RECOMMENDATIONS:**

- 1. The Finance and Audit Committee include the following comments within the minutes:**