

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 28 February 2017

Commencing at 9.30am

In the Council 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 the Council Chamber is via the main entrance to the Administration building on Sturt Road, Sturt.

A handwritten signature in black ink, appearing to read "Adrian Skull", with a horizontal line underneath.

Adrian Skull
CHIEF EXECUTIVE OFFICER

24 February 2017

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE AGENDA
FOR THE MEETING TO BE HELD ON
TUESDAY 28 FEBRUARY 2017
COMMENCING AT 9.30AM
COUNCIL CHAMBER, ADMINISTRATION CENTRE
245 STURT ROAD, STURT**



1. OPEN MEETING	
2. KAURNA ACKNOWLEDGEMENT	
	<i>We acknowledge the Kaurna people, the traditional custodians of this land and pay our respects to their elders past and present.</i>
3. MEMBER'S DECLARATION OF INTEREST (if any)	
4. CONFIRMATION OF MINUTES	
4.1	Confirmation of the Minutes for the Finance and Audit Committee Meeting held 15 December 2016 Report Reference: FAC280217R3
5. BUSINESS ARISING	
5.1	Review of the Business Arising from previous meetings of the Finance and Audit Committee Report Reference: FAC280217R12
6. ELECTED MEMBER REPORT	
6.1	Elected Member's Report Report Reference: FAC280217R17
7. CONFIDENTIAL ITEMS	
	LGA Insurance Schemes Review Report Reference: FAC280217R7.119
	LGA Membership Report Reference: FAC280217R7.220
	Organisational Service Reviews – Libraries 2017 Report Reference: FAC280217R7.321
	Organisational Service Reviews – Public Litter Service Review 2017 Report Reference: FAC280217R7.422
	External Audit Tender Report Reference: FAC280217R7.523

8. REPORTS

Matters for Discussion

Corporate & Financial Management

Financial Management Policies Report Reference: FAC280217R8.1	24
Policy Framework Report Reference: FAC280217R8.2	41
Draft Annual Business Plan and Budget & Long Term Financial Plan Report Reference: FAC280217R8.3	54

Risk Management

Corporate Risk Profile Report Reference: FAC280217R8.4	79
WHS Rebate Calculations Report Reference: FAC280217R8.5	83

Service Reviews and Internal Audit

Organisational Service Reviews Report Reference: FAC280217R8.6	84
Internal Audit Program Status Report Report Reference: FAC280217R8.7	101

9. ANY OTHER BUSINESS

10. MEETING CLOSURE

The Audit Committee meeting shall conclude on or before 12.30 pm unless there is a specific motion adopted at the meeting to continue beyond that time.

11. NEXT MEETING

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

Time: 9.30am – 12.30pm

Date: 30 May 2017

Venue: Council Chamber, Administration Building

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON TUESDAY 15 DECEMBER 2016**



PRESENT

Mr Greg Connor, Ms Kathryn Presser, Mr Lew Owens, Councillor Raelene Telfer

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 Kate McKenzie	Manager Corporate Governance
Mr Ray Barnwell	Manager Finance
Ms Deborah Horton	Unit Manager Performance & Improvement

1. OPEN MEETING

The meeting commenced at 3.03 pm. The Chair welcomed all those present to the meeting.

2. KAURNA ACKNOWLEDGEMENT

We begin by acknowledging the Kaurna 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. No interests were disclosed.

4. CONFIRMATION OF MINUTES

**4.1 Confirmation of Minutes for the Finance and Audit Committee held 4 October 2016
Report Reference: FAC151216R4.1**

3.04 pm

Moved Councillor Telfer, Seconded Mr Owens that the minutes of the Finance and Audit Committee meeting held on 4 October 2016 is confirmed as a true and correct record of proceedings noting that last paragraph in item 7.8 should read complementary instead of complimentary.

Carried

5. BUSINESS ARISING

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

3.07 pm

Report Reference: FAC151216R5.1

The statement identifying business arising from the previous meetings of the Committee was reviewed and progress achieved against identified actions was noted. The Committee noted and queried the following:

- Item 2 - surplus land at City Services is now being further considered by the Infrastructure and Strategy Committee. The Committee noted that if further advice is required regarding the financial analysis or prudential requirements, it may be useful for the Finance and Audit Committee to have oversight of the matter at a later stage.
- Item 3 - project management report is progressing with a large amount of work being invested on work area plans, upfront planning, items in the business plan and key initiatives. New reporting was tested in November 2016 and is currently being analysed. It has been identified that we may have a skills gap/lack of resources in project management and program management. This is being addressed by a business case for a Program/Project Management Officer position. It was noted that the work progressed by Erika Comrie has also been a good support on this matter. The Committee noted that a report would be brought to the February 2017 meeting to address this. It is anticipated that it will be Project Management Framework and how City of Marion will manage project management across the organisation.
- Item 5 – Treasury Management Policy and Reserves Funds Policy will be brought back to the Committee in February 2017.
- Item 7 – the information requested as part of the Debtors Reports had been circulated via email. It was noted that management was looking at different ways of addressing debt management.

6. ELECTED MEMBER REPORT

6.1 Elected Member's Report Report Reference: FAC151216R6.1

3.20 pm

The Committee noted the report. Councillor Telfer provided an overview of the report noting that Elected Members had spent considerable time developing the KPI's outlined on page 20 and 21 of the agenda. It was noted that although KPI 7 (Loss Time Injury Frequency Rate) was not achieved for the 2015/16 financial year, work is progressing to improve Work Health Safety as a whole and how the organisation manages work place injuries.

Other matters of significance include the progress of the Glenthorne Farm community engagement and the signing of the deed for the Edwardstown Oval redevelopment.

The Committee noted that the funding source for Mitchell Park Community Centre was no longer available and Council was progressing with opportunities for other potential funding such as the state election in March 2018.

The appointment of Emma Hinchey to the Finance and Audit Committee was noted along with Greg Connors reappointment to the SRWRA Audit Committee.

7. REPORTS

7.1 Finance & Audit Committee Work Program & Meeting Schedule for 2017 Reference No: FAC151216R7.1

3.24 pm

The Committee reviewed the report and confirmed the meeting dates for 2017. The Committee requested that the following matters be added to the February 2017 meeting:

- Local Government Association Cost Benefit Analysis
- Project Management Update
- Treasury Management Policy and Reserve Funds Policy.

Moved Kathryn Presser, Seconded Councillor Telfer that the Finance and Audit Committee:

1. Notes the proposed work program for 2017 identified at Appendix 1 to the report.
2. Adopts the following schedule of meetings for 2017;
 - a. TUESDAY, 28 February 2017 (9.30am – 12.30 pm)
 - b. TUESDAY, 30 May 2017 (9.30am – 12.30 pm)
 - c. TUESDAY, 15 August 2017
(4.00 – 6.00 pm, followed by joint workshop with Council from 7.00 – 9.00 pm)
 - d. TUESDAY, 10 October 2017 (9.30am – 12.30 pm)
 - e. TUESDAY 12 December 2017 (9.30am – 12.30 pm)

Carried

7.2 Refined 17-18 Annual Business Plan and Budget Process

Reference No: FAC151216R7.2

3.25 pm

The Manager Finance provided an overview of the report highlighting that the refined processes focuses on planning up front to ensure that all key inputs are analysed in the early stages. The refined process has early engagement with Elected Members and has been developed in conjunction with the Strategy and Innovation Department to ensure all matters within the Work Area Plans are fully integrated into the budget.

The refined process includes the work areas using actual figures from previous financial years rather than the previous year budget. The finance department will undertake more development work up front prior to review by the responsible managers, who will still be accountable for their departmental budgets.

It is anticipated that a high level budget document will be prepared early in 2017 for discussion with Elected Members and public consultation will commence in April. It is expected that all senior leaders will present their budgets to the Executive Leadership Team (ELT).

The Committee congratulated staff on the improved process and indicated that it was a smart way to move forward. The number of touch points with Elected Members is an improvement on previous years and will assist the process moving forward.

The Committee also noted that software has been procured to assist in the budgeting and Long Term Financial Plan process. This product is being used by many eastern state Councils. The software will assist the Council to work through different scenarios to see the impact on the bottom line. It is anticipated that it will be worked through over the Christmas period to be able to demonstrate to Elected Members in January 2017.

The Committee noted the report.

7.3 Finance and Audit Committee Improvement Plan

Reference No: FAC151216R7.3

3.34 PM

The Committee noted the improvement plan and agreed it was a reasonable approach to improving the Committee's operations. The Committee noted that induction process for the new independent member would occur, including an opportunity for the Chair to meet her. The key actions would also be noted within the indicative work program.

The Committee also noted that majority of the actions would be delivered in 2017 and further review of the Committees' operations would occur in 2018.

7.4 Policy Framework **Reference No: FAC151216R7.4**

3.38 pm

The Manager Corporate Governance provided an overview of the report highlighting that progress was occurring with the development of a Policy Framework to provide a more structured approach for policy development and management. The Policy Framework will provide a strategic overview regarding what policies are required for the Council to meet its strategic objectives (public policies) and what policies are required to deliver administrative outcomes (governance policy). Part of the framework will include a review of the current policy suit and make recommendations regarding what policies must remain, could be consolidated or what can be removed. The Framework will also provide guidance regarding the approval, implementation and monitoring of policies.

The Committee noted that certain policies at City of Marion should be reviewed more regularly and the framework will assist. The Committee also noted that it needs to be simple and ensure that it doesn't become further red tape, rather than adding value. The Committee noted that the development of the Policy Framework will be a large body of work up front, but will assist the Council to determine how they want to set policies into the future.

7.5 Ombudsman SA Annual Report 2015/16 **Reference No: FAC151216R7.5**

3.46 pm

The Unit Manager Performance and Improvement provided an overview of the report highlighting that it is developed based on two reports received each year (one every six months) from the Ombudsman office. The Committee noted that the number of complaints were down in comparison to the previous year. The Committee also queried how the complaints were managed noting that 24 complaints were received by the Ombudsman about the City of Marion. The Committee was advised that four (4) complaints were referred to other agencies (e.g. Telstra), three (3) complaints did provide outcomes or details for further investigation, five (5) complaints were refused to be investigated by the Ombudsman and 12 complaints were referred back to the City of Marion (noting that of these 12 complaints, 4 complainants had complained twice). In some instances, the report from the Ombudsman is the first notification that Council may receive regarding a complaint. All complaints listed on the Ombudsman Report are followed up to ensure the matter has been resolved.

The Committee commented that the City of Marion has improved with a reduction of complaints to the Ombudsman but queried if there was anything that the Council could have improved.

The Manager Corporate Governance advised that there had been learnings from some of the reviews and these had been addressed via improvements to process or services.

The Committee noted the report and suggested that Marion approach both Campbelltown and Prospect Councils to see if any improvements ideas can be obtained, as these Councils demonstrate the lowest number of complaints per population

ACTION: That contact is made with both the City of Campbelltown and City of Prospect regarding their complaint management processes.

7.6 WHS Interim Risk Report **Reference No: FAC151216R7.6**

3.58 pm

The Manager Corporate Governance provided an overview of the report highlighting that the Local Government Association Workers Compensation Scheme (LGA WCS) had recently completed its annual audit with the Council noting that the audit focus will change year on year. The purpose of the Audit is to test conformances of the Council's WHS Management System against the Return to Work SA Code of Conduct for self insurance. It was noted that although the audit results do not reflect it, significant improvement had been made from the previous year's audit. To achieve a conformance, Council must demonstrate that all elements have been fulfilled and hence items that have been significantly progressed may still be reported as non-conforming. The Committee noted that work had progressed on the WHS Management Systems which was being monitored by the Executive Team on a monthly basis. It was also noted that although the Lost Time Injury Rate was still high, change to process had occurred to better support the workers return to work.

The Committee thanked management for the report noting that further work is still required regarding the management of lost time injuries and that Marion was still tracking much higher than the group average. The Committee queried the table and the graph provided on page 45 and asked if management can review how the data is presented. It was suggested that the data doesn't match the graph. Management agreed to review the information highlighted in the table.

The Committee also queried how the rebate was calculated and was advised it was based on claims performance and audit outcomes. It was agreed that the formula would be provided to the Committee.

The Committee noted that the premiums work out to approximately 2.8% of the total salaries for the City of Marion which is a good result for the Council. The Committee advised that other sectors such as the resource sector would normally expect about 4%.

The Committee noted the report, indicating that improvement was being demonstrated but WHS should remain a key focus area for the organisation. It was also suggested that some lead indicators should also be tracked such as hazard management.

ACTION:

- 1. Provide details to the Committee regarding how the LGA WCS rebate is calculated.**
- 2. Review how the data is presented on the graph and table on page 45 of the agenda.**

7.7 External Audit Tender - Update **Reference No: FAC151216R7.7**

4.09 pm

The Manager Finance updated the Committee on the progress of the External Audit Tender noting that the City of Marion was progressing with a select tender with four (4) firms. The tender closes on the 17th January 2017 and a report will be presented to the 28th February 2017 Finance and Audit Committee meeting.

It was agreed by the Committee that the Chair would form part of the Tender Review Committee.

The Committee noted the progress made to date on the external Audit Tender.

7.8 Internal Audit Program Status Report **Reference No: FAC061216R7.8**

4.11 pm

The Unit Manager Performance and Improvement provided an overview of the report noting that no reviews were finalised in time for the distribution of the Finance and Audit Committee agenda.

Significant work had progressed on the following reviews:

- IT Cyber Security
- Accounts Receivable
- Purchase Cards.

It is anticipated that these final reports will be presented to the Committee at its February 2017 meeting.

It was also highlighted that the field work on the Corporate Performance Review was due to commence and management was currently trying to schedule some dates with KMPG.

The Committee queried the overdue actions relating to payroll and it was noted that these were process improvements (e.g. online leave request) rather than issues with internal controls. The Committee also queried the outstanding Cash Handling recommendations noting that these were on track to be delivered by the end of December.

The Committee noted the update provided.

7.9 Organisational Service Reviews Qtr 1 2016/17 Recommendations **Reference No: FAC151216R7.9**

4.18 pm

Council Reporting and Elected Member Support

The Manager Corporate Governance provided an overview of the Council Reporting and Elected Member Support review highlighting that the review had provided some estimated costs for the delivery of Council and Committee Meetings and Ward Briefings. It had also highlighted the manual nature of how the service is delivered and that the implementation of software would provide efficiency and reduce the risk of human error in the process.

The Committee queried how the draft agenda process worked noting that Council was provided with the draft agenda and reports and then again when the agenda and reports are published publically. It was queried if this was good governance as it seemed to be a duplicate process for both management and elected members (as members were required to read the agenda twice). Councillor Telfer advised that it was beneficial for complex reports to help Elected Members understand the issues early. The Committee noted that in some cases, a debrief on complex matters would be required but the Committee would recommend that this process is done properly once, rather than duplicating.

The Committee also noted the high number of meetings and reports suggesting that further work be completed regarding what matters are reported to Council and why. The Committee also queried if there was a better way to structure the Council meetings. For example, could the first meeting of the month be focused on operational matters and the second be focused on strategy.

The Committee queried the figures on page 65 of the report and noted that the difference related to the cost of the independent committee members. The costs under the Council meetings do not reflect the Elected Member Allowance as the allowance is provided for their full duties, not just attendance at meetings.

The Committee agreed that the automation of agendas and reports should be progressed and requires further work. The Committee noted that a short term resource would assist the sourcing and implementation of a system.

The Committee noted the review and that further work on the implementation was required in conjunction with key stakeholders.

Recruitment

The Unit Manager Performance and Improvement provided an overview of the report highlighting that the service review had demonstrated there is limited capacity for this service to be delivered at a lower cost and was being managed well.

The review had demonstrated that recruitment was an essential function of the Council and the costs had been reduced in recent years as the recruitment had been moved internally.

The Committee noted the recommendations and suggested further analysis could be beneficial regarding the following items:

- As recruitment is now undertaken online, rather than general advertising, it may be worthwhile to complete an assessment of online vs general advertising and which process produces a better recruitment outcome. It may be that different approaches could be tailored to the recruitment needs.
- It was noted that job descriptions and adverts are prepared by unit managers or managers. This has reduced the cost of consultancy but is now a hidden cost as the process is consumed within management responsibilities. The impact on manager's times has not been assessed. It may be an opportunity to review how this is undertaken and potentially to be moved as a defined function within Human Resources
- Further analysis of the recruitment process could be undertaken to test the outcome of recruitment. For example, reviewing staff who have been recruited through a consultant vs those who have been recruited by management. Does one or the other produce a better outcome. Matters such as performance, tenure, promotion, etc. could be assessed to determine if one process produces a better outcome.
- Further analysis on poor recruitment (e.g. if employment contracts are terminated at the end of probation periods) to assess what went wrong and learn from any mistakes.
- Understanding how the City of Marion is viewed within the market place and potential perceptions about City of Marion as an employer is important to understand. The ability to attract the right people to vacant positions is important.
- Implementation of exit interviews should be investigated.

8. CONFIDENTIAL ITEMS

Organisational Service Reviews Qtr 1 2016/17 Reference No: FAC151216F01

5.04 pm

Marion Swim Centre

Moved Councillor Telfer, Seconded Mr Owens that pursuant to Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Finance & Audit Committee orders that all persons present, with the exception of: Councillor Jason Veliksou, Adrian Skull Chief Executive Officer, Vincent Mifsud General Manager Corporate Services, Abby Dickson General Manager City Development, Tony Lines General Manager Operations, Ray Barnwell Manager Finance, Kate McKenzie Manager Corporate Governance, Carol Hampton Manager City Property, Deborah Horton Unit Manager Performance & Improvement & Melissa Nottle-Justice Business Improvement Officer be excluded from leaving the meeting

as the Committee receives and considers information relating to the City of Marion Outdoor Swim Centre, upon the basis it 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 on the grounds that the report contains information relating to commercial information of a commercial nature (not being a trade secret) the disclosure of which (i) could reasonably be expected to prejudice the commercial position of a person who supplied the information, or to confer a commercial advantage on a third party; and (ii) would, on balance, be contrary to the public interest.

Carried

4.58 pm the meeting went into confidence

Moved Mr Owens, Seconded Ms Presser that in accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, City of Marion Outdoor Swim Centre Service Review 2016 and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(d) of the Act, 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 2017.

Carried

5.22 the meeting came out of confidence

Internal Audit Contract Reference No: FAC151216F02

5.22 pm

Moved Mr Owens, Seconded Councillor Telfer that pursuant to Section 90(2) and (3)(d) of the Local Government Act 1999 the Committee orders that all persons present, with the exception of the following persons Councillor Jason Veliskou, Adrian Skull Chief Executive Officer, Vincent Mifsud General Manager Corporate Services, Kate McKenzie Manager Corporate Governance, Abby Dickson General Manager City Development, Tony Lines General Manager Operations be excluded from the meeting as the Committee receives and considers information relating to contract for the provision of Internal Audit Services 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 commercial information that could reasonably be expected to prejudice the commercial position of the person who supplied the information.

Carried

5.23 pm the meeting went into confidence

Moved Mr Owens, Seconded Councillor Telfer that in accordance with Section 91(7) and (9) of the Local Government Act 1999 the Committee orders that this report, the minutes arising from this report and any other information distributed at the meeting having been considered in confidence under Section 90 (2) and (3) (k) of the Act 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 December 2017 Council Meeting.

Carried

5.31pm the meeting came out of confidence

9. ANY OTHER BUSINESS

- The Committee noted that Ms Erika Comrie had completed her 16 weeks at City of Marion and has identified \$1.4m of savings across the organisation. It was a valuable project and she has delivered good outcomes for the Council.
- The Chair thanked Mr Owens for his 7 years of service on the Committee. It was noted that his contribution has been invaluable and everyone has learnt a lot from his experience, skills and input. The Committee noted that Emma Hinchey will be commencing at the February 2017 meeting.

Mr Owens congratulated the City of Marion on the growth of the Council over the past 7 years and thanked staff for their support during this period.

10. MEETING CLOSURE

The meeting was declared closed at 5.36 pm

11. NEXT MEETING

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

General Meeting of the Finance and Audit Committee

Time: 9.30 am – 12.30 am

Date: 28 February 2017

Venue: Chamber, Administration Building

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CHAIRPERSON

/ /

CITY OF MARION

BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS

AS AT 23 February 2017



	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
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 item 3
2.	8 March 2016	That the Project Management Report be brought to the next Committee Meeting	F Harvey	May 2016	<p>The Committee provided example policies to the General Manager, Corporate Services.</p> <p>The treasury Management Policy was presented to the Committee in October 2016 and a report will be brought to the next Committee meeting further detailing suggested amendments to the Reserve Funds Policy and potential impacts on the LTFP.</p> <p>Further discussion with the Elected Members in relation to the Reserve Funds Policy will take place at the EM Forum on 21 Jan 2017. A report will be brought to the FAC meeting at the 28 February 2017 meeting.</p>	December 2017
3.	16 August 2016	<p>Treasury Management and Reserve Funds Policy</p> <p>The Committee email any example of policies they may have used or seen in other industries.</p> <p>The Committee requested that further work be undertaken on the Reserve Funds Policy and Treasury Management Policy and they be presented to the next Committee meeting for consideration. Any updates can be included as part of the 2017/18 Annual Business Plan and</p>	R Barnwell V Mifsud	October 2016	<p>The Committee provided example policies to the General Manager, Corporate Services.</p> <p>The treasury Management Policy was presented to the Committee in October 2016 and a report will be brought to the next Committee meeting further detailing suggested amendments to the Reserve Funds Policy and potential impacts on the LTFP.</p>	February 2017

Report Reference: FAC280217R5.1

City of Marion
Finance & Audit Committee Action Arising Statement as at 9 December 2016

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		LTFP process.			Further discussion with the Elected Members in relation to the Reserve Funds Policy will take place at the EM Forum on 21 Jan 2017. A report will be brought to the FAC meeting at the 28 February 2017 meeting.	February 2017
4.	15 December 2016	Ombudsman Report That contact is made with both the City of Campbelltown and City of Prospect regarding their complaint management processes as they reflect the lowest number of complaints across the sector	D Horton	February 2017	Both City of Prospect and Campbelltown have been contacted. Both have advised that no 'active' strategy is in place to reduce complaints from escalating to S270's and have undertaken to provide their internal complaint handling processes along with sharing their policies. An assessment / comparison between these documents and the City of Marion will be undertaken as a result of a broader policy review project which the City of Marion is about to embark upon.	Completed February 2017
5.	15 December 2016	Interim WHS Report 1. Provide details to the Committee regarding how the LGA WCS rebate is calculated. 2. Review how the data is presented on the graph and table on page 45 of the agenda.	S Walczak	February 2017	Interim WHS Report 1. Report provided FAC280217R7.4 2. Graph revised & provided in subsequent monthly WHS reports to Council.	Completed. Completed.

* completed items to be removed are shaded

SCHEDULE OF MEETINGS 2017			
Day	Date	Time	Venue
Tuesday	28 February 2017	9.30am – 12.30 pm	Administration Centre
Tuesday	30 May 2017	9.30am – 12.30 pm	Administration Centre
Tuesday	15 August 2017	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council)	Administration Centre
Tuesday	10 October 2017	9.30am – 12.30 pm	Administration Centre
Tuesday	12 December 2017	9.30am – 12.30 pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2017
TUESDAY, 28 February 2017

Topic	Action
Draft Annual Business Plan and Budget 2017/18 and Draft Long Term Financial Plan	Review and Feedback
Corporate Risk Profile (including defining Council's risk tolerance)	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Draft Policy Framework	Review and Feedback
Draft Project Management Framework	Review and feedback
Outcomes of Auditor General Audit	Review and Feedback
Outcome of External Audit Tender	Review and Recommendation to Council

TUESDAY, 30 May 2017

Topic	Action
Audit Engagement for the Year Ending 30 June 2017	Review and Recommendation to Council
Draft Annual Business Plan and Budget (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Organisational Key Performance Indicators 2017/18	Review and Recommendation to Council
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback

Internal Audit Plan July 2017 – June 2019	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Service Review Plan July 2017 - June 2019	Review and Feedback
Annual Review of WHS Program	Review and Feedback

TUESDAY, 15 August 2017 (Joint Workshop with Council)

Topic	Action
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
Meeting with Internal auditors in camera	Seeking feedback from Auditors
Joint Workshop with Council (4.00 pm – 6.00 pm)	Topic TBC

TUESDAY, 10 October 2017

Topic	Action
Audit Committee Annual Report to Council 2016/17	Review and Refer to Council
Independence of Council's Auditor for the year end 30 June 2017	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2017	Review and Recommendation to Council
Meeting with external auditors in camera	Seeking feedback from Auditors
Draft Compliance Framework	Review and Feedback
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 2016/17	Noting

Tuesday, 12 December 2017

Topic	Action
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback

Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Work Program and Meeting Schedule 2018	Review and Feedback
Ombudsman SA Annual Report 2016/17	Review and Feedback

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
28 February 2017**

Originating Officer: Jaimie Thwaites, Acting Manager Corporate Governance
Councillor Raelene Telfer, Councillor Nick Kerry

Subject: Elected Members' Report

Report Reference: FAC280217R6.1

REPORT OBJECTIVE:

Section 4.20 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 Finance and Audit Committee meeting on 15 December 2016, Council has held 2 Council Meetings on 24 January and 14 February 2017.

As recommended by the Committee, Council has now introduced a monthly Work Health Safety monitoring report that monitors implementation of audit outcomes, lost time injuries and WHS mitigation strategies and hazard reduction.

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

24 January 2017 General Council Meeting

Final Draft Open Space Policy

A final Open Space Policy was presented to Council for adoption. This policy will provide the context for the development of an Open Space Plan.

Asset Optimisation of Council Property

Council was provided with the outcomes of the assessment undertaken to date on four parcels of vacant land to be considered for potential disposal as part of Council's asset optimisation strategy.

Playspace Framework

Council endorsed a draft PlayGround Policy and Playspace Service levels for community consultation.

Southern Regional Football Facility

Council further considered the development of a Southern Regional Football Facility (adjacent to the BMX site on Majors Road) and for Council to consider contributing \$2.5 million towards the project with matching funding of \$2.5 million from the State Government.

14 February 2017 General Council Meeting

2nd Budget Review 2016/17

The report provided the financial results for the 2nd Budget Review for 2016/17. The budget review is a revised forecast of the original budget and as such any savings identified during the reviews will not be confirmed until the financial statements are prepared and audited at the end of the financial year. In regards to this item it was resolved that Council:

1. *Adopt, as presented in Appendix 1, the revised budgeted statements including the Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows.*
2. *Approves the transfer of the net proceeds from the sale of the Hallett Cove Library (\$1.560m) to the Asset Sustainability Reserve and the funds be quarantined to assist Council fund its long term Asset Management objectives.*

Corporate Performance Report (Organisational Key Performance Indicators 2016/17) – 2nd Quarter 2016-17 YTD

The report provided Council with the second quarter YTD status report on Corporate Performance Measures (Organisational Key Performance Indicators 2016/17) as adopted on 14 June 2016 (GC140616R06). It forms part of the regular Corporate Performance Reporting to Council, in conjunction with the quarterly budget review reporting.

COMMITTEES

The Council's 3 Committees also met and discussed the following matters which relate to the FAC Terms of Reference:

Urban Planning – 7 February 2017

- Oaklands Crossing Project

Review and Selection Committee (7 February 2017)

No items to report

Infrastructure and Strategy Committee (7 February 2017)

- Infrastructure Project Updates

RECOMMENDATION

The Finance and Audit Committee note the report.

DUE DATE

February 2017

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
28 FEBRUARY 2017**

CONFIDENTIAL REPORT

Corporate Manager: Jaimie Thwaites, Acting Manager Corporate Governance
General Manager: Vincent Mifsud, General Manager Corporate Services
Chief Executive Officer: Adrian Skull, CEO
Subject: Local Government Association Insurance Schemes Review
Reference No: FAC280217F+'%

If the Finance and Audit Committee so determines, this matter may be considered in confidence under Section 90(2) and (3)(b) of the *Local Government Act 1999* on the grounds that the report contains information relating to commercial information of a confidential nature

Adrian Skull
Chief Executive Officer

RECOMMENDATION:

1. That pursuant to Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Chief Executive Officer; Tony Lines, General Manager Operations; Vincent Mifsud, General Manager Corporate Services; Abby Dickson, General Manager City Development; Jaimie Thwaites, Acting Manager Corporate Governance, Sherie Walczak, Acting Unit Manager Governance and Records, Craig Clarke, Unit Manager Communications, be excluded from the meeting as the Council receives and considers information relating to Local Government Association Insurance Schemes Review, 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 commercial information the disclosure of which could prejudice the commercial position of Council and would on balance be contrary to the public interest.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
28 FEBRUARY 2017**

CONFIDENTIAL REPORT

Corporate Manager: Jaimie Thwaites, Acting Manager Corporate Governance
General Manager: Vincent Mifsud, General Manager Corporate Services
Chief Executive Officer: Adrian Skull, CEO
Subject: Local Government Association Membership
Reference No: FAC280217F7.2

If the Finance and Audit Committee so determines, this matter may be considered in confidence under Section 90(2) and (3)(b) and (h) of the *Local Government Act 1999* on the grounds that the report contains information relating to commercial information of a confidential nature and legal advice.

Adrian Skull
Chief Executive Officer

RECOMMENDATION:

1. That pursuant to Section 90(2) and (3)(b) and (h) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Chief Executive Officer; Tony Lines, General Manager Operations; Vincent Mifsud, General Manager Corporate Services; Abby Dickson, General Manager City Development; Jaimie Thwaites, Acting Manager Corporate Governance, Craig Clarke, Unit Manager Communications, be excluded from the meeting as the Council receives and considers information relating to Local Government Association Membership, 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 commercial information the disclosure of which could prejudice the commercial position of Council and would on balance be contrary to the public interest and legal advice.

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
28 FEBRUARY 2017**

CONFIDENTIAL REPORT

Originating Officer: Deborah Horton, Unit Manager Corporate Performance
Manager: Jaimie Thwaites, Acting Manager Corporate Governance
General Manager: Vincent Mifsud, General Manager Corporate Governance
Subject: Organisational Service Reviews – Libraries Appendix 5
Reference No: FAC280217F+"

If the Finance & Audit Committee so determines, this matter may be considered in confidence under Section 90(3)(a) of the *Local Government Act 1999* on the grounds that it relates to matters that may affect personal affairs of a person/s living or dead.



**Adrian Skull
Chief Executive Officer**

RECOMMENDATION:

1. That pursuant to Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Finance & Audit Committee orders that all persons present, with the exception of: Adrian Skull Chief Executive Officer, Vincent Mifsud General Manager Corporate Services, Abby Dickson General Manager City Development, Tony Lines General Manager Operations, Liz Byrne Manager Community & Cultural Services, Ray Barnwell Manager Finance, Jaimie Thwaites Acting Manager Corporate Governance, David Harman Financial Accountant, Deborah Horton Unit Manager Performance & Improvement, Melissa Nottle-Justice Business Improvement Officer be excluded from leaving the meeting as the Committee receives and considers information relating to the City of Marion Libraries Service Review (Appendix 5), upon the basis it 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 on the grounds that the report contains information relating to personnel matters.

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
28 FEBRUARY 2017**

CONFIDENTIAL REPORT

Originating Officer: Deborah Horton, Unit Manager Corporate Performance
Manager: Jaimie Thwaites, Acting Manager Corporate Governance
General Manager: Vincent Mifsud, General Manager Corporate Governance
Subject: Organisational Service Reviews – Public Litter Appendix 6
Reference No: FAC280217F7.4

If the Finance & Audit Committee so determines, this matter may be considered in confidence under Section 90(3)(d) of the *Local Government Act 1999* on the grounds that the report contains information relating to commercial information of a commercial nature (not being a trade secret) the disclosure of which (i) could reasonably be expected to prejudice the commercial position of a person who supplied the information, or to confer a commercial advantage on a third party; and (ii) would, on balance, be contrary to the public interest.



**Adrian Skull
Chief Executive Officer**

RECOMMENDATION:

1. That pursuant to Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Finance & Audit Committee orders that all persons present, with the exception of: Adrian Skull Chief Executive Officer, Vincent Mifsud General Manager Corporate Services, Abby Dickson General Manager City Development, Tony Lines General Manager Operations, Ray Barnwell Manager Finance, Jaimie Thwaites Acting Manager Corporate Governance, Colin Heath, Manager Contracts, David Harman Financial Accountant, Deborah Horton Unit Manager Performance & Improvement, Melissa Nottle-Justice Business Improvement Officer be excluded from leaving the meeting as the Committee receives and considers information relating to the City of Marion Public Litter Service Review (Appendix 6), upon the basis it 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 on the grounds that the report contains information relating to commercial information of a commercial nature (not being a trade secret) the disclosure of which (i) could reasonably be

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
28 FEBRUARY 2017**

Manager: Ray Barnwell, Manager Finance
General Manager: Vincent Mifsud, General Manager Corporate Services
Subject: External Audit Tender
Report Reference: FAC280217R7.5

If the Finance and Audit Committee so determines, this matter may be considered in confidence under Section 90 (3)(d) of the Local Government Act 1999 on the grounds that the report details commercial information of a confidential nature.



Adrian Skull
Chief Executive Officer

RECOMMENDATION:

1. That pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons Adrian Skull (Chief Executive Officer), Vincent Mifsud (General Manager Corporate Services), Jaimie Thwaites (Acting Manager Corporate Governance), Ray Barnwell (Manager Finance), Fiona Harvey (Manager Innovation and Strategy), Sherie Walczak (Unit Manager Risk) and Tim Hoggan (Senior Contracts Officer) be excluded from the meeting as the Committee receives and considers information relating to the tender for the provision of External Audit Services 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 is of a commercial nature.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE
28 FEBRUARY 2017**

Originating Officer: David Harman, Financial Accountant

Manager: Ray Barnwell, Manager Finance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Financial Management Policies

Report Reference: FAC280217R8.1

REPORT OBJECTIVES

This report is to provide the Finance and Audit Committee (FAC) with the opportunity to provide feedback on suggested alterations to Council's Budget Policy, Treasury Management Policy and Reserves Policy.

EXECUTIVE SUMMARY

At its Special Finance and Audit Committee meeting on 20 June 2016 (FAC200616R7.1), the FAC requested that the Treasury Management Policy and the Reserves Funds policy be brought for discussion to the next FAC meeting.

These policies were brought before the FAC at its meeting on 16 August 2016 (FAC160816R7.2), where it was noted that they would benefit from being more prescriptive and provide further clarity.

Discussion took place at the meeting with the FAC stating that it would be useful to provide investment parameters and guidelines within the Treasury Management Policy to ensure a sound financial approach. It was also noted that the Reserve Funds Policy would benefit from the development of criteria providing further clarity and transparency regarding why funds are being placed into the Council's reserves, and set requirements on the use of these funds. Initial amendments and discussion points were brought to the FAC at its meeting on 4 October 2016 (FAC041016R7.7) and further refinements were suggested.

A new planning and budget process has recently been implemented which needs to be appropriately reflected in Council's Budget Policy. Amendments have been proposed to Council's Budget Policy (Appendix 1), Treasury Management Policy (Appendix 2) and Reserve Policy (Appendix 3) with marked-up edits shown.

RECOMMENDATIONS (2)

That the Finance and Audit Committee:

DUE DATES

- | | |
|---|--------------------|
| 1. Notes the report. | 28 Feb 2017 |
| 2. Provides their feedback on the proposed amendments to the Budget Policy, Treasury Management Policy and Reserves Policy. | 28 Feb 2017 |

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.

Budget Policy

At its meeting on 15 December 2016 (FAC151216R7.2), the committee was provided with a report detailing the refined 2017/18 Planning and Budget process. The change in process has required a number of minor amendments to Council's Budget Policy. These changes are highlighted in Appendix 1.

Treasury Management Policy

Council's Treasury Management policy seeks to guide and direct Council in the way borrowings are raised and how its investments are managed.

At its meeting on 16 August 2016 (FAC160816R7.2) the Committee suggested it would be useful to include investment parameters and guidelines to ensure a sound financial approach is taken. A number of proposed amendments to the policy focusing on being more prescriptive around the types of institutions that investments can be held with, considerations required when making an investment and criteria for ensuring competitive rates are received were brought back to FAC on 4 October 2016 (FAC041016R7.7). The feedback from this meeting was that further information detailing a minimal suitable credit rating of institutions should be incorporated and reference to the Australian Dollars removed. These suggestions have been incorporated, and along with previous amendments have been highlighted in Appendix 2.

Reserve Funds Policy

Council's Reserve Funds policy guides decision making with regard to the recognition and allocation of funding for future purposes. 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.

At its meeting on 4 October 2016 (FAC041017R7.7) a number of potential inclusions were referred to the Committee. These were given further consideration by the FAC and a number of suggested amendments have been made to provide further clarity around how Council's reserves should be funded, when it is appropriate to transfer funds to reserves, contribution levels for partnership funded projects and reference to Council's Strategic Framework to assist with the determination of allocating funds to specific projects. These suggestions have been incorporated and highlighted in Appendix 3.

The following information is being provided to support discussion:

1. Budget Policy (Appendix 1)
2. Treasury Management Policy (Appendix 2)
3. Reserves Policy (Appendix 3)

CONCLUSION

Council's Budget policy, 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 proposed amendments to these policies

APPENDICES

Appendix 1: Budget Policy
Appendix 2: Treasury Management Policy
Appendix 3: Reserves Policy

Budget Policy



1. RATIONALE

To ensure Council's budget is prepared in an accurate and financially sustainable manner giving consideration to both internal and external factors.

2. POLICY STATEMENT

The City of Marion's Strategic Management Framework provides the strategic direction for the development of the Long Term Financial Plan (LTFP) and Annual Business Plan (ABP). Continually improving the integration between Marion's Strategic Plan, LTFP and ABP processes ensures Council develops and implements a robust and transparent system of financial management aligned to Marion's Strategic Plan and aimed at establishing, maintaining and assessing long term financial sustainability.

3. OBJECTIVES

To develop and produce robust, flexible and leading practice long-term (LTFP) and short-term (ABP) financial plans that are directly aligned to Council's Strategic Plan, which: -

- establish clear lines of accountability;
- include the use and assessment of appropriate Key Performance Indicators as a performance measurement tool;
- enable regular monitoring, assessment and reporting of financial performance in all Work Areas across Council;
- provide a strong basis for sound decision making;
- facilitates Council's long term financial sustainability.

4. POLICY SCOPE AND IMPLEMENTATION

Framework and Assumptions

The LTFP and ~~Annual Business Plan~~ ABP are prepared under a single framework that is reviewed annually and which links to the key objectives of Council's Strategic plan. The framework details the specific parameters under which the LTFP and ABP are set. In addition, a number of assumptions and variables underpin the construction of the LTFP and Annual Budget (AB).

LTFP linked to Asset Management Plans (AMP)

The LTFP is linked to Council's established AMPs thereby identifying funding requirements and assessing the adequacy of existing funding capacity within the LTFP.

Financial Modeling and Scenarios

In preparing the LTFP and AB various financial modeling is to be conducted, including, but not limited to, a variety of:



- Rating scenarios
- Borrowing options
- Savings targets

In addition, appropriate consideration needs to be given to prevailing economic conditions nationally and on a global basis, and the potential impact that these conditions may have on the local community.

Budgeting Approach

“Zero Based” budgeting is to be employed when preparing budgets:-

- The Budget process will commence with establishing a comprehensive project plan that maps the entire integrated Work Area Planning and budgeting process.
- Work Area Plans are to be aligned with Council’s 3 Year Business Plan and fully integrated with the budgeting process.
- Budget assumptions and potential new initiatives are then assessed in consultation with Elected Members.
- Budgets are built using historical actual income and expenditure as a baseline and adjusted for around what is actually needed for the upcoming budget period, regardless of the previous budget and must be based on reality.
- Sound, logical assumptions are to be used, tested and documented to support budget items wherever required.
- All expense and revenue lines must be fully justified for each new budget period.
- Budgets are to be reviewed line by line and at transaction level, analysing each line item for its relevant needs and costs.
- Any proposed expenditure increases must be fully justified and appropriately approved by the relevant General Manager and Executive Leadership Team, prior to presentation to Council.
- In regards to Fees & Charges Council will apply the principle of user pays and where possible recover the full cost of operating or providing the service or goods. Where it can be demonstrated that members of the community are unable to meet the full cost, concessions may apply.
- General contingencies are to be eliminated.
- Where necessary budgets for major projects can include contingencies to reflect cost uncertainties, however any contingencies are to be separately identified and reported.
- Consideration should be given to:
 - Current year and prior year actual results;
 - Once-off events not to be repeated;
 - New events not previously encountered;
 - New information and data now available.

Budget Objectives

1. Achievement of a breakeven Funding (Cash) position or better.



2. Maintain a financial position at an average of Category 3 (moderate level of comfort with an Operating Profit range of 0 – 5% of rates revenue) an average operating surplus over the term of the LTFP that enables the achievement of a breakeven funding (cash) position.

Budget Carryovers

Budget Carryovers should be avoided wherever possible, but where necessary (for example “Work In Progress”) are limited to unspent:

- capital budgets;
- service improvement budgets;
- grant funds and grants received in advance.

Carryovers do **not** include normal operating expenditures and Labour and Internal Charges (eg. Plant Hire) cannot be carried over under any circumstances.

Budget Reviews

Budget Reviews are required to be conducted 3 times per financial year and this will typically be at the end of September, December and March.

A Budget Review is a reforecast of the full year budget and:

- Is an assessment of the YTD actual result plus a reforecast of the budget for the remainder of the financial year;
- Should include a thorough and rigorous review of every budget line item (income, expense and capital);
- Should identify any savings opportunities (once-off and recurrent).

5. DEFINITIONS

Long Term Financial Plan (LTFP) – financial planning to accomplish long term goals. Enables Council to plan for the long term financial sustainability and deliver the Strategic Plan of the organisation. It translates the objectives and strategies of the Strategic Plan into financial terms.

Annual Budget (AB) – is a financial document used to project future income and expenses and represents the first year in the LTFP. A budget is a management tool that enables the effective ongoing management and monitoring of income and expenses (financial performance). It translates the objectives and strategies of the Annual Business Plan into financial terms.

Budget Review – is a revised forecast of the original budget or previous budget review and requires the preparation of revised Financial Statements and associated Financial Ratios.



Budget Carryovers - represent unspent capital and service improvement budgets, together with unspent grant funds that are carried forward to the following financial year.

6. ROLES AND RESPONSIBILITIES

The Senior Leadership Team (SLT) is responsible for the review and approval of all budgets within their Departmental/Work Area responsibility, as well as presenting their finalised budgets to their General Manager and the Executive Leadership Team for clearance and final approval. The Senior Leadership Team SLT is also accountable for justifying variances of actual income and expenditure against budget.

7. REFERENCES

On an annual basis Council is required to:

1. Prepare and adopt a Long Term Financial Plan for a period of at least 10 years - LG Act 1999 s122 (1a)
2. Prepare an Annual Business Plan - LG Act 1999 s123 (1a)
3. Prepare a Budget - LG Act 1999 s123 (1b)
4. Prepare and consider three Budget Reviews – LG (Financial Management) Regulations 2011 s9

8. REVIEW AND EVALUATION

This policy will be reviewed annually as part of the Annual Budget process.

Treasury Management Policy



1. RATIONALE

The Treasury Management Policy exists to ensure sound management of Council's financial transactions with regards to borrowings and investments, ensuring compliance with relevant legislation.

2. POLICY STATEMENT

This policy provides clear direction to the management, staff and Council in relation to the treasury function. **It outlines how borrowings will be raised and how cash and investments will be managed.** 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.

3. OBJECTIVES

The objective of this This Treasury Management Policy **is to** 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;
- **Council maximises the return on surplus funds;**
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term

4. POLICY SCOPE AND IMPLEMENTATION

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~~ **Debt Servicing** 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~~ **Debt Servicing** ratios;
 - Net Financial Liabilities ratio: Between 0 - 50%
 - ~~Interest Cover~~ **Debt Servicing** 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~~ **only** retain and quarantine money for particular future purposes ~~unless~~ **where** required by legislation, contractual agreement with other parties, **or for specific purposes as outlined in its Reserve Funds Policy**; (~~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.

Borrowings

All borrowings will be subject to Council approval on the recommendation of the **General Manager** ~~Director responsible for Financial~~ **Corporate** 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.

To reduce the level of risk embodied in treasury operations, it is appropriate to limit investments made by Council to secure financial institutions. Therefore, without approval from Council, investments are limited to:

Council may from time to time invest surplus funds in:

- deposits with the Local Government Finance Authority of South Australia (LGFA);
- State/Commonwealth Government Bonds.
- bank interest bearing deposits;
- bank accepted/endorsed bank bills;
- bank negotiable Certificate of Deposits;
- Australian Financial institutions

When considering which financial institutions surplus funds will be invested with, Council will only invest funds with those with a long term credit rating of at least AA and short term credit rating of A1.

All investments must be made exercising care and diligence and considering the following:

- the credit rating of the prospective institution.
- the likely yield and term of the investment;



- the period in which the investment is likely to be required;
- the cost of making and maintaining the investment;
- an assessment of future interest rate movements;
- an assessment of future cash flow requirements;
- the Government guarantee on the investment;

To ensure competitive rates for investments are achieved, quotations must be obtained from authorised institutions on investments of more than \$1,000,000 where the period of investment exceeds 30 days and market conditions are known to be fluctuating (for example, when the Reserve Bank of Australia changes the Cash Rate).

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.

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. This report will review the investment performance against prior years and appropriate benchmarks including the RBA cash rate and the 90-Day Bank Bill Swap rate (90Day BBSW).

5. 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.

Debt Servicing Ratio indicates the extent to which a Council's operating revenues are committed to its Debt Servicing costs (Principal and interest repayments).

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

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 of non-financial assets, 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.

6. ROLES AND RESPONSIBILITIES

- Council is to approve all borrowings, as well as investments for a period of greater than 12 months.
- General Manager, Corporate Services is responsible for making recommendations with regards to borrowings.
- Manager Finance is responsible for ensuring all other tasks are conducted in accordance with the policy.

7. REFERENCES

OTHER RELATED POLICIES

- Reserve Funds Policy



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*

8. REVIEW AND EVALUATION

This policy will be reviewed annually as part of the Annual Budget process.

Reserve Funds Policy



1. RATIONALE

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

2. POLICY STATEMENT

Council's Reserve Funds Policy aims to provide a means for recognising and allocating funding for future purposes.

3. OBJECTIVES

Council has established the following reserves a number of Accounting Reserves for different purposes. Some of these are required by Accounting Standards or law, and others are discretionary reserves that Council has chosen to establish.

Where discretionary reserves are established, these need to be appropriately funded by Council. The preferred method is to have these reserves cash-backed to a minimum of 75%, however if current or future borrowings can be reduced or deferred then this should be given consideration. When funds are required in relation to reserves that are not cash backed, Council is to utilise surplus cash in the first instance and then draw down on borrowings as the need arises, and only to the extent that it has already reduced or deferred previously.

4. POLICY SCOPE AND IMPLEMENTATION

Council currently has the following reserves:

Asset Revaluation Reserve

Purpose - this is a statutory reserve fund required under Australian Accounting Standard AASB 1041. 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 1993 (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 **reserve Fund**.

Grants/Carry Forward Projects Reserve

Purpose - this reserve was created to account for:

- Grants received in advance - occasionally a funding body ~~has provided~~ **provides** 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.

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 savings identified as part of the budgeting process (refer to Council's Budget Policy) 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 by Council 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 1st 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 also be funded from planned cash surpluses identified in the Long Term Financial Plan (LTFP) and from funds specifically set aside for the CFPP in the LTFP. Funds will only be set aside for this where Council maintains a breakeven funding (cash) position or better as per its Budget Policy.

The Asset Sustainability Reserve will benefit Council by enabling the allocation of funds for future capital expenditure for the purpose of funding relating to major infrastructure failures, replacing, renewing and procuring significant assets, as well as utilising funds in accordance with the CFPP eligibility criteria. This will assist in minimising the negative financial impact on rates and/or debt levels.

Projects funded out of this Reserve will be assessed against Council's strategic framework to determine the priority and the amount of funds to be utilised.



Where a Partnership Project exists, Council will contribute up to 50% of the funds, with the remainder required to come from grants or co-contributions from the partnership organisation.

Use of Fund - Reserve transfers will be controlled by specific Council resolutions or identified as part of the approved annual Strategic Plan and Budget.

5. DEFINITIONS

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

6. ROLES AND RESPONSIBILITIES

The Senior Leadership Team is responsible for reviewing carryovers.

The Executive Leadership Team is responsible for approving carryovers.

Reserve Transfers required by legislation or Account Standards will be reviewed for appropriateness by the Manager Finance.

Other reserve transfers require Council resolution

7. REFERENCES

- *Development Act 1993 Section 50 (10)*
- *Australian Accounting Standards Board [AASB] 1041: Revaluation of Non-Current Assets*
- *Open Space Policy*
- *Budget Policy*
- *Treasury Management Policy*

8. REVIEW AND EVALUATION

This policy will be reviewed annually as part of the Annual Budget process.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
28 FEBRUARY 2017**

Manager: Jaimie Thwaites, Acting Manager Corporate Governance
General Manager: Vincent Mifsud, General Manager Corporate Services
Subject: Policy Framework
Report Reference: FAC280217R8.2

REPORT OBJECTIVES

To provide the Finance and Audit Committee (FAC) with a Draft Policy Framework for the City of Marion.

EXECUTIVE SUMMARY

It has been identified that whilst the majority of Council policies comply with legislative provisions regarding their contents and procedures for review, there is not an overarching framework that directs the organisation in developing, setting and managing its policy direction.

This report builds upon the discussion and feedback from the FAC meeting on 12 December 2016, providing the actual framework which is the first step of embarking upon this project.

It is noted that there may be further opportunities for this framework to be improved as the internal audit work of KPMG progresses.

CONCLUSION

The development of a Policy Framework will assist with a logical structure to organise policies and procedures into groupings and categories to assist the community, Elected Members and staff understand City of Marion decision-making.

RECOMMENDATION

DUE DATE

- | | |
|---|--------------------|
| 1. That the Finance and Audit Committee note and provide feedback on the draft City of Marion Policy Framework (Appendix 1). | 28 Feb 2017 |
|---|--------------------|



Policy Framework

Review Finance and Audit Committee:	28 February 2017
Adopted by Council:	TBA
Next Review:	2020
Previous Version:	Nil
Owner:	Manager Corporate Governance
Version:	1.0



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DRAFT

Introduction

The purpose of this Policy Framework (the Framework) is to define how policies, procedures and operating guidelines will be developed and managed by the City of Marion to ensure that the right documentation is established to deliver strategic objectives, guide decision making, ensure legislative compliance and deliver good governance outcomes for the Council and community.

The framework provides clear direction regarding policy hierarchy, requirements, development, approval and roles and responsibilities.

Objective

The objectives of this Framework are to:

- Define and align Council's public policy with community vision and strategic outcomes;
- Define and align Governance Policy with legislative requirements and corporate governance practices;
- Govern the development, establishment, amendment and review of policies to ensure relevance, responsibility and consistency with compliance obligations;
- Define the roles, responsibilities and authorities in relation to the development, establishment, amendment and review of policies.

Scope

This Framework applies to all policies and procedures developed for and on behalf of the City of Marion.

All Policies and Procedures must be developed, deployed, monitored and revised in accordance with this Framework.

What is a policy

A Policy is a high level strategic directive that establishes a principle-based approach to a subject. A Policy should be developed for any area of the Council's operation where direction or purpose needs to be set in order to conduct Council business.

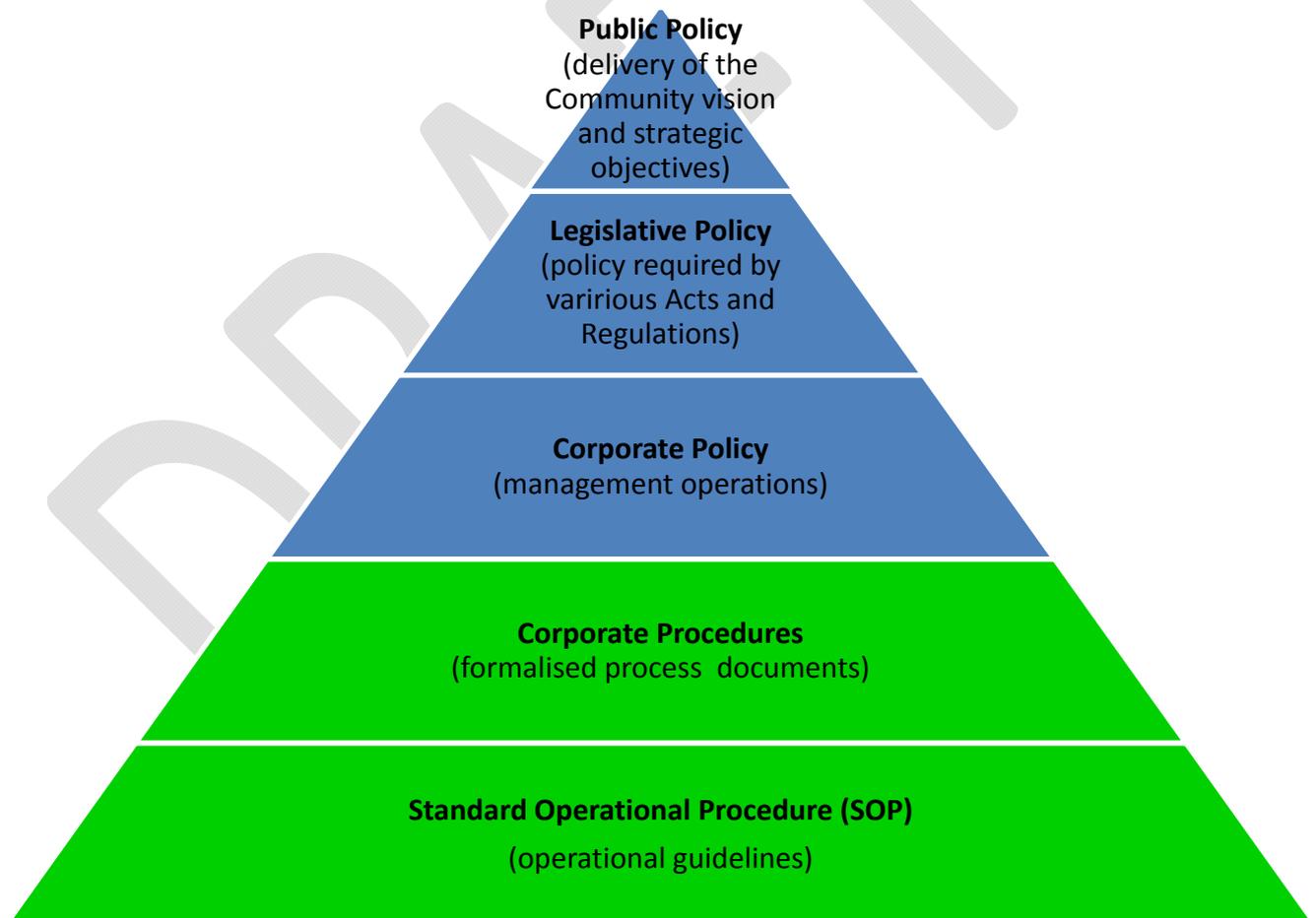
A Policy is implemented through other instruments, such as Procedures or Operating Guidelines, which give instructions and set out processes to implement a Policy. This Framework establishes a hierarchy and categories of Policies, Procedures and Operating Guidelines and sets out the requirements and standards for each step of the development and improvement process.

Policy Hierarchy

A policy hierarchy has been established to guide how and when policies will be developed and managed. The hierarchy in Diagram 1 establishes three types of policy:

- Public Policy – sets the commitment of Council to deliver the Community Vision and its strategic objectives.
- Legislative Policy – sets the commitment of Council to ensure its legislative and compliance obligations.
- Corporate Policy – sets the minimum obligations of staff regarding what is required in terms of process, accountability, values and behaviours.

Diagram 1 – Policy Hierarchy



Public Policy

A public policy is externally focused providing Council's position statement on a particular topic or issue that affects the community. Its purpose is to support effective strategic decision-making by Council for the achievement of desired community outcomes.

A public policy must:

- Be created only where there is an identified need for a Council position
- Align with the Community Vision
- Be used to guide strategic directions
- Be consistent with community expectations and legal requirements
- Apply and be binding across the Council
- Be adopted by Council
- Able to be implemented within Council resources.
- Be developed and reviewed in consultation with the community and key stakeholders
- Clearly state the Council department responsible for the policy's development and review

Legislative Policy

A Legislative Policy is connected to an act or regulation and supports accountability and performance outcomes. Legislative Policy includes matters related to governance requirements of the Council such as Elected Member Policy, Fiduciary responsibilities, Conflict of Interest, Public Consultation, Contract Management, Complaints and Grievance Policy, Risk Management, etc.

A Legislative Policy must:

- Be required by various Act or regulations;
- Be consistent with legal requirements and community expectations;
- Be adopted by the Council
- Apply and be binding across the Council
- Be developed, established, amended and reviewed in consultation with key stakeholders;
- Clearly state the Council department responsible for the policy's development and review
- Able to be implemented within Council resources.

Corporate Policy

A Corporate Policy relates to the core business of the Council and includes matters such as Human Resources, ICT, Internal Controls,

- Be required by various Act or regulations;
- Are consistent with legal requirements and community expectations;
- Apply and be binding across the Council
- Be adopted by the CEO or the Executive Management Team
- Be developed, established, amended and reviewed in consultation with key stakeholders;
- Clearly state the Council department responsible for the policy's development and review
- Able to be implemented within Council resources.

Corporate Procedure

A procedure provides the process, steps required, roles and responsibilities. It will provide the operational direction for policy implementation. Procedures will include internal controls and steps required to deliver outcomes. If a procedure does not meet with requirements of a policy, it will be considered non-compliant and therefore will need approval by ELT or should trigger a review of policy, or redesign of the procedure to comply.

Standard Operational Procedure (SOP)

A standard work procedure has an internal focus. It provides guidance on implementation of a policy and / or procedure and may apply to a specific functional area. A set of written instructions that document a routine or repetitive activity. SOPs should provide enough detail so that someone with limited experience or knowledge of the procedure, but with a basic understanding, can successfully reproduce the procedure when unsupervised. SOPs need to be readily accessible in the work areas of those individuals actually performing the activity.

Framework

Authority and Delegation

The following table provides the authority for the policy hierarchy

Policy Hierarchy	Authority to Approve new Policy and/or Amendment to existing Policy	Reporting Requirements	Authority to Approve inconsequential and/or minor amendments	Reporting Requirements
Public Policy	Council	Council / ISC	Council	Council/ISC
Legislative Policy	Council	Council / FAC	Council/Committee/ CEO	Council/FAC
Corporate Policy	CEO / ELT	ELT / various internal Committees	CEO/ELT or internal Committees	ELT / various internal committees
Procedure	Management		Management	
Standard Operating Procedure (SOP)	Leadership Positions		Leadership Positions	

Principles for Policy and Procedure Development:

1. All policies and procedures must :
 - Comply with the Council policy or procedure template provided in Appendix 1 & 2
 - Record who approved/adopted the policy, when the policy was adopted, the version number and any previous versions, when the policy is due for review
 - Prior to a new policy or major amendment to a policy proceeding:
 - Discussions should occur with the approver to determine the process for development/amendment;
 - key stakeholders must be consulted;
 - Read national and international guidelines or standards and relevant legislation;
 - Be clear and succinct
 - Be appropriately communicated (options may include website, intranet, notice boards)
 - Be able to be applied fairly and consistently
2. Review the need for a new policy. Consider adding a section to an existing policy or whether a process/procedure is more appropriate.
3. Consider any synergies in developing/reviewing related policies and procedures at the same time.
4. A policy review refers both to review of the text, as well as review of practices governed by the text.
5. A policy or procedure will remain in force unless formally repealed by the relevant authority or superseded by another policy or procedure.

Appendix 1 – Policy

1. RATIONALE

Explains “why” the policy is being written. The rationale may also contain or refer to background materials or more explanatory details regarding environmental factors that led to the development of the policy.

2. POLICY STATEMENT

An overarching statement of what the policy is meant to achieve – what is the aim?. Be as succinct as possible. The statement should only be one or two sentences describing the general intent with respect to the specific topic of the policy. The statement should be general enough to provide some flexibility in implementation and to allow periodic changes as it is reviewed.

3. OBJECTIVES

Policy is usually based upon one or a number of objectives which describe Council’s desired approach to the policy issue. Examples could include; **Economic objectives** of cost effective or cost neutral, market competitiveness, opportunity, regulatory impact. **Social objectives** of social justice, community impact, community values, community plans, cultural heritage. **Legal objectives** of fundamental legislative responsibility, fairness and access to the law, enforceability. **Environment objectives** of environmental impacts, environmental quality, sustainability, biodiversity.

4. POLICY SCOPE AND IMPLEMENTATION

Detail “how” the policy statement will be attained and who it applies to. It may reference a related set of service areas, operating policies and procedures or other requirements for different parts of Council including who will be responsible for various parts of the implementation and compliance monitoring of the policy in their work areas.

5. DEFINITIONS

Provide any definitions for key words or technical terms contained within the policy. These must be stated in alphabetical order for the ease of the reader.

6. ROLES AND RESPONSIBILITIES

Define any roles and responsibilities at a high level.

7. REFERENCES

Identify all related references and links in developing this policy, including:

- Other organisational policies that should be read in conjunction
- Model policies of other agencies or governments
- Corporate documentation

Appendix 1 – Policy



- Legislative requirements, regulations, guidelines
- Approved operating procedures that support policy implementation

8. REVIEW AND EVALUATION

Identify when and how will the policy be reviewed along with which department will be responsible for administering the policy if the information differs from the table provided for the general responsibility of the policy.

City of Marion 245 Sturt Road, Sturt SA 5047
(PO Box 21, Oaklands Park SA 5046)
T 08 8375 6600 F 08 8375 6699 www.marion.sa.gov.au

Policy Reference:
Authorised By:
Version:
Authorisation Date:
Review Date:
Author:

Appendix 2 – Procedure



1. RATIONALE

Explains “why” the procedure is being written i.e.: to support a policy direction of Council or EMG.

2. PROCEDURE SCOPE AND IMPLEMENTATION

Detail “how and when” the procedure will come into effect, who it applies to. It may reference a related policy or another procedure.

3. DEFINITIONS

Provide any definitions for key words or technical terms contained within the procedure stated in alphabetical order for the ease of the reader.

4. PROCEDURE / STEPS

Commence detailing relevant steps/ procedures.

Use of flow charts, tables or diagrams are acceptable.

5. REPORTING

6. REVIEW AND EVALUATION

Identify when and how will the procedure be reviewed along with which department will be responsible for administering/management.

City of Marion 245 Sturt Road, Sturt SA 5047
(PO Box 21, Oaklands Park SA 5046)
T 08 8375 6600 F 08 8375 6699 www.marion.sa.gov.au

Procedure Ref:
Authorised By:
Version:
Authorisation Date:
Review Date:
Author:

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
28 February 2017**

Originating Officer: David Harman, Financial Accountant & Fiona Harvey,
Manager Innovation and Strategy

Corporate Manager: Ray Barnwell, Manager Finance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Annual Business Plan 2017/18 and Long Term Financial
Plan

Report Reference: FAC280217R8.3

REPORT OBJECTIVES & EXECUTIVE SUMMARY:

The purpose of this report is to provide the Finance & Audit Committee (FAC) with an overview of Council's Annual Business Plan (ABP) process for 2017/18 and to provide a coinciding update of the development of the Draft Long Term Financial Plan 2017/18 to 2026/27 (LTFP).

Feedback and guidance is sought from the FAC regarding:

- The reasonableness, fairness and equity of the potential rating approaches for 2017/18 (as per the rate modelling contained in this report), including in the context of Council's LTFP and on-going financial sustainability.
- Council's Strategic Financial Framework and Assumptions.
- Financial ratios - Council's financial framework includes having "a primary focus being on Cash Flow and Funding". This is because adequate Operating Surpluses are required to ensure sufficient cash funding for Council's planned forward capital renewal requirements, in accordance with the current iteration of the Asset Management Plans (AMP's). A positive operating cash flow is vital in supporting and maintaining community services, along with the renewal of existing assets required to provide these services.
- Organisational KPI's
- The impact of the current operating environment as per the Environmental Scan (attached in Appendix 2 and 3)

RECOMMENDATIONS (2)

DUE DATES

That the Finance & Audit Committee:

- | | |
|--|--------------------------------|
| <p>1. Provides feedback and guidance in regards to the:</p> <ul style="list-style-type: none">○ Reasonableness, fairness and equity of the potential rating approaches for 2017/18 (as per the rate modelling contained in this report), including in the context of Council's LTFP and on-going financial sustainability○ Council's Strategic Financial Framework and Assumptions○ Alignment of the rate modelling options provided in this report to Council's Budget and Treasury policies which, are centred on achieving a breakeven funding (cash) position or better whilst adopting and maintaining a LTFP which ensures Council operates in a financially sustainable manner○ Financial ratios○ Organisational KPI's | <p>28 February 2017</p> |
| <p>2. Provides feedback on the Environmental Scan (Appendix 2 and 3) in relation to the Draft ABP 2017/18 and the Draft LTFP.</p> | <p>28 February 2017</p> |

BACKGROUND:

Council is required by the *Local Government Act 1999* to prepare and adopt an ABP each year, and in doing so determine the key strategic priorities for the ensuing 12 months in the context of Council's Strategic Plans. The ABP and LTFF are an integral part of Council's suite of Strategic Management Plans. In September 2016 Council adopted its three-year Business Plan which is an action-oriented plan that identifies the key strategic priorities in line with the six aspirations of the Community Vision over the remainder of the Council term. This plan sets the foundation for key priorities for 2017/18.

The Draft ABP 2017/18 and Draft LTFF are being developed in accordance with the refined Strategic Financial Framework as adopted at the 19 January 2016 General Council Meeting (GC190116R11). This encompasses maintaining current services and service delivery levels for the community, as well as meeting Council's planned capital renewal programs over the life of the LTFF.

Discussion

The ABP is Council's statement of its intended programs and outcomes for the year. It links long-term planning, as set out in Council's Strategic Plans and Asset Management Plans, with the allocation of resources in the budget. It also establishes the basis for review of the Council's performance over the year published in its annual report.

The development of an ABP is required under Section 123 of the Local Government Act 1999. The document should include the following:

- a summary of Council's longer term objectives, as set out in the Strategic Plan;
- significant influences for the year including financial factors, asset renewal needs and progress on continuing projects;
- Council's specific objectives for the next year against which its performance will be measured;
- the activities (services and projects) that Council intends to undertake to achieve its objectives;
- a summary of the proposed sources of revenue for the year;
- Council's proposed approach to rating for the year and what it means for ratepayers.

The ABP is being prepared in accordance with the requirements of the Local Government Act and Local Government (Financial Management) Regulations. It will include appropriate information about the rates and charges that Council intends to levy as well as a range of other information required by the Local Government (Financial Management) Regulations. The budget will include statutory statements being Income Statement, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows. In addition to these statements, a 'Funding Statement' will be provided that details funding sources and a net overall funding (cash) position.

In the development of the ABP 2017/18, consideration has been given to Council's strategic management framework, financial parameters, organisational KPI's and key issues identified through the environmental scanning process, as well as the relevant federal, state and regional strategies and plans.

Refined Planning and Budget Process

A report on Council's refined 2017/18 Planning and Budget process was brought to the FAC at its meeting on 15 December 2016 (FAC151216R7.2) outlining a stronger focus on upfront planning, a more streamlined and centralised budgeting process, along with a timeline for the process. This refined process has required a number of minor changes to the Budget Policy which are also being presented to the Committee at this meeting.

Linking the ABP to the Three-year Business Plan

As part of the refined budgeting process, the projects from the second year of Council's three-year Business Plan have been included in the development of the Plan for delivery in 2017/18. These projects are grouped by theme and are detailed in the table below. There are also a range of projects that were started in 2016/17 that will continue through 2017/18. A centralised project management tool has been developed and continues to be improved to monitor and report on the progress of these projects.

Liveable	<ul style="list-style-type: none"> • Complete the detailed design of the Marion Outdoor Pool Masterplan and seek grant/partnership funding • Continue implementation of priorities from the review of reserves and facilities • Undertake an evaluation and review of at least a further 12 council services to ensure they continue to provide maximum value to our community, now and into the future • Commence delivery of priority elements of the Streetscape Masterplan
Valuing Nature	<ul style="list-style-type: none"> • Deliver sustainable lighting program priorities • Ensure all elements of the redevelopment project are in place to support construction • Investigate the potential to establish a water supply business using the Oaklands Wetlands water distribution network • Working closely with key partners, maximise Glenthorne Farm community benefits
Engaged	<ul style="list-style-type: none"> • Subject to the outcomes of the pilot, expand the place activation program
Prosperous	<ul style="list-style-type: none"> • Expand the solar panel network to maximise the use of renewable energy at council facilities
Innovative	<ul style="list-style-type: none"> • Implement the priority actions of the Southern Adelaide Economic Development Board • Work with key partners in the region and State Government to extend the Tonsley Small Business Advisory Services beyond June 2017
Connected	<ul style="list-style-type: none"> • Subject to funding, deliver key extensions to the shared use path along the Adelaide to Marino Rocks Greenway • Subject to funding, deliver the 'Creative Space' and a range of programs to harness technologies and equipment

Framework and Assumptions

The Draft ABP 2017/18 and Draft LTFP are being prepared under the framework adopted by Council at the 19 January 2016 General Council Meeting (GC190116R11). The LTFP is an on-going iterative process and the framework and assumptions are updated annually based upon the most current data and information prevailing at the time.

Framework:

While no changes have been made to the framework, a number of comments have been expanded and feedback is being sought from the committee with particular regard to the commentary around the Operating Surplus ratio target. The draft budget and LTFP have been prepared in accordance with the following framework:

- Support the achievement of the City of Marion's Strategic Directions.
Comments: No change proposed
- Address issues arising and opportunities identified from internal audit reviews, service reviews and business excellence assessments.
Comments: No change proposed

- Maintain an Operating Surplus ratio of between 0 – 5% over any five consecutive years, with a primary focus being on Cash Flow and Funding.
Comments: Local government is responsible for both operational service delivery (operating expenditure) and renewing existing infrastructure (capital expenditure) – this represents its core business. This can be quite different to other industries. As the financial ratios should not be considered in isolation from one another and cash needs to be a primary focus, it is worth reviewing this point of the framework. A suggestion would be that Council maintains, on average, a break-even or better funding (cash) position over the LTFF. At this point in time that would require an average targeted Operating Surplus ratio of 10.4% (this slightly exceeds the recommended target range specified by the LGA SA which is to achieve, on average over time, an operating surplus ratio of between 0% and 10%). There are a number of mechanisms at Council's disposal to reduce this - if the recommended changes to the Budget Policy and Reserves Policy are adopted these include mechanisms that would potentially enable a reduction in this ratio without adversely impacting on Council's cash funding position. Alternatively, an ongoing reduction in additional capital expenditure of \$1.0m would reduce the required operating surplus by an equivalent amount and would bring the targeted surplus down by approximately 1%.
- Continue to improve the maintenance of assets in accordance with Council's Asset Management Plans, with a priority on maintenance before renewal, and renewal before new when it is cost effective to do so
Comments: The funding requirements from council's current AMP's have been assessed against the LTFF and are sufficiently covered over the 10 years. Assessment around timing does need to be reviewed, particularly where there are years with significant spikes in required renewal. Where detail on asset classes is not included in the AMP's council is investigating and obtaining more accurate information for incorporation. Like the LTFF, the preparation of Council's AMP's is an ongoing iterative process with new information being incorporated as required.
- Review existing services and assets to ensure they meet prioritised community needs.
Comments: Processes for delivering further efficiency and effectiveness savings are in place to ensure Council continues to maximise public value for ratepayers. These continual improvements incorporate undertaking a series of Business Service reviews with the objective of delivering future on-going operational savings.
- Council only approve new Major Projects where it has the identified funding capacity to do so
Comments: No change proposed
- Maintain Council's position for an average residential rate which remains among the lower rating metropolitan councils
Comments: No change proposed
- Implement responses for progressing liveable cities strategies and funding opportunities within Marion.
Comments: No change proposed.

Assumptions

In constructing the Draft Budget 2017/18 and LTFP it should be noted that the following key assumptions and variables have been applied:

- Service delivery levels are maintained at current levels (any new service improvements are prioritised and approved separately by Council subject to financial capacity).
- The 2017/18 budget has been based off historical actuals adjusted where appropriate by the current CPI figure (Adelaide, December 2016) of 1.3%. For the years following (2018/19 onwards) a 2.5% increase per annum is applied to operating income and expenditure amounts in line with the Reserve Bank's targeted CPI with the following exceptions:
 - Rates – the assumptions for the most recently adopted LTFP (2016/17 to 2025/26) include a rates increase of 2.5% plus growth which is forecast at 1.0%. This assumption will continue to be monitored in light of global economic forecasts and the financial impact that those circumstances may have on Marion ratepayers and their capacity to pay. Comparative models showing the impacts that average rate rises of 1.3% and 2.2% have on LTFP have been included (Appendix 1).
 - Employee costs – increase of 2.0%, taking into account enterprise bargaining increases, award increments, reclassifications, super guarantee increases and efficiency gains through Council's Vacancy Management Policy.
 - Interest expenses are directly related to Council borrowings and cash flows.
 - Interest revenue is directly related to Council investments and cash flows.
 - An adjustments schedule has been developed to account for any future variations in operating activities (e.g. an adjustment is made to Local Government election expenses to reflect that they only occur once every 4 years).
 - Capital Grants, subsidies and monetary contributions reflect tied monies received in relation to the purchase/construction of new assets and are budgeted in accordance with information known at the time of preparing this document.
 - Contributed assets from developers of \$1.5m will be forecast for each year of the LTFP (includes roads, footpaths, drains etc. provided by developer or new subdivisions occurring in the Council area). This figure does not include any contributed assets from the Tonsley development – governance arrangements for this are currently being worked through with the Government of South Australia.

Potential Risks associated with the Framework and Key Assumptions

There are a number of potential risks that Council should be aware of and consider when assessing the Framework and Key Assumptions:

1. In the recent past there has been discussion about the possibility of rate capping being introduced and with an upcoming state election it is likely this discussion will resurface. This may impact on the assumption of an annual 2.5% average rate increase over the life of the LTFP. This assumption, should rate capping be introduced, may prove to be unsustainable in

the long term. Council will need to continue to investigate and develop strategies to reduce the reliance on such rate increases, balancing this with the real cost of service provision and service demand from the community.

2. Employee Costs - Dependent on the outcome of future Enterprise Agreements:

- The outside workforce agreement will expire on 30 June 2017. The existing agreement includes maintaining 6th ranking amongst other metropolitan councils and has a minimum 3% increase for 2016/17.
- The inside workforce agreement has a CPI safety net (expires 30 June 2019)

Capping employee costs at 2.0% may not provide enough funding if sufficient efficiency gains in staffing levels cannot be realised. This increase may also not be sustainable should service levels increase and associated increases in staffing levels be required. As any increases over 2.0% in the early years of the LTFP have a compounding effect which could have a significant impact – as an example, an extra 1.0% increase for the first three years would have an impact of \$58k in year one, and a total compounding impact over the 10 year term of the LTFP of \$1,752k.

When considering employee cost increases, consideration also needs to be given to the revised timetable relating to the change in the Superannuation Guarantee. These increases recommence on 1 July 2021 - halfway through the LTFP - with five annual increases of 0.5% each, which will effectively account for one quarter of the projected 2.0% employee cost increase.

3. Competing priorities and community expectations - There are currently a number of large unfunded aspirational strategic projects identified for further investigation across the City that require partnership funding to be able to proceed. It is crucial that these aspirational strategic projects are prudently assessed with appropriate due diligence and in a disciplined manner to ensure Council's long term financial sustainability is preserved.

4. The renewal requirements identified in Council's adopted AMP's for existing assets have been assessed against the LTFP, which currently indicates sufficient funding in total, however timing of funds and works for different asset classes does need further alignment. There are some classes of assets that are currently not wholly incorporated into Council's AMP's and this information is actively being sought to further assess and, if required, fully incorporate into the LTFP.

Organisational Key Performance Indicators

Organisational KPIs and measuring performance against these, is a critical mechanism to ensure Council is contributing to the aspirations of the Community and the goals within its strategic plans. This is done in a transparent way through inclusion of these KPIs in the Annual Business Plan and providing public performance reports to Council on a regular basis.

The table below provides the current 2016/17 Organisational KPI's for which there are currently six covering a range of performance measures including financial, staffing, WHS, major projects and achievement of strategic goals.

Key Performance Indicator	Measure/Range
Delivery within 5% parameters of agreed annual budget costs Comment: No change proposed. Has established clear accountability and parameters for the business to be managed	95%-105%
Delivery of agreed projects identified in the Annual Business Plan and the first year targets in the 3 year Plan Comment: Only change proposed is to replace 'first year' with 'second year'. Clearly aligns KPI with Councils proposed key priorities outlined in the Annual Business Plan and Council's 3 year Plan.	95% or greater
Lost Time Injury Frequency Rate Comment: Significant improvement has been made in the 2016/17 year resulting in the projected end of year LTIFR being 11.6 which, if achieved, will represent a 59.7% reduction on the previous year's result of 28.8. A further 25% reduction is still recommended however it should be noted that this would result in an LTIFR of 8.7 which represents an ambitious, but achievable with sustained commitment, of 70% reduction over 2 years.	25% reduction from the previous year's result.
Staff net numbers (full time equivalent, employee and agency) Comment: No change proposed	A reduction
Retention of key staff Comment: No change proposed – Staff retention KPI is focused on 'Key Staff'	Equal to or greater than 95%
Community satisfaction. Overall satisfaction with each of; 1. Community Facilities 2. Sports Facilities 3. Events Comment: Potential to review focus of this KPI. Community satisfaction as an overall indicator is valuable, with potential to consider whether current focus on facilities and events could be expanded	Greater than 75%

In developing the 2017/18 Annual Business Plan feedback and comment is sought in relation to the existing 2016/17 Organisational KPI's and management welcome any recommendations that the FAC may provide in relation to any potential improvements to the Organisational KPI's for inclusion in 2017/18 Annual Business Plan.

It is the intent of the Council that the Organisational KPI's are based on no substantial cuts to existing services provided to the community (unless by Council resolution) and applying a level of rate increase as set by Council.

New LTFP Model – Status Update

Based upon feedback received from both the FAC and Council, new LTFP software was acquired in December 2016. This software allows for more robust modelling scenarios based on Council's assumptions, including the ability to apply different rates of indexation across all income statement categories across all years.

It also allows for the modelling of projects, allowing for different financing options (loan funding, grant funding, etc) as well as easily allowing movement of the commencement year. This modelling also incorporates the ability to easily add in details of potential projects that may have impacts on operating income and expenditure in future years.

The new model allows for an extract of data from Council's general ledger software to be imported against a set of mapping criteria giving rise to significant time savings when it comes to preparing or updating budgeted financial statements.

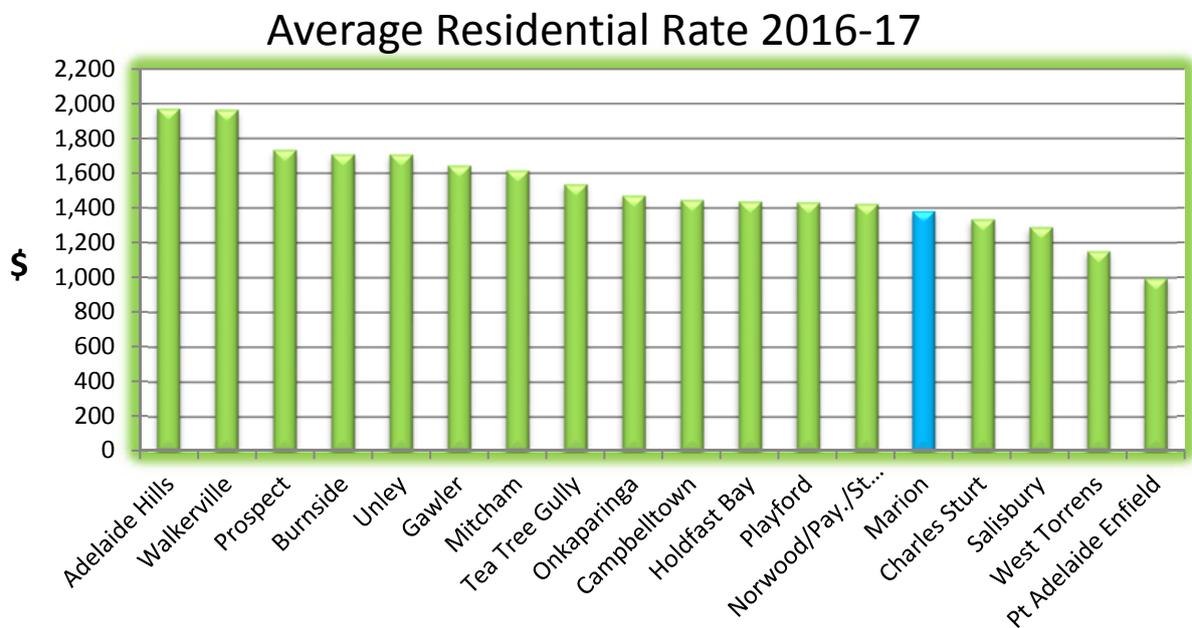
Report Reference: FAC280217R

At present the software has been used to prepare statements for the Second Budget Review 2016/17 along with the preparation of Council's draft budget 2017/18 and draft LTFP 2017/18 to 2026/27. Both sets of these statements have been compared to those generated by the previous LTFP model for accuracy. The validation process in relation to this data is continuing and nearing completion.

While all asset data has been incorporated into the new LTFP software model, alternative methods are currently being investigated to assist with updating future year data from the AMP's to allow for a more automated, robust and timely process.

Rate Modelling and Comparative Rating Data

One of the key elements of Councils ABP and LTFP framework is that the City of Marion maintains its position for an average residential rate which remains among the lower rating metropolitan councils. For 2016/17 the City of Marion had the 5th lowest average residential rate of the 18 metropolitan councils. It is forecast that the currently proposed rate increase is likely to keep the City of Marion's position among the lower rating councils.



Rating Options

Three models are currently being considered for the high level Draft Budget 2017/18 and LTFP assuming ongoing rate increase of 1.3%, 2.2% and 2.5%.

The following table details the impact each of these models have on Council's:

- Operating Surplus
- Cash Surplus; and
- Closing Cash Balance

highlighting the impact of the 2.2% and 1.3% models in comparison to the 2.5% model:

	1.30%			2.20%			2.5% (per current LTFP Assumptions)	
	2017/18	LTFP	Assumptions Variance	2017/18	LTFP	Assumptions Variance	2017/18	LTFP
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Operating Surplus	6,538	6,878	(5,572)	7,176	11,019	(1,431)	7,388	12,450
Cash Surplus/(Deficit)	(2,471)	(36,599)	(55,751)	(1,833)	4,847	(14,305)	(1,621)	19,152
Closing Cash Balance	15,069	14,203	(55,453)	15,691	55,417	(14,239)	15,899	69,656
Closing Reserve Balance	19,834	52,238	0	19,834	52,238	0	19,834	52,238

The above table shows the financial impacts of ongoing rate increases of 1.3%, 2.2% and 2.5% as per Council's current LTFP assumptions. Decreasing the ongoing average rate rise to 1.3% results in a projected \$55.4m reduction in cash over the 10 year LTFP resulting in the closing cash balance being much lower than is required to ensure Council's reserves are fully cash backed. An ongoing average rate increase of 2.2% results in a \$14.2m reduction in cash over the 10 year LTFP, however the closing cash balance is likely to be sufficient to ensure Council's reserves are cash backed and therefore projects a sustainable option.

Appendix 1 provides an extract from the new LTFP software that shows the impact of these changes, including a number of key financial indicators highlighting the movements against the scenario based on Council's previously adopted assumptions.

Of the three options, an average rate increase of 2.2% over the term of the LTFP provides the most balanced cash position. While providing a total funding surplus over the 10 years of \$4.8m over the term of the LTFP, it projects funding (cash) deficits over the first six years (noting that the 2.5% model projects similar deficits for five of the six years) if all proposed projects go ahead and reserve fund transfers are conducted as budgeted.

Additions to the ABP and LTFP

The following projects have been included in the development of the draft budget for 2017/18 and LTFP 2017/18 to 2026/27 to assess their cash impact on Council's ongoing financial sustainability.

	Ongoing/ Once-off	Reference	2017/18 \$000s	LTFP \$000s
Operating				
LED Street Lighting Transition (3 years)*	Expenditure over 3 years, Savings are ongoing	GC221116R05	1,033	(1,792)
Resolved Operating Sub-Total			1,033	(1,792)
Oaklands Crossing Design and Contribution	Once-off		100	1,100
Concert at the Cove	Bi-annually		50	250
Increased Street Tree budget	Ongoing		200	2,000
Urban Activation	Ongoing		250	2,500
Pending Operating Sub-Total			600	5,850
Operating Total			1,633	4,058

* The LED street lighting project has an estimated payback period of 6 years, and results in net savings over the term of the LTFP.

	Ongoing/ Once-off	Reference	2017/18 \$000s	LTFP \$000s
Capital				
Heron Way Reserve Stage 5 - Amphitheatre	Once-off		920	1,334
Heron Way Reserve Stage 5 - Playspace	Once-off		200	290
Youth Plaza Oaklands Wetlands	Once-off		500	725
New Solar Options for Marion	Once-off		255	255
Resolved Capital Sub-Total			1,875	2,604
Marion Sports Club Drainage	Once-off		800	800
Marion Sports Club Irrigation	Once-off		380	380
Increased Sports Court funding (from \$100k to \$300k)	Ongoing		200	2,000
Increased Streetscapes budget (from \$500k to \$1,800k)	Ongoing		1,300	13,000
Southern Region Soccer Facility (LTFP impact to be assessed)	Ongoing		2,500	2,500
Car park renewal	3 years		300	600
Pending Capital Sub-Total			5,480	19,280
Capital Total			7,355	21,884
Increase in Expenditure (Operating + Capital)			8,989	25,943
Net decrease in cash			8,989	25,943

Environmental Scanning

Environmental scanning is an ongoing process, keeping us future focussed, aware of the bigger picture and mindful of emerging risks and opportunities. An extensive review of opportunities and challenges from current and emerging internal and external trends and influences is conducted annually with the last scan completed in September 2016. A summary of this scan is provided in Appendix 2 and the comprehensive scan provided in Appendix 3. This supports the consideration of strategic priorities and responses in light of emerging priority pressures and opportunities.

The recent environmental scans formed key inputs into the development of the 3 year Business Plan and the review of the 10 year Strategic plan. Since the development and adoption of the 3 year Business Plan and the review of the Strategic Plan in September 2016 a number of risks and opportunities have emerged which are being considered through the development of the draft 2017/18 annual plan and budget including:

- The interest in the redevelopment of the Oaklands Rail Crossing which could provide opportunities for an Oaklands Hub
- Opportunities for improvement of East-West connectivity through Sturt Road that could result from the State Government led major projects around Darlington, Tonsley and the Flinders Link rail
- Opportunities associated with the transition to LED lighting, which will have the ability for further data collection and monitoring
- Connectivity in and around Tonsley and Flinders Link developments, with potential impacts on traffic, carparking, pedestrian/cycling movements
- Opportunities for retail/hospitality businesses and place activation through targeted streetscape and infrastructure upgrades
- Increased focus on planning reforms by state government
- Increased unreliability of power supply, with potential to impact businesses (including council) and residents

The Finance & Audit Committee's feedback is sought in regards to whether there are any key issues or considerations they believe are missing from the Environmental Scan as it currently stands.

This work is also feeding into a range of areas including reviews of Council's 10 year strategic plan, its suite of public policies, and operational plans, the review of Council's strategic risk register.

Financial Ratios

A positive operating cash flow is vital to support operating requirements in addition to providing funding for the renewal of existing assets over time to maintain community service standards.

Appendix 1 illustrates the key financial indicators for the proposed rating models against the targets established by Council to monitor performance over the term of the financial plan.

The Operating Surplus Ratio is forecast to exceed the currently adopted target of 0–5%. This is primarily due to substantial on-going savings in excess of \$2.4m now embedded in the LTFP. In addition, the forecast rate revenue is set to increase at a higher rate than the inflation indexation applied to Council's operating expenses. The budgeted operating surpluses will provide the necessary cash funding for the renewal of existing assets over time to maintain community service standards. The draft LTFP also contains ongoing funding for capital service improvements in the order of \$1.5m per annum.

With projected new borrowings of \$12.96m included in the LTFP Council's ratios relating to borrowings are within target over the term of the LTFP.

The Asset Consumption Ratio is slightly below its target range, but is more in line with the known condition of Council's asset base – particularly its buildings – where an increased level of maintenance and renewal is required.

In regards to the cash balance, over the 10 years, Council's Community Facilities Partnership Program (CFPP) reserve fund will build up by \$36.2m, bringing Council's projected total reserve balance up to \$46.9m (assuming none of the projected funding surpluses are allocated to these reserves). The LTFP does not assume these funds get spent and as a result, to keep these reserves fully funded, a similar increase in cash is required. In the above scenarios only the 1.3% ongoing model does not allow a sufficient

closing cash balance to fully cash back Council's reserves, while also maintaining sufficient cash flows for Council to continue to operate without the possibility of its bank account being overdrawn.

CONCLUSION:

Three models are currently being considered for the draft ABP 2017/18 and draft LTFP for public consultation on the basis of 1.3%, 2.2% and 2.5% average rate increases. While both the 2.2% and 2.5% models average a better than balanced funding (cash) position over the LTFP, the first six years have average funding (cash) deficits in the order of \$2.1m per annum (2.2%) and \$1.3m (2.5%). There are a number of mechanisms for these deficits to be reduced, placing less reliance on the outer years of the LTFP to return an average funding (cash) surplus.

The 1.3% model is not financially sustainable running funding (cash) deficits over the life of the LTFP if all listed additions are incorporated.

Feedback from the Audit Committee in regards to the inputs, framework, assumptions and organisational KPI's used in the preparation of the draft ABP 2017/18 and draft LTFP will be incorporated into the on-going development of these documents prior to their presentation to Council on 11 April 2017. The LTFP and the Annual Business Plan 2017/18 are scheduled to be adopted by Council on 27 June 2017.

Appendix 1 – Comparative LTFP Data and Ratios

Appendix 2 – Summary Environmental Scan

Appendix 3 - Comprehensive Environmental Scan

City of Marion

10 Year Financial Plan for the Years ending 30 June 2027

BUDGET SUMMARY - GENERAL FUND

Scenario: Draft 2017/18 Budget (2.5% average rate increase)

	Projected Years									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income										
Rates	75,137	77,749	80,453	83,251	86,146	89,142	92,243	95,451	98,772	102,208
Statutory Charges	1,738	1,781	1,825	1,871	1,918	1,966	2,015	2,065	2,117	2,170
User Charges	1,738	1,782	1,826	1,872	1,919	1,967	2,016	2,066	2,118	2,171
Grants, Subsidies and Contributions	5,918	6,066	6,218	6,373	6,533	6,696	6,863	7,035	7,211	7,391
Investment Income	504	260	260	260	260	260	260	260	260	260
Reimbursements	615	630	646	662	679	696	713	731	749	768
Other Income	1,204	459	463	467	472	476	481	486	491	496
Net gain - equity accounted Council businesses	334	344	354	365	376	387	399	411	423	436
Total Income	87,188	89,071	92,046	95,121	98,302	101,590	104,990	108,505	112,140	115,899
Expenses										
Employee Costs	33,976	34,275	34,671	35,364	36,071	36,793	37,529	38,279	39,045	39,826
Materials, Contracts & Other Expenses	28,249	30,153	29,540	29,034	29,614	30,567	30,811	31,427	32,056	33,087
Depreciation, Amortisation & Impairment	17,030	17,711	18,420	19,157	19,923	20,720	21,549	22,411	23,307	24,239
Finance Costs	545	470	939	819	700	601	496	396	319	240
Total Expenses	79,800	82,609	83,569	84,373	86,309	88,680	90,384	92,512	94,727	97,391
Operating Surplus	7,388	6,462	8,476	10,748	11,993	12,910	14,606	15,993	17,414	18,508
Amounts Received Specifically for New or Upgraded Assets	4,400	10,000	-	-	-	-	-	-	-	-
Physical Resources Received Free of Charge	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Net Surplus / (Deficit) for the Year	13,288	17,962	9,976	12,248	13,493	14,410	16,106	17,493	18,914	20,008
Capital (Balance Sheet) and Reserve Movements										
Capital Expenditure	(27,072)	(49,298)	(23,061)	(24,588)	(24,753)	(27,594)	(26,920)	(25,447)	(25,806)	(26,315)
Loan Repayments (External)	(1,197)	(1,100)	(2,235)	(2,355)	(1,985)	(2,084)	(2,189)	(1,624)	(1,700)	(1,779)
New Loan Borrowings (External)	-	12,960	-	-	-	-	-	-	-	-
Net Transfers (to)/from Reserves	(1,836)	1,065	(3,790)	(3,896)	(4,005)	(4,117)	(4,233)	(4,352)	(4,475)	(4,601)
Total Capital (Balance Sheet) and Reserve Movements	(30,105)	(36,373)	(29,086)	(30,839)	(30,743)	(33,796)	(33,342)	(31,422)	(31,980)	(32,695)
Net Result (including Depreciation & Other non-cash items)	(16,817)	(18,411)	(19,109)	(18,591)	(17,250)	(19,386)	(17,236)	(13,929)	(13,067)	(12,687)
Add back Depreciation Expense (non-cash)	17,030	17,711	18,420	19,157	19,923	20,720	21,549	22,411	23,307	24,239
Less Other Income (non-cash)	(1,834)	(1,844)	(1,854)	(1,865)	(1,876)	(1,887)	(1,899)	(1,911)	(1,923)	(1,936)
Cash Budget Surplus/(Deficit)	(1,621)	(2,544)	(2,544)	(1,300)	797	(553)	2,414	6,570	8,317	9,616

City of Marion
10 Year Financial Plan for the Years ending 30 June 2027
SCENARIOS - GENERAL FUND
Scenario: Draft 2017/18 Budget (2.2% average rate increase)

New Scenario (After): Draft 2017/18 Budget (2.2% average rate increase)
 Old Scenario (Before): Draft 2017/18 Budget (2.5% average rate increase)

Headline Figure / KPI	Scenario	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Rates	After	74,924,032	77,309,587	79,771,179	82,311,234	84,932,255	87,636,826	90,427,611	93,307,362	96,278,917	99,345,204
	Before	75,136,544	77,749,159	80,452,788	83,250,603	86,145,891	89,142,052	92,242,605	95,451,193	98,771,582	102,207,676
Total Income	After	86,975,851	88,631,527	91,364,150	94,182,063	97,087,942	100,084,546	103,174,722	106,361,407	109,647,628	113,036,510
	Before	87,188,363	89,071,100	92,045,759	95,121,432	98,301,578	101,589,772	104,989,716	108,505,237	112,140,294	115,898,983
Operating Surplus / (Deficit)	After	7,175,611	6,022,083	7,794,804	9,808,653	10,779,035	11,404,587	12,790,704	13,849,139	14,920,907	15,645,268
	Before	7,388,123	6,461,656	8,476,412	10,748,022	11,992,671	12,909,813	14,605,698	15,992,970	17,413,573	18,507,740
Cash & Investments - Total	After	15,691,339	12,802,625	13,711,192	15,384,898	18,844,591	20,720,312	25,467,757	34,107,310	44,264,181	55,417,316
	Before	15,898,840	13,444,345	15,028,815	17,635,812	22,302,674	25,676,746	32,231,882	43,007,511	55,648,824	69,655,713

Note 15 Ratios

Operating Surplus Ratio	Snapshot	After									
	Before										
	Ratio	After	8.25%	6.79%	8.53%	10.41%	11.10%	11.39%	12.40%	13.02%	13.61%
Net Financial Liabilities Ratio	Snapshot	After									
	Before										
	Ratio	After	0.63%	19.25%	15.40%	10.52%	4.65%	0.67%	-6.08%	-15.49%	-25.79%
Asset Sustainability Ratio	Snapshot	After									
	Before										
	Ratio	After	95.57%	118.23%	98.19%	97.00%	94.47%	103.06%	95.42%	89.09%	86.79%
Interest Cover Ratio	Snapshot	After									
	Before										
	Ratio	After	0.05%	0.24%	0.75%	0.60%	0.45%	0.34%	0.23%	0.13%	0.05%
Asset Consumption Ratio	Snapshot	After									
	Before										
	Ratio	After	76.94%	76.66%	75.71%	74.80%	73.90%	73.08%	72.24%	71.37%	70.51%
	Before	76.94%	76.66%	75.71%	74.80%	73.90%	73.08%	72.24%	71.37%	70.51%	69.67%

City of Marion
10 Year Financial Plan for the Years ending 30 June 2027
SCENARIOS - GENERAL FUND
Scenario: Draft 2017/18 Budget (1.3% average rate increase)

New Scenario (After): Draft 2017/18 Budget (1.3% average rate increase)
 Old Scenario (Before): Draft 2017/18 Budget (2.5% average rate increase)

Headline Figure / KPI	Scenario	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Rates	After	74,286,497	75,998,519	77,750,004	79,541,860	81,375,019	83,250,434	85,169,078	87,131,947	89,140,062	91,194,466
	Before	75,136,544	77,749,159	80,452,788	83,250,603	86,145,891	89,142,052	92,242,605	95,451,193	98,771,582	102,207,676
Total Income	After	86,338,316	87,320,460	89,342,975	91,412,689	93,530,706	95,698,154	97,916,189	100,185,992	102,508,774	104,885,773
	Before	87,188,363	89,071,100	92,045,759	95,121,432	98,301,578	101,589,772	104,989,716	108,505,237	112,140,294	115,898,983
Operating Surplus / (Deficit)	After	6,538,077	4,711,016	5,773,628	7,039,279	7,221,799	7,018,194	7,532,170	7,673,724	7,782,053	7,494,531
	Before	7,388,123	6,461,656	8,476,412	10,748,022	11,992,671	12,909,813	14,605,698	15,992,970	17,413,573	18,507,740
Cash & Investments - Total	After	15,068,836	10,884,934	9,789,069	8,711,042	8,632,075	6,140,953	5,650,428	8,136,183	11,176,917	14,203,172
	Before	15,898,840	13,444,345	15,028,815	17,635,812	22,302,674	25,676,746	32,231,882	43,007,511	55,648,824	69,655,713

Note 15 Ratios

Operating Surplus Ratio	Snapshot	After									
	Before										
	Ratio	After	7.57%	5.40%	6.46%	7.70%	7.72%	7.33%	7.69%	7.66%	7.59%
Net Financial Liabilities Ratio	Snapshot	After									
	Before										
	Ratio	After	1.37%	21.78%	20.19%	18.21%	15.84%	16.05%	13.96%	9.62%	4.86%
Asset Sustainability Ratio	Snapshot	After									
	Before										
	Ratio	After	95.57%	118.23%	98.19%	97.00%	94.47%	103.06%	95.42%	89.09%	86.79%
Interest Cover Ratio	Snapshot	After									
	Before										
	Ratio	After	0.05%	0.24%	0.76%	0.61%	0.47%	0.36%	0.24%	0.14%	0.06%
Asset Consumption Ratio	Snapshot	After									
	Before										
	Ratio	After	76.94%	76.66%	75.71%	74.80%	73.90%	73.08%	72.24%	71.37%	70.51%
	Before	76.94%	76.66%	75.71%	74.80%	73.90%	73.08%	72.24%	71.37%	70.51%	69.67%

Environmental Scan Summary – 2017/18 Annual Business Plan

Critical external issues and opportunities:	
<p>Political</p> <ul style="list-style-type: none"> • Maximising ratepayer/community value • Maximising opportunities in the lead up to the next state election, noting changes in electoral boundaries and candidates • Implications of introduction of rate capping through potential change in Government at state level • Ongoing changes to Federal, State and Local Government policies and funding programs 	<p>Economic</p> <ul style="list-style-type: none"> • Compromised financial capacity of ratepayers in economic climate • The number of GST registered businesses in Marion is falling • The number of jobs in Marion remains static although our population is increasing • Maximising opportunities to support small business • Development of the Tonsley site
<p>Technological</p> <ul style="list-style-type: none"> • Rapid technological change, specifically the rollout of NBN in some City of Marion areas • Digital divide • Access to data and information • Opportunities through the transition to 'smart' LED lighting across the City 	<p>Social and Cultural</p> <ul style="list-style-type: none"> • Concerning public health demographics • HACC transitioning to national and regional customer led wellbeing and home support programs • Population growth and changing demographics • Increasing community interest in volunteerism is providing a varied skill base • Potential health issues around noise and air pollution around major traffic routes & building work
<p>Natural environment</p> <ul style="list-style-type: none"> • Impacts of climate change • Growth of localism • Emergence of Nature Play 	<p>Urban environment</p> <ul style="list-style-type: none"> • Limited housing choice to meet the needs of everyone in the community • Population growth and urban infill cause increased traffic and limited on-street parking with increasing demands on public places and spaces and public services • Opportunities in integrating nature into the urban environment, WSUD, energy efficiency and green infrastructure • Opportunities to lift vibrancy of commercial/retail areas through infrastructure upgrades and activation • Increased implementation of planning reforms
<p>Transport & Connectivity</p> <ul style="list-style-type: none"> • South Road & Darlington Interchange upgrades • Poor transport linkages to public places and spaces, goods and services, local business and industry • Potential risk of isolation to residents that are ageing and mobility impaired • Opportunity to expand and integrate walking & cycling networks with major transport infrastructure upgrades 	

<ul style="list-style-type: none"> • Commitment to Flinders Link Rail extension • Connections in and around Tonsley, Darlington and Flinders developments, with impacts on traffic, parking, pedestrian/cycling movements • Opportunities to progress an Oaklands Hub development through the redesign of the Oaklands Rail Crossing • Opportunities to improve East-West connectivity through Sturt Rd, in conjunction with the Darlington, Tonsley and Flinders Link project 	
<p>Service provision</p> <ul style="list-style-type: none"> • Limited funding capacity for competing strategic projects or incremental service improvements given current rates assumptions and funding position. Could be exacerbated if change in Government at next State Election and rate capping introduced 	<p>Risk and strategic alignment</p> <ul style="list-style-type: none"> • Alignment of the organisation to deliver the aspirations of the Strategic and Council/Business Plans • Transition to an agile & responsive delivery model whilst maintaining prudent financial management • Alignment of risk management throughout the organisation • Changes to regional emergency management planning
<p>Long Term Financial sustainability</p> <ul style="list-style-type: none"> • Need for greater collaboration, partnering and innovative funding solutions to achieve community outcomes in a challenging fiscal environment 	<p>Asset reliability and sustainability</p> <ul style="list-style-type: none"> • Reviewing our existing asset base: <ul style="list-style-type: none"> • In light of increasing costs and customer service requests to maintain and renew our existing asset base • Understanding which assets could be repurposed, reused or disposed of in order to enhance other assets to better meet community needs • Investigating innovative asset management models e.g. share community use, public private partnerships and related business and retail opportunities • Increased unreliability of power supply, with impacts to businesses (including council) and residents
<p>Workforce</p> <ul style="list-style-type: none"> • Embedding Work Health & Safety system improvements throughout the organisation • Need to provide the appropriate technology tools and information resources for staff to connect, collaborate and do their jobs efficiently and effectively • Continued building leadership and workforce capability and skills, particularly in the areas of project management, partnership models and industry experience • Managing an ageing workforce, with provision of opportunities for transition programs, mentoring and training 	

Marion specific items (as opposed to general societal trends) have been highlighted in **bold text**.

Marion specific items (as opposed to general societal trends) have been highlighted in **bold** text.

Current or emerging issues and opportunities		Criticality for action				2016-2019 Business Plan initiative reference	2016-2019 Business Plan initiative detail	Other initiatives / further detail	
Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing				
Liveable	Population growth of around 1% per annum & concerning public health demographics increasing demands on public places and spaces and public services	Higher than metropolitan average proportion of people with physically chronic conditions, mental health problems and psychological distress particularly in central and northern Marion - High % of adults overweight/obese, high cholesterol, high blood pressure, asthma, arthritis - High proportion of premature mortality due to circulatory system, heart disease, cancers and self-inflicted injury - High proportion of females with osteoporosis - High % of adults with psychological distress - High % of people with multiple chronic health conditions - High proportion of hospital admissions due to mental health conditions - High % of older people not participating in sufficient physical activity - Higher proportion than metropolitan average of children not achieving recommended amount of physical activity (SAMSS data)	✓	✓			L1 Amend the zoning of key sporting areas/hubs to support revitalised, modern sports facilities	Reconsideration of place based urban design and other Council services to encourage active living, healthy lifestyles and social connectivity for all age profiles	
			✓	✓	✓		L2 Deliver excellent Sport and Recreational Facilities across the City: • Community Club and indoor sports stadium at Mitchell Park • Sports and community complex at the Edwardstown Soldiers Memorial Oval • A new regional soccer facility in the South in partnership with Football SA • An International standard BMX complex in the South, led by BMX SA • Capella Reserve redevelopment in partnership with the Cove Football Club to pursue funding opportunities • Modern sustainable tennis and netball facilities across the City to meet the needs of the Community now and into the future	Continue and expand Crime Prevention Through Environmental Design Place-making opportunities in Tonsley, transport hubs, Hallett Cove Foreshore redevelopment, local and main streets also linked with community governance approaches The changing role of Council in disease prevention, health promotion and health protection, embedding the four priority areas of Public Health legislation: - Increasing Opportunities for Healthy Living, Healthy Eating & Being Active - Preparing for Climate Change - Sustaining and Improving Public and Environmental Health Protection - Stronger & Healthier Communities & Neighbourhoods for All Generations	
			✓				L3 Present the Marion Outdoor Pool Masterplan		
			✓	✓	✓		L4 Deliver Open Spaces and Playspaces across the City: • South Australia's first Inclusive Playspace at Hendrie Street Reserve • Jervois Street South Plympton Playspace • Hallett Cove Foreshore precinct redevelopment • Reserve Street Reserve Trott Park dog park, plus location and design for a second dedicated dog park • 8 local/neighbourhood scale playspaces, plus plans for a further 4 playspaces • Priority open space developments based on our Open Space plan, to meet the needs of a growing and changing community into the future • High quality public toilets in our priority reserves and parks	Maximise connectivity in and around major projects (to address physical activity; isolation and disadvantage; poor health outcomes; access to education, training and employment; access to open space with walking distance of homes and businesses; access to arts and culture and public safety Alignment with PERMA + Positive Emotion, Engagement, Relationships, Meaning and Accomplishment PLUS Optimism, Resilience, Physical Activity, Nutrition and Sleep messages	
		Limited housing choices	Urban demographics: - Limited housing choice to meet the needs of everyone in the community - Population growth and urban infill cause increased traffic and limited on-street parking with increasing demands on public places and spaces and public services	✓	✓			L5 Review housing zones to preserve the character of areas in the north of our city and create housing choice in the south	Housing Diversity DPA will reflect the unique topography of Marion requiring different urban solutions: - create more choice in southern Marion due to increased density - decrease density in the north to protect character and heritage areas, open space and trees whilst meeting 30 Year Plan for Greater Adelaide and review of Southern Growth Corridor population targets Collaborate on Main South Road / Darlington DPA - higher Tonsley density, Sturt Triangle and Lot 707
				✓	✓			L6 In partnership with State Government, the SA Jockey Club and adjoining councils, support the housing development at Morphettville Racecourse	
		National and international trends on people remaining independent as they age	Increase in 85+ year olds and pensioners Opportunity to focus more on individual quality of life	✓	✓	✓		L7 Develop and deliver an Age Friendly Strategy in partnership with neighbouring councils	
				✓	✓	✓		L8 Support our community to 'age well' through participation in the Adelaide Living Laboratory	
		Reconciliation		✓	✓	✓		L11 Celebrate and recognise our Kaurna heritage through committed delivery of the 2016-2019 Reconciliation Action Plan (RAP)	
				✓	✓	✓		L12 Build strong relationships with the Elders of the Kaurna community, facilitated by the RAP Committee	
	Disengaged young people	Low % of young people involved in arts/ cultural activities, student leadership, and youth groups	✓	✓	✓		L14 Deliver transformed youth partnership programs focused on providing diverse and exciting opportunities for youth leadership, engagement and services		
	The National Disability Insurance Scheme (NDIS) roll-out	By July 2018, an estimated 26,000 people will access the NDIS, including 17,000 people from the existing SA specialist disability system. The agreement provides for another 6,500 people who are not currently receiving disability services to enter from July 2018 onwards.				✓			

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	Page 73	
Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief/ Ongoing	2016-2019 Business Plan initiative detail		Other initiatives / further detail	
Valuing Nature	Opportunities in Water Sensitive Urban Design, energy efficiency and 'green' infrastructure	Opportunities in biophilia, WSUD, energy efficiency and green infrastructure including whole-of-government green infrastructure strategy (SA) and the Living Adelaide initiative to mitigate the adverse impacts of urban planning and infill development on biodiversity/natural environments/ecosystems/water resources management/renewable energy and stormwater infrastructure requirements. Improving energy efficiency to combat the increasing maintenance and utility costs impact on the cost of delivering services SA Government 50% renewables commitment by 2025 & net zero emissions by 2050	✓	✓	✓		VN1	Significantly increase energy efficiency across our council facilities	
			✓	✓	✓		VN2	Develop a business case and commence delivery of the transition to safe and sustainable street and public lighting	
			✓	✓	✓		VN9	Target an allocation of 5% of drainage and traffic capital works budgets to Water Sensitive Urban Design outcomes	CoM contribution to the Water Sensitive SA project that delivers WSUD capacity building initiatives for Council staff, etc Influence DPTI to include biophilia and green infrastructure in projects within CoM Resilient South partnership projects such as Urban heat Island mapping project & developing a business case for urban trees project
			✓	✓	✓		VN10	Continue to transform the Glade Crescent Wetlands scheme	Complete stage 1A (access road, Gross Pollutant Traps, sedimentation basin and high flow bypass) - complete December 2016 and 1B (wetland cells, overflow weirs, additional drainage the planting and landscaping) construction works package at Glade Crescent Wetlands scheme
			✓	✓	✓		VN13	Strive for the opening up of Glenthorne Farm for community benefit in partnership arrangements	
			✓	✓	✓		VN8	Manage stormwater in close partnership with our neighbours	Implement the two adopted Regional Stormwater Management Plans; Hallett Cove Creeks, and the Coastal Catchment between Glenelg and Marino. Complete draft Stormwater Management Plans for the catchments of 'East of Sturt River' and 'Urban area abutting Field River' for Council consideration and public consultation. Commence the Stormwater Masterplan DPA in 2017 with Completion in 2018.
	Adverse impacts of pest plants and animals on natural ecosystems		✓	✓	✓		VN12	Plan and deliver a program for the protection of precious remnant native vegetation in our reserves	
	Impacts of climate change	Limited natural resources and increased impacts on the natural environment and waste production Impacts of increasing temperatures, longer heatwaves, reduced rainfall but increased rainfall intensity, increased fire danger days and increased sea levels) on: - natural resources and ecosystems (including coastal and marine environments and water resources) - natural resources and ecosystems (including coastal and marine environments and water resources) - infrastructure and built environment (urban heat islands) - service level expectations for the public realm - essential services - manufacturing and business (business continuity support) - community health and wellbeing	✓	✓	✓		VN3	Implement the Resilient South Climate Change Policy and Plan	
			✓	✓	✓		VN11	Develop and deliver a Regional Coastal Management Plan to support effective coastal management	
			✓	✓	✓		VN4	Design the final stages of the Oaklands Reserve redevelopment	
			✓	✓	✓		VN5	Expand the Oaklands Wetland water distribution network to maximise sustainable irrigation of our parks and reserves	
	Emergence of Nature Play	Increased desire for recreational spaces for young people without needing built form				✓			Recognition of Nature Play within new Playspace Strategy Bio Blitz Nature Play activities, design of reserves and playspaces
	Growth of localism	Links to community gardening, urban bee keeping, verge gardening, food forager movement, etc.				✓			Increasing number of community gardens Citizen Science, Bio Blitz and Common Thread events - move to more community led events Increased promotion of related Neighbourhood Centre and Library resources
Greening supply chains					✓				

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	Page 74	
Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing	2016-2019 Business Plan initiative detail		Other initiatives / further detail	
Engaged	Increased numbers of volunteers	Increasing community interest in volunteerism is providing a varied skill base but higher expectations. Longer working hours are reducing the capacity for long-term volunteering and increasing the desire for more flexible periodic and short-term volunteering opportunities	✓	✓	✓		E1	Strive to become renowned for volunteers through targeted growth and diversity, and harnessing the skills and experience of our volunteers	
	Community governance – growing expectation and desire to be effectively engaged in decision making requiring more active stakeholder management	High % of community not involved in social, recreational or community activities Low % of community on decision- making board or committees	✓	✓	✓		E2	Launch a Marketing Plan to enhance community engagement and partnering in council's services	
			✓	✓	✓		E3	Support our lease and licence holders to develop their club management capacity	Review Leasing and Licensing Policy. Focused program to ensure 80% of facility leases are up to date (subject to negotiations with major lease holders) by June 2016
			✓	✓	✓		E4	Work in partnership with the Edwardstown Region Business Association and the Hallett Cove Business Association to grow membership and sustainability	
			✓	✓	✓		E5	Maximise community benefits through community led initiatives	
			✓	✓	✓		E6	Implement our reformed Community Grants programs with emphasis on diversity and community capacity building	
			✓	✓	✓		E7	Expand our network of community gardens in partnership with community groups	
			✓	✓	✓		E8	Pilot a place activation project focused on the use of vacant commercial properties in partnership with local community groups	
			✓	✓	✓		E10	Grow the Community Leadership Program to support and harness the ideas and skills of emerging leaders within our community	
			✓	✓	✓		E9	Develop and deliver a Business Engagement Plan in consultation with the local business community to provide valuable business information to support small business growth	
Prosperous	Development of the Tonsley site	The regional focus on job creation in key growth areas of clean technology, advanced manufacturing and tourism including food and wine	✓	✓	✓		P1	Work in partnership to progress the Tonsley Redevelopment as a state of the art advanced manufacturing and urban environment	
	The number of GST registered businesses in Marion is falling		✓	✓	✓		P2	Work with key partners on the Darlington project and the Flinders Link rail project to maximise business and employment opportunities	
			✓	✓	✓		P4	Review Edwardstown Industry/Commerce Planning framework to support future business needs	
	Number of jobs in Marion remains static, whilst population is increasing		✓	✓	✓		P5	Support the development of priority precincts that cater for a range of residential and business needs, and services that are aligned with the 30 Year Plan for Greater Adelaide	
			✓	✓	✓		P6	Develop, in close cooperation with other councils and State Government, a business attraction plan that support jobs growth	
	Growth in higher/tertiary education particularly at Flinders University and Tonsley.		✓	✓	✓		P7	Re-invigorate the Southern Adelaide Economic Development Board to establish an industry-led, independent advocacy and advisory group for the southern Adelaide region	
			✓	✓	✓		P8	Deliver the Tonsley Small Business Advisory Service, providing free advice to start up and early stage businesses	
	Trend toward people wishing to work, shop and play locally		✓	✓	✓		P9	Reduce red-tape to support and promote business growth and employment opportunities	
			✓	✓	✓		P10	Deliver digital economy education programs for businesses to capitalise on the NBN roll-out	
			✓	✓	✓		P11	In partnership with local businesses, grow visitation and increase spending in the region through the delivery of a Visitor Economy Strategy	
	Retail everywhere – e-commerce and pop-up shops	The continuing shift towards digital and knowledge based economies				✓			

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	Page 75 2016-2019 Business Plan initiative detail	Other initiatives / further detail
Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing				
Connected	Rapid technological change, specifically the rollout of NBN in some City of Marion areas	Rapid technological change and wide application of social media, mobile devices and wireless and broadband networks	✓	✓	✓		C6	Expand our communication and engagement network through our website and social media platforms	Opportunities in location aware service information, augmented reality and tourism apps for smart devices
	Many residents don't have ready access to internet, data or information	The increasing "Digital divide" within our community given varied levels of digital literacy to access services, employment opportunities, social and cultural networks, lifelong learning, teleworking and information.	✓	✓	✓		C7	Deliver valuable digital literacy programs in our libraries and neighbourhood centres	Changing digital economic conditions and global employment opportunities
			✓	✓	✓		C8	Develop a business case for an innovative 'Creative Space' that showcases leading edge technologies for the community's creative and learning opportunities	Free Wi-Fi at Council sites and libraries. Free power, e-reference, learning and low cost printing facilities at libraries. Library review is being undertaken that will identify usage levels and inform future service provision Analysis of Library 'One Card' borrowing and collection data - potential for shared and specialised collection management across all formats Vision 2030 Smart Libraries... Smart Communities - Our libraries are valued as institutions of civil democracy and community engagement. They are hubs of knowledge, creativity and innovation, bringing together the physical and digital worlds and providing opportunities for learning and leisure, linking the people of South Australia to each other and the world - 'Tomorrow's Libraries' by Libraries SA
	The joy of missing out - trend in de-digitising to reconnect with people in person					✓			
	South Road & Darlington Interchange upgrades Train extension from Tonsley to Flinders University Potential risk of isolation to residents that are ageing and mobility impaired	Marion's road/rail/freight network: - Poor east-west connectivity - Competing/overlapping transport systems - Multiple arterial roads carrying high volume of through traffic - Transit corridors dividing communities - Rail corridor, Lonsdale Road, South Road, Sturt drain _ Poor transport linkages to public places and spaces, goods and services, local business and industry - Unique terrain of the South combined with current transport services poses potential risk of isolation to residents that are ageing and mobility impaired increasing demand on community bus, neighbourhood centres and mobile library	✓	✓	✓		C5	Support the rail expansion from Tonsley to Flinders Medical and University precinct	
			✓	✓	✓		C4	Advocate for key rail infrastructure including the grade separation at the Oaklands Rail crossing	
			✓	✓	✓		P3	Advocate for the future development of the North-South Corridor to improve east-west connectivity, which maximises community access and connection with the valuable adjacent areas.	
	Increased walking, cycling and public transport usage with fewer young drivers	Insufficient and poorly integrated walking & cycling networks					C1	Expand the Walking and Cycling network linking key destinations across the City and beyond	Implement high priority projects identified in the Walking and Cycling Strategy including the Tonsley Greenway, Sturt River Linear Park Greenway and other local cycling connections between Tonsley and the Marion Central precinct Reconstruct the next section(s) of Railway Terrace to extend the off road shared use path along the Adelaide to Marion Rocks Greenway

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	Page 76 2016-2019 Business Plan initiative detail	Other initiatives / further detail
Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing				
Connected (continued)	Narrow footpaths with limited resting/seating places – poor accessibility for mobility impaired	The dependency on and prevalence of cars on our roads, coupled with the significant number of major arterial roads and transit corridors throughout the City					L13	Better manage traffic in Marion and Oaklands Park Commence delivery of priority elements of the Streetscape Masterplan Continue delivery of priority elements of the Streetscape Masterplan	
	Inadequate car parking for public transport commuters		✓	✓	✓		C2	Complete Glandore Laneways project to finalise council ownership of the laneways and improve safety and traffic flow	
	Dominance of cars causing congestion on roads and increased on-street parking demands		✓	✓	✓		C3	Deliver a Policy and Program to enhance streetscapes across the City	
	Lightweight vehicles developed					✓			
	Driverless cars - SA legislation reform underway (Motor Vehicles Act, Road Traffic Act)					✓			
	Smart parking systems – greater use of technology					✓			Opportunities may exist for smart parking technologies through the transition to LED lighting (which can be smart technology enabled)
	Car and bike sharing e.g. GoGet (Sydney) and Flexicar (Melbourne)					✓			
	Big data, smarter transport for trucking and freight etc.					✓			
Innovative	Embracing and developing new ideas and technologies providing opportunities for all		✓	✓	✓		I1	Establish partnerships with innovation mentors, including hosting university students to work on innovation projects	
			✓	✓	✓		I2	Launch a marketing plan for all neighbourhood centres that supports creative use, programming and participation within the centres	
			✓	✓	✓		I3	Maximise community feedback through a range of surveys, digital tools and campaigns to support our ongoing focus on innovation and improvement	
			✓	✓	✓		I4	Deliver a solar panel network at key council sites across the City	
			✓	✓	✓		I5	Renew the Leasing and Licensing Policy to set up a strong support and collaboration model for clubs and organisations to continue to innovate their businesses	
			✓	✓	✓		I6	Continue to promote and provide valuable programs at the Cove Enterprise Hub to support start-ups and small businesses in the southern region	
			✓	✓	✓		I7	Investigate Smart City technology and infrastructure opportunities	
			✓				VN6	Investigate the potential to establish a water supply business using the Oaklands Wetlands water distribution network	
Collaborative consumption, co-working spaces and sharing economy					✓				

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	Page 77 2016-2019 Business Plan initiative detail	Other initiatives / further detail
Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing				
Political	Rate capping & State Government control	Rate capping a high likelihood if Liberal party win next state election. Potential impacts on service levels				✓		<p>Participating in the 'Council of the future' review regarding the potential future direction, structure and amalgamation of local government, regional approaches and the ongoing debate regarding constitutional recognition for local government.</p> <p>Improve understanding of ratepayer value to ensure rates are directed to highest priority services, programs, projects</p> <p>Provide Council with a feasibility analysis of boundary realignment opportunities between the City of Marion and adjoining Councils and commence implementation</p>	
	Maximise funding opportunities in the lead up to the next State election	Next State election March 2018	✓					<p>Ensure projects are spade ready.</p> <p>Build relationships and lobbying partnerships - become a voice for the South</p>	
Financial sustainability	<p>Continued focus on driving innovation and continuous improvement in a constrained budgetary environment</p> <p>The opportunity for Council shared services - need for greater collaboration, partnering and innovative funding solutions</p>	<p>Most revenue comes from rates with compromised financial capacity of ratepayers in economic climate and decreasing grant opportunities</p> <p>Increases in State Government fees and levies impact on the cost of delivering services</p> <p>Opportunity to work more collaboratively with regional Councils in cost sharing</p> <p>Limited funding capacity for competing strategic projects or incremental service improvements given current rates assumptions and funding position - need for greater collaboration, partnering and innovative funding solutions to achieve community outcomes in a challenging fiscal environment</p>	✓	✓	✓		L10	<p>Undertake an evaluation and review of at least 9 council services to ensure they continue to provide maximum value to our community, now and into the future.</p> <p>Ongoing review of the Long Term Financial Plan to ensure council remains in a sound and sustainable financial position. Low rate increases modelled for next 10 years</p> <p>Further models of collaborative procurement, public private partnership, cost sharing and funding streams investigated</p> <p>Uncertainty of future interest rates and its impact on our future loan portfolio</p> <p>Council Solutions' pilot program - data mining and benchmarking</p> <p>Further reduction of carry-overs</p>	
Asset reliability and sustainability	<p>Significant ageing infrastructure and assets</p> <p>Investigating innovative asset management/ownership models</p> <p>Potential for asset disposals</p> <p>Potential for non-asset solutions for service delivery</p>	<p>Reviewing our existing asset base:</p> <ul style="list-style-type: none"> - In light of increasing costs and customer service requests to maintain and renew our existing asset base - Understanding which assets could be repurposed, reused or disposed of in order to enhance other assets to better meet community needs - Investigating innovative asset management models e.g. share community use, public private partnerships and related business and retail opportunities 	✓	✓	✓		L9	<p>Review and under-utilised council reserves and facilities to ensure community use is optimised.</p> <p>Embedding the Asset Sustainability matrix into prioritisation of customer service request resolution actions</p> <p>Undertake a building/facilities condition audit</p> <p>Develop a building renewal plan</p> <p>Develop an asset disposal / consolidation program and commence implementation</p>	

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	Page 78	2016-2019 Business Plan initiative detail	Other initiatives / further detail
Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing					
Service provision	Need to provide the appropriate technology tools and information resources for staff to connect, collaborate and do their jobs efficiently and effectively		✓	✓	✓				COMConnect replacement of Lotus Notes within 12 months - Invest in new technology to modernise City of Marion's technology platform including retiring ageing Lotus Notes systems as a priority in 2016 Opportunities to automate back office functions e.g. order & print out your own dog licence online Increased use of video technology for 'how-to' information and video calls Improved contract management under wider review of procurement management	
	More insightful understanding of customer service needs	Opportunity to develop more insightful understanding of customer value, service needs and satisfaction levels, including customer perspective in the development of service range and required service levels	✓	✓	✓				Develop and implement a community feedback program, including an annual community satisfaction survey Deliver an annual Stakeholder survey on satisfaction with Council facilities Greater effective use of evidence for decision making	
	The need for all work groups to be aligned in terms of the Strategic Plan and Business Plan 2016-19	Alignment of the organisation to deliver the aspirations of the Strategic Management Framework Continued building of leadership and workforce capability and skills, particularly in the areas of project management, partnership models and industry experience Vacancy Policy: positions are not filled unless a clear case can be made	✓	✓	✓				Endorsement of 3-year Business Plan and roll-out of new 10-year Strategic Plan Roll-out of values, Leadership Development Plans and Personal Development Plans Working collaboratively to deliver the 3-year Business Plan through integrated work area planning 'Living' the values Develop and deliver consistent Project and Program Management Develop and deliver a Workforce Plan E3 learning & 70/20/10 training and development program LEAD leadership program Increased knowledge transfer from contractors	
	Safety focus		✓	✓	✓				Focus on reduction of Lost Time Injuries Improved Admin building security	
	An organisation possibly too averse to risk	Transition to an agile & responsive delivery model whilst maintaining prudent financial management Alignment of risk management throughout the organisation	✓	✓	✓				Review of frameworks and procedures to support delivery: Monitoring of risk registers, reformed Risk Working Group Changes to regional emergency management planning - update of emergency management procedure	

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
28 FEBRUARY 2017**

Originating Officer: Sherie Walczak, Unit Manager Risk

Corporate Manager: Jaimie Thwaites, Acting Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Corporate Risk Profile

Report Reference: FAC280217R8.4

EXECUTIVE SUMMARY:

The City of Marion's Strategic Risk Profile is reported to the Finance and Audit Committee on an annual basis to respond to their obligation to Council and the community, outlined in the terms of reference, to facilitate the '*effective management of risk and the protection of Council assets*'.

The purpose of this report is to seek assurance and input from the Finance and Audit Committee regarding:

- The process for identifying and managing risks;
- The management of high level risks, their control environment and further treatments.

BACKGROUND

The Strategic Risk Register was last reported to the Finance and Audit Committee at its meeting on 8 March 2016 (FAC080316R7.3) as a result of the biennial comprehensive risk review undertaken in 2015. The risk review comprised of two risk training sessions offered at both the Administration Building and at City Services which was followed by the facilitation of 25 risk workshops held with individual business units in order to undertake a comprehensive review of operational risks and current controls to inform an updated Operational Risk Profile. This resulted in a Corporate Risk Register which provided linkages to the overarching Strategic Risks which reflect the City of Marion's Community Vision themes of Liveable, Prosperous, Valuing Nature, Innovative, Engaged and Connected.

The Risk Working Group (RWG) has undertaken a quarterly review of the resulting Corporate Risk Register with a specific focus on the monitoring of associated controls, progression of proposed treatments to mitigate the current risk exposure and to monitor the constantly changing external and internal environments of Council including any emerging high level issues.

RECOMMENDATION

That the Finance and Audit Committee note the progress reported to date and provide feedback on the outlined high level operational risks

DUE DATES

**28 February
2017**

PROCESS UNDERTAKEN

Due to the comprehensive risk review which was undertaken in 2015, a biennial desktop review was scheduled for 2016. The Risk Coordinator led this process, facilitating individual meetings with risk and action owners consisting of various senior leaders, unit managers and key team leaders. This provided an opportunity to review progress against assigned actions to date, further consideration of the accuracy and relevance of both the risks themselves and the outstanding actions assigned, as well as collecting feedback on user requirements to be considered when reformatting the Corporate Risk Register.

OUTCOMES

A reformatted, more streamlined, Corporate Risk Register has been developed to enable an easier method for capturing progress and/or revised details and amended due dates. It is proposed that the Corporate Risk Register ultimately becomes an extended part of the WAP/Corporate Reporting process, however at present, due to the current constraints of the WAP reporting excel format, it needs to remain as a parallel reporting process. The risks in the Corporate Risk Register are largely operational, identifying issues impacting on Council business and giving clear definitions as to how these relate to the annual work plans and day to day management in delivery of Council services.

In order to provide senior leaders with a strategic approach to risk management and to provide a focus for regular discussion on 'emerging and high risk issues', a summary Corporate Risk Profile report (see Appendix A) has been developed for quarterly review at RWG meetings, in addition to annual review by Council through its Finance and Audit Committee. The aim of the Corporate Risk Profile report is to outline identified high risk areas related to being a Council of Excellence alongside risks aligned to the Community Vision themes of Liveable, Prosperous, Valuing Nature, Innovative, Engaged and Connected. The Corporate Risk Profile report compares risk rating data from the previous year, the current year and that being forecast after further actions are undertaken. The aim is to illustrate the 'value added' by active risk management through the risk management framework and the annual risk management work plan.

DISCUSSION

As outlined throughout this report, the purpose of the Corporate Risk Profile is to assess the level of corporate risk currently rated across the business and to support discussion as to how that should be managed during the coming year.

Feedback is now sought on the Corporate Risk Profile report and its facilitation of high level discussion on 'Emerging and High Risk issues'.

CONCLUSION

All levels of senior leadership will be integral in the promotion of risk management as a key business tool. With a wider and more holistic implementation of risk management and a clearer focus on 'Emerging and High Risk issues', corporate risks will be further mitigated, thus providing a greater level of assurance for all stakeholders going forward.



CORPORATE RISK PROFILE



HIGH RISK AREAS

Asset Management - implementation of Asset Management plan

	2016	2017	F'cast
AS02 Failure to appropriately maximise CoM assets ie asset management planning to ensure appropriate new, renew, maintain and manage	HIGH	HIGH	MEDIUM
AS03 Non compliant, inappropriate and/or ineffective long term, sustainable management of the acquisition and disposal of assets	HIGH	HIGH	MEDIUM

Strategic plan including HR - further implementaion throughout CoM

HR05 Ineffective strategic work force planning	HIGH	HIGH	MEDIUM
IS01 Failure of strategic direction to deliver key strategic outcomes, drive operational business planning, manage emerging issues and pursue new opportunities	HIGH	HIGH	MEDIUM

High Risk Activities - Contractor & Volunteer Management processes/training

CO99 Ineffective implementation and ongoing monitoring of contracting processes to ensure safe systems of work by CoM contractors	HIGH	HIGH	MEDIUM
CD99 Failure to provide Volunteer Management Systems to ensure the safety of Volunteers, Staff and the community whilst Volunteers undertake work	HIGH	HIGH	MEDIUM

WHS legislation & regulation

G08 Failure to meet Work Health Safety statutory and legislative requirements to ensure provision of a safe workplace	HIGH	HIGH	HIGH
CS01 Failure to appropriately manage high risk activities by CoM Staff (underground services, excavation, confined space, hot works etc)	HIGH	HIGH	MEDIUM
OS01 Failure to appropriately manage high risk activities by CoM Staff (underground services, hot works, working @ heights, powered plant etc)	HIGH	HIGH	MEDIUM

HIGH RISK AREAS

Compliance - internal controls, processes & procedures

	2016	2017	F'cast
G13 Absent, out dated and/or ineffective policies, procedures & processes to ensure compliance with legislative and regulatory requirements	HIGH	HIGH	MEDIUM
G05 Failure to ensure appropriate Fraud and Corruption management processes to prevent, detect and respond to alleged fraud and/or corruption	HIGH	MEDIUM	LOW

Major projects - project management

SP03 Non compliant, inappropriate and/or ineffective systems and processes for the strategic implementation of projects	MEDIUM	MEDIUM	MEDIUM
SP04 Failure to deliver Strategic Projects, as promised/specified, on time and on budget	HIGH	MEDIUM	MEDIUM

Information Technology - systems, security and continuity of provision

ICT07 Failure to provision for advancing ICT technology and cybersecurity	HIGH	MEDIUM	MEDIUM
ICT02 Non compliant, inappropriate and/or ineffective IT system solutions to support Council business across CoM	HIGH	MEDIUM	LOW

Non-alignment of Council & Administration

G99 Potential dysfunction between Council and Administration	HIGH	MEDIUM	MEDIUM
G03 Inappropriate, ill-advised or incorrect staff decision/action or advice	HIGH	HIGH	MEDIUM



CORPORATE RISK PROFILE



LIVEABLE

By 2040 our city will be well-planned, safe and welcoming, with high quality and environmentally sensitive housing, and where cultural diversity, arts, heritage and healthy lifestyles are celebrated.

SR1	Missing the opportunity to optimise 'Liveability'	2016	2017	F'cast
CP02	Failure to appropriately renew, maintain and repair CoM land and property assets	HIGH	HIGH	MEDIUM
SP01	Strategic projects are misaligned with the Community Vision and ineffective delivery fails to maximise outcomes for the Community	MEDIUM	MEDIUM	MEDIUM
DS01	Failure of the Development Assessment Panel in their role to provide advice and reports to the Council (as per the Development Act 1993)	MEDIUM	MEDIUM	MEDIUM

PROSPEROUS

By 2040 our city will see a diverse and clean economy that attracts investment and jobs, and creates exports in sustainable business precincts while providing access to education and skills development.

SR2	Missing the opportunity to optimise 'Prosperous'	2016	2017	F'cast
ED02	Failure to maximise economic development relationships, networks and opportunities for growth and prosperity	MEDIUM	MEDIUM	MEDIUM
ED01	Lack of comprehensive strategic direction to drive innovative, prosperous and connected Economic Development for the CoM and it's community	HIGH	HIGH	MEDIUM
ED04	Failure to deliver Economic Development projects on time and on budget	MEDIUM	LOW	LOW

VALUING NATURE

By 2040 our city will be deeply connected to nature to enhance peoples' lives, while minimising the impact on the climate, and protecting the natural environment.

SR3	Missing the opportunity to optimise 'Valuing Nature'	2016	2017	F'cast
ES01	Lack of a comprehensive strategic direction to drive Environmental Sustainability in all areas of Council business	HIGH	HIGH	MEDIUM
ES02	Failure to meet Community expectations in regards to environmental initiatives across Council ie Community Gardens, Common Thread	MEDIUM	MEDIUM	MEDIUM
ES03	Inability to foster effective relationships with key partners/stakeholders and participate in joint environmental projects/initiatives which benefit the CoM	HIGH	MEDIUM	LOW

INNOVATIVE

By 2040 our city will be a leader in embracing and developing new ideas and technology to create a vibrant community with opportunities for all.

SR4	Missing the opportunity to optimise 'Innovative'	2016	2017	F'cast
ED99	Lack of innovative, creative and technological opportunities to progress business through incubation, generation and/or diversification to result in leading vibrant communities with opportunities for all	HIGH	HIGH	MEDIUM
IS04	Failure to consider long term trends, impacts, data, opportunities to develop and deliver strategic directions	HIGH	HIGH	MEDIUM
IS01	Failure of strategic direction to deliver key strategic outcomes, drive operational business planning, manage emerging issues and pursue new opportunities	HIGH	HIGH	MEDIUM

ENGAGED

By 2040 our city will be a community where people are engaged, empowered to make decisions and work together to build strong neighbourhoods.

SR5	Missing the opportunity to optimise 'Engaged'	2016	2017	F'cast
CW01	Lack of strategic direction to ensure that Community Wellbeing education, events and initiatives are provided for the benefit and wellbeing of the Community.	HIGH	HIGH	MEDIUM
CD01	Lack of strategic direction to ensure quality Community engagement & development events and initiatives are provided for the benefit & wellbeing of the CoM Community	MEDIUM	MEDIUM	MEDIUM
IS05	Ineffective community/external stakeholder consultation & engagement on strategic issues	MEDIUM	MEDIUM	LOW

CONNECTED

By 2040 our city will be linked by a quality road, footpath and public transport network that brings people together socially, and harnesses technology to enable them to access services and facilities.

SR6	Missing the opportunity to optimise 'Connected'	2016	2017	F'cast
OSP1	Lack of strategic direction and operational alignment for delivery of Open Space Planning	MEDIUM	HIGH	MEDIUM
CS04	Non compliant, inappropriate, ineffective and/or sub standard delivery of infrastructure (roads, drainage, footpaths etc)	HIGH	HIGH	MEDIUM
CW99	Lack of network provision for both transport and social links within the CoM and neighbouring destinations	MEDIUM	MEDIUM	MEDIUM

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
28 FEBRUARY 2017**

Originating Officer: Sherie Walczak, Unit Manager Risk

Corporate Manager: Jaimie Thwaites, Acting Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: WHS Rebate Calculations

Report Reference: FAC280217R8.5

EXECUTIVE SUMMARY:

The objective of this report is to provide the Finance & Audit Committee (FAC) with the methodology used by the Local Government Association Workers' Compensation Scheme (LGAWCS) to calculate rebates provided to the City of Marion.

BACKGROUND

The FAC was provided with the Work Health Safety (WHS) Interim Risk Report at its meeting on 15 December 2017 (FAC151216R7.6). In response, the FAC requested the provision of details regarding how the LGAWCS rebate is calculated.

RESPONSE

The City of Marion pays an annual fee to the LGAWCS for the provision of Workers' Compensation Insurance in the amount 4.25% per dollar of salaries paid to staff.

Each year, a rebate is provided to councils based on the loss ratio over the previous four-year period. From the total rebate available, 50% is offered based on claims history and the other 50% is based on performance of total actions achieved from the LGAWCS Action Plan developed in response to the annual audit which tests conformance of Council's WHS Management System against Return to Work SA's Code of Conduct for Self-Insured Employers and specifically nominated elements within the Performance Standards for Self-Insurers.

The rebate received in 2016 based on 2015/16 results was calculated as follows:

Contributions over 4-year period	\$4,498,966
Claims paid over 4-year period	\$1,736,289
Loss Ratio	38.00%
Rebate Entitlement	34.10%
Gross contribution for 2015/16	\$1,300,245
Total rebate available	\$443,384
Claims component 100% achieved	\$221,692
WHS Action Plan component 39% achieved	\$86,460
Total rebate achieved	\$308,152

The Committee has previously noted that in 2014 the Risk Team incurred a 75% turnover of staff. The team operated on reduced resources for an extended period of time whilst recruitment was occurring, which is reflected in the audit results for 2014/15 with only 39% of agreed actions completed. In 2015/16, 98% of agreed actions were completed with good progress being made across the organisation.

RECOMMENDATION (1)

That the Finance and Audit Committee note the response provided

DUE DATES

28 February 2017

**CITY OF MARION
FINANCE & AUDIT COMMITTEE
28 FEBRUARY 2017**

Originating Officer: Deborah Horton, Unit Manager Service Reviews

Manager: Jaimie Thwaites, Acting Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Governance

Subject: Organisational Service Reviews 16/17 Update

Report Reference: FAC280217R8.6

REPORT OBJECTIVES

To advise the Finance & Audit Committee (the FAC) of the status of each service review being conducted across the organisation as a result of the 2016/17 Organisational Service Review program.

EXECUTIVE SUMMARY

The City of Marion has embarked upon an ambitious service review program with the aim of achieving 12 service reviews within a financial year.¹

Essentially, most service reviews are progressing as planned however there are two services identified in the 16/17 organisational service review schedule which are recommended to be delayed (Commonwealth Home Support Service and Records Management). Incidentally, opportunities to undertake service reviews on two alternative services exist due with a scoping document provided (Marion Celebrates) and a draft report (Public Litter) which ensures the organisation meets its service review goals identified in the City of Marion Business Plan 2016-2019.

RECOMMENDATIONS**DUE DATES**

That the Finance & Audit Committee:

- | | |
|--|--------------------|
| 1. Note this report | 28 Feb 2017 |
| 2. Provide feedback regarding the service review scopes; | 28 Feb 2017 |
| I. Maintenance of Council facilities (Appendix 1) | |
| II. Asset Systems (Appendix 2) | |
| III. Roads (Appendix 3) | |
| IV. Marion Celebrates (Appendix 4) | 28 Feb 2017 |
| 3. Provide feedback regarding the draft service review reports; | |
| V. Library (Appendix 5) CONFIDENTIAL REPORT | |
| VI. Public Litter (Appendix 6) CONFIDENTIAL REPORT | |

¹ The author acknowledges there are 13 service reviews – the Library Service Review was identified and commenced prior to the current organisational service review program and schedule with 12 services as approved on 27 September 2016 (GC270616R05).

BACKGROUND

At its meeting of 27 September 2016, Council endorsed the Service Review Program for 2016/17 (GC270916R05). This program identified 13 services in total (12 initially plus Libraries which commenced its review prior to the organisational service review program, but is included for reporting) scheduled for completion across the four quarters of the financial year. Following this endorsement on 4 October 2016 the Finance & Audit Committee (FAC) was presented the quarter one and two scoping documents for the first set of service reviews (FAC0410106R7.11). These reviews progressed, with reports being presented to the FAC on 15 December 2016 (FAC151216R7.9).

ANALYSIS

Organisational service reviews 2016/17

The following table provides a status update of the service reviews currently in progress with a further short summary in the same order below;

Organisational Service Review Program 2016/17 (As endorsed 27 September 2016 (GC270616R05))					
Service	Commenced review?		Progress %	1 st Draft (FAC)	Final Report Council
	Y	N			
1. Recruitment (Q1)	Completed 15 December '16				
2. Maintenance of Council Facilities (Q4)	✓		10%		
3. Marion Swim Centre (Q1)	Completed 15 December '16				24 Jan 17
4. Parking & Abandoned vehicles (Q2)	✓		30%		
5. Asset Systems (Q3)	✓		10%		
6. Governance (Q1)	Completed 15 December '16				
7. Records Management (Q3)		✓		Suggest to defer	
8. Management of Recycling Depot (Q2)	✓		20%		
9. Stores – Storage & Inventory (Q2)	✓		20%		
10. Cwth Home Support Program (CHSP) (Q2)	✓		25%	Suggest to defer	
11. Roads (Civil) and Road & Footpath Wks (Engineering) (Q3)	✓		10%		
12. Drainage	✓		40%		
13. Libraries	Completed 28 Feb '17			28 Feb '17	March '17

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

Maintenance of Council facilities (Appendix 1)

A SWOT analysis was undertaken by key stakeholders on 30 January 2017. This review will have significant impacts upon the organisation. It is acknowledged that the review will align with other strategies across the organisation including the Asset Systems service review and the internal audit of the Facilities Management (Property portfolio).

Parking and abandoned vehicles

This review is progressing as planned. Scoping documents and benchmarking data has been collated, analysis is being undertaken and it is expected this review will be presented to the Committee in May 2017 as a draft report.

Asset Systems (Appendix 2)²

A SWOT analysis was undertaken by key stakeholders on 16 January 2017. This review has the capacity to expand exponentially – risking timeframes for service review completion given its impact upon business plans, budgetary and reporting processes including the variety and amount of ‘assets’ that council manages. The scoping document providing the ambit of the review is attached which attempts to balance the above with the need to deliver value in excess of cost and significantly improve the service which can be measured in terms of resident value within expected timeframes.

Records Management

This service was identified early in the first stages of the organisations service review analysis to align with the technology platform transition which included new information/record keeping software systems (RecordPoint and SharePoint). The integration and implementation of the new platform is not scheduled to be fully operational across the organisation until June/July 2017 and it is therefore considered premature to proceed with a review at this stage and as such, this service review is on hold.

Management of Recycling Depot and Stores – Storage and Inventory Management

This review is progressing as planned. KPMG have undertaken a site visit of both facilities with further documentation being scrutinised. It is expected this review will be presented to the Committee in May 2017 with a draft report.

Commonwealth Homes Support Program (CHSP)

In December 2016, an email was circulated to Elected Members advising them of the approaching Commonwealth reforms in relation to the CHSP. At this point in time there is insufficient information from the Commonwealth to provide good advice or make informed recommendations/decisions on this issue. All South Australian Councils receiving Commonwealth Home Support Program funding share this view and have come together to form a working group (the Aged Care Reform Working Group), to advocate for the ongoing role of local government in the provision of services for older people in our communities. The LGA are taking a lead role in this issue and are currently developing a paper which is expected to be circulated to all Councils in early 2017.

Staff will continue to participate in the working party and will share information as appropriate, until such time this particular service review is on hold.

Roads (Appendix 3)

A SWOT analysis was undertaken by key stakeholders on 3 February 2017. This review will combine the civil and engineering component of road management as provided by two teams; Roads (Civil) and Road & Footpath Works Program (Engineering). A particular focus will be to find efficiencies by testing our current processes and suppliers and benchmarking this data with other Council’s/Industry. It will also include reviewing road design, construction and maintenance activities.

Drainage

This review is progressing as planned. Scoping documents and benchmarking data has been collated, analysis is being undertaken and it is expected this review will be presented to the Committee in May 2017 for a draft report.

Libraries (Appendix 5) – CONFIDENTIAL REPORT

Attached is the final report which provides recommendations regarding this service. As community needs change with regard to accessing and utilising libraries, so too should the service levels and business models.

² Previously referred to as “Asset Management Systems”, “Asset Information Management Systems”, “Asset Management”.

Public Litter (Appendix 6) - CONFIDENTIAL REPORT

A service review was considered timely to assess the best practice delivery model and identify any efficiencies in its delivery.

Marion Celebrates (Appendix 4)

The Marion Celebrates event is held on a bi-annual basis. It is considered timely to evaluate the service whilst preparations are being undertaken for the event scheduled in March 2017. This review will focus upon reviewing its value to the community (outcomes), strategic alignment and efficiency of the use of council and community resources in the delivery of the festival.

Upcoming Reports

The following services are planned for discussion at the Committee's meeting in May 2017;

- Maintenance of Council Facilities – progress
- Parking Management and Regulation – draft report
- Asset Systems – progress
- Management of Recycling Depot – draft report
- Stores / storage & inventory – draft report
- Roads – progress
- Drainage – draft report

In addition, the Performance & Improvement Team (in conjunction with organisational improvement projects), have been critiquing the way in which services are identified for a review along with the ambit of the review itself. It is therefore envisaged that a further report will be presented to the Committee in May which will provide the lists of services for 2017/18 financial year along with evaluation of the 2016/17 service review program.

CONCLUSION

There has been a slight amendment to the schedule of services to be reviewed since December 2016 due to unforeseen circumstances however, the amount of service reviews to be undertaken will remain unchanged to comply with the City of Marion Business Plan 2016 – 2019.

APPENDICIES

Maintenance of Council facilities – Scope (Appendix 1)

Asset Systems – Scope (Appendix 2)

Roads – Scope (Appendix 3)

Marion Celebrates - Scope (Appendix 4)

Libraries – Draft Report (Appendix 5) **CONFIDENTIAL REPORT**

Public Litter – Draft Report (Appendix 6) **CONFIDENTIAL REPORT**

Service Review Name:	Maintenance of Council Facilities
Service Review Number:	2
Service Review Manager:	Carol Hampton, Manager City Property
Service Review Sponsor:	Abby Dickson, General Manager City Development & Executive Leadership Team
Date:	28 February 2017 (Finance & Audit Committee)

1. Description of Service Review:

To analyse the processes and management of maintenance for Council facilities to ensure they are compliant, “fit for purpose”, planned and responsive to customer requests. This review will include the management of contractors to find efficiencies, ensure value for money and identify improved/measurable actions.

This service review may build upon the recommendations from the Internal Audit undertaken by KMPG which will be available May 2017 and will link to other service reviews such as the Asset Systems Service Review.

2. Service Review Objectives:

To ensure Councils maintenance and renewal program for Council facilities:

- Represents value for money- achieving service levels that meet community needs and is financially sustainable.
- Ensures Council’s building assets are maintained at a safe level, are fit for purpose and comply with relevant WHS and building code standards
- Ensures building assets are proactively maintained and customers receive prompt and efficient service that provides good value for money, eliminates risk and satisfies customers.
- Ensures effective systems and processes are utilised to manage building maintenance and renewal
- Manages contracts and contractors effectively ensuring value for money is achieved
- Complies with Council’s policies and procedures eg procurement, on line ordering, invoice processing

3. Deliverables:

To achieve the project objectives, the review will involve the following stages:

- Process Map Core Services – the core services will be defined and mapped;
- Gathering of relevant data and analysis
- Benchmark with neighbouring councils and like industry providers to ascertain best practice;
- Review of functions and roles to ensure productivity in relation to maintenance of facilities to identify service and activity innovations, reducing manual processes where possible;
- Review of Council’s maintenance replacement/renewal program Identify service improvements and cost efficiencies;
- Establish service levels and KPI’s for maintenance program to enable ongoing monitoring and evaluation of performance;
- Report – a final report with recommendations will be prepared for Council and Finance & Audit Committee review with any changes to the service to be provided in a report to Council.

Service Review (Stage 2) Scope

Maintenance of Council Facilities

4. Description of Constraints:

- Resources – impact on teams;
- Time to undertake a review that delivers upon the intended/expected outcomes whilst continuing to provide the service.

5. Justification/Comments supporting the Service Review:

This service was identified as a priority given the high budget value (\$657,000) for maintenance of facilities and potential organisational risk to provide facilities that are appropriately maintained and fit for purpose.

6. Service Review Stakeholders:

Internal Stakeholders

- City Property
- Contracts - Contract Management & On Line Purchase Orders
- Finance - Invoicing
- Council facilities /Satellite Sites (various)
- Elected Members

External Stakeholders

- Community Groups
- Lessee's of Council facilities
- Contractors
- Neighbouring Councils
- Like Industry providers
- KPMG – Internal Auditors

7. Program & Milestones:

Project Scope – Finance & Audit Committee: February 2017
 Undertake review process – March 2017 – June 2017
 Status Report – Finance & Audit Committee: May 2017
 Draft report for Finance & Audit Committee – August 2017

8. Estimated Service Review Cost:

This project is to commence on the basis that internal resources are available to collect and collate relevant data with support from the Performance & Improvement Team.

9. Service Review Governance

Project Sponsor: Executive Leadership Team – CEO, General Manager City Development

Project Manager: Manager City Property

Project Team (internal): Manager Corporate Governance, Performance & Improvement Team, City Property

10. Risk Management Approach

Risks may include:

- Budget to implement recommendations
- Impact on internal teams
- Time and appropriate resources to complete a thorough review of the service
- Potential lack of relevant recorded data and information
- Availability of data from other Councils to benchmark

Service Review (Stage 2) Scope

Maintenance of Council Facilities



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Service Review Scope Approval

Service Review Manager

Name: _____ Position: _____

Signature: _____ Date: ___/___/___

Service Review Sponsor

Name: _____ Position: _____

Signature: _____ Date: ___/___/___

	Date	Comments
Service Review Scope to Finance & Audit Committee for review/feedback	___/___/___	

Service Review Name:	Asset Systems
Service Review Number:	5
Service Review Manager:	Fiona Harvey
Service Review Sponsor:	Abby Dickson, General Manager & Executive Leadership Team
Date:	February 2017

1. Description of Service Review:

Undertake an assessment of asset management policy, systems, roles, structures and processes to optimise service efficiency and improve customer service.

2. Service Review Objectives:

The service review will seek to optimise Asset Management through:

- Review of high level policy, strategies and plans
- Undertake a “current state” Asset Management maturity assessment
- Review of organisational roles and responsibilities as they relate to Asset Management
- Review of focus and structure of Asset Systems team
- Review of current corporate ICT Systems to meet organisational needs

3. Deliverables:

To achieve the project objectives, the review will involve the following stages:

- Process Map the provision of the service
- Review of organisational policy and supporting documentation
- Gathering of relevant data and analysis
- Identify service improvements and cost efficiencies
- Report – a final report with recommendations will be prepared for Council and Finance & Audit Committee review with any significant changes to the service to be provided in a report to Council.

4. Description of Constraints:

- Time to undertake a review that delivers upon the intended / expected outcomes whilst continuing to provide the service. This service review involves many departments/teams across the organisation, with time constraints likely to be an issue for many groups

5. Justification/Comments supporting the Service Review:

- Council has a significant responsibility to effectively and efficiently manage over \$1bn assets
- Investment and the upgrade of systems in the recent past has been limited
- There is potential for improvements to be gained through the review in many areas of the organisations including; improved decision making, productivity, financial management; better alignment and integration

across the organisation, improvement community outcomes through better asset utilisation and performance, better customer service

6. Service Review Stakeholders:

Internal Stakeholders

- Elected Members / Council
- Executive Leadership Team / Senior Leadership Team
- Human resources
- Engineering & Field Services
- Community & Cultural Services
- City Property
- Innovation & Strategy
- Economic Development
- Strategic Projects
- Open Space Planning
- Finance
- ICT
- Contracts & operational Support
- Corporate Governance

External Stakeholders

- Surrounding councils

7. Program & Milestones:

Project Scope – Finance & Audit Committee: February 2017
 Project Team – First Team meeting February 2017
 Undertake Review – February 2017 to June 2017
 Asset Management Maturity Assessment: March/April 2017
 Key Stakeholder engagement – Infrastructure and Strategy Committee: April 2017
 Assessment of roles and responsibilities: May 2017
 Status Report – Finance & Audit Committee: May 2017
 Assessment and alignment of Asset Systems team: June 2017
 Assessment of current corporate ICT systems: June 2017
 Project Plan for Implementation of outcomes: July 2017
 Review Report – Finance and Audit Committee: August 2017
 Commence Implementation: August 2017

8. Estimated Service Review Cost:

- Project will be resourced internally
- Specialised consultant support and advice will be used for a number of key review tasks

9. Service Review Governance

Project Sponsor: Executive Leadership Team (CEO and General Managers)

Project Manager: Manager Innovation & Strategy

Project Team (internal):

- Engineering & Field Services
- City Property
- Open Space Planning
- Innovation & Strategy
- Finance
- ICT

Project Team (External):

- Specialised consultant

10. Risk Management Approach

- The breadth of the review will require dedicated resources and commitment across the organisation. This risk will be managed via engaging specialist consultants for some key review tasks. This ensures expert input, independent review and fast tracking critical components (eg Maturity Assessment)
- Need for “change management” approach. A critical component of the review will be engagement across the organisation and recognition of a focus on change management. This will be managed by early engagement of key leaders and strong communications throughout the review



Service Review Scope Approval

Service Review Manager

Name: _____ Position: _____

Signature: _____ Date: ___/___/___

Service Review Sponsor

Name: _____ Position: _____

Signature: _____ Date: ___/___/___

	Date
Service Review Scope to Finance & Audit Committee for review/feedback	___/___/___
Feedback from Finance & Audit Committee:	
Feedback Outcomes:	

Service Review Name:	Roads
Service Review Number:	11
Service Review Manager:	Mathew Allen, Manager Engineering & Field Services
Service Review Sponsor:	Tony Lines, General Manager - Operations
Date:	28 February 2017 (Finance and Audit Committee)

1. Description of Service Review:

The 'roads' service review will assist Council to determine what efficiencies can be implemented for the provision of this service by providing an analysis on current road activities. A particular focus will be to find efficiencies by testing our current processes and suppliers and benchmarking this data with other Council's. Research with other industry providers should be explored. It will review road design, construction and maintenance activities.

2. Service Review Objectives:

The review will include consideration of:

- The role and functions performed by Engineering and Civil Services teams in relation to roads
- Identifying service levels, standards and processes (omitting any duplication of processes)
- The costs associated with providing the service (testing current knowledge of costs and benchmarking)
- Identifying cost savings
- Exploring research opportunities with other industry providers to find efficiencies
- Improved resource usage
- Benchmarking with other Councils and exploring service delivery models including service sharing, strategic relationships
- Reviewing internal operations including staffing structure, processes, and work practices
- Exploring methods to optimise resource usage, including rationalising and making better use of assets
- Service and activity innovations
- Identify and recommend opportunities for improvement

3. Deliverables:

To achieve the project objectives, the review will involve the following stages:

- Review internal processes and work practices
- Gathering of relevant data and analysis
- Identify service improvements and cost efficiencies
- Identify KPI's and measurable data
- Report – a final report with recommendations will be prepared for Finance and Audit Committee review with any changes to the service to be provided in a report to Council

4. Description of Constraints:

- Resources – impact on teams
- Time to undertake a review that delivers upon the intended/expected outcomes whilst continuing to provide the service
- Implementation of review recommendations

5. Justification/Comments supporting the Service Review:

- The high budget value (\$5.4 million) to provide this service

6. Service Review Stakeholders:

Internal Stakeholders

- Executive Leadership Team
- Finance and Audit Committee
- Council
- Civil Services Team
- Engineering Services Team
- Contracts Team
- Finance Team
- Asset Management Team

External Stakeholders

- Union
- Neighbouring Councils
- Other industry providers
- Service Authorities

7. Program & Milestones:

Project team – first meeting occurred: February 2017
 Project scope – Finance and Audit Committee: February 2017
 Undertake review process: February to June 2017
 Status report – Finance and Audit Committee: May 2017
 Draft report – Finance and Audit Committee: August 2017
 Implement outcomes of review – to be determined



8. Estimated Service Review Cost:

- This service review will broadly be undertaken internally, external assistance will be sought for some financial analysis and report compilation

9. Service Review Governance

Project sponsor: Executive Leadership Team – CEO, General Manager - Operations

Project manager: Manager Engineering & Field Services

Project team (internal):

Civil Services Team

Engineering Services Team

Manager Corporate Governance

Performance & Improvement Team

10. Risk Management Approach

Risks may include:

- Time and appropriate resources to complete a thorough review of the service
- Budget to implement recommendations

Service Review Scope Approval

Service Review Manager

Name: _____ Position: _____

Signature: _____ Date: ___/___/___

Service Review Sponsor

Name: _____ Position: _____

Signature: _____ Date: ___/___/___

	Date	Comments
Service Review Scope to Finance & Audit Committee for review/feedback	___/___/___	
Service Review Scope to General Council for approval	___/___/___	

Service Review (Stage 2) Scope

Marion Celebrates Festival

Service Review Name:	Marion Celebrates Festival
Service Review Number:	
Service Review Manager:	Liz Byrne /Marg Edgecombe
Service Review Sponsor:	Tony Lines
Date:	February 2017 – April 2017 – Report May 2017

1. Description of Service Review:

The service review of the Marion Celebrates Festival (the Festival) will assist Council to determine what efficiencies can be implemented for the provision of this service by providing an analysis on current and previous operations, the strategic alignment of the Festival with the Community Plan, the relevance of the Festival to the City of Marion community, the outcomes for the community from the holding the Festival, and efficiency of the use of Council and community resources in the delivery of the Festival.

2. Service Review Objectives:

The review will include consideration of:

- Strategic alignment of the Festival with the Community Plan
- Benefits to the community from delivery of the service
- Reviewing internal operations including processes and work practices
- The costs associated with providing the service;
- Service and activity innovations;
- Identify and recommend opportunities for improvement;

3. Deliverables:

To achieve the project objectives, the review will involve the following stages:

- Internal stakeholder engagement
- Review of processes
- High level process map the provision of the service (review current process map);
- Gathering of relevant data and analysis
- Financial analysis of previous festivals
- Community engagement and analysis of evaluation data
- Identify service improvements and cost efficiencies;
- Review of process of delivery of festival from one team;
- Report – a final report with recommendations will be prepared for Finance & Audit Committee review with any significant changes to the service to be provided in a report to Council;

4. Description of Constraints:

- Resources – impact on team
- Time to undertake a review whilst planning and delivering the Marion Celebrates Festival 2017 in March
- Implementation of review recommendations

5. Justification/Comments supporting the Service Review:

Opportunities may exist for driving expanded creative, community outcomes with efficient use of resources in the provision of this service.

6. Service Review Stakeholders:**Internal Stakeholders**

- ELT
- Community Cultural Development Unit
- MCC
- Libraries
- Community Development Unit
- Community Wellbeing Unit
- Environmental Sustainability Team
- Economic Development
- Communications Unit
- Finance
- Performance and Improvement Unit
- Council

External Stakeholders

- Community Stakeholders – stall holders, community groups
- Artists and Performers
- Festival audience

7. Program & Milestones:

- Project Scope – Develop scope by January 2017
- Project Scope approval – Finance & Audit Committee: February 2017
- Project team – first meeting scheduled February 2017
- Undertake review process February to April 2017
- Project Plan for implementation of outcomes by April 2017
- Report – Finance & Audit Committee: May 2017

8. Estimated Service Review Cost:

This project is to commence on the basis that internal resources are available to collect and collate and analyse relevant data.

9. Service Review Governance

Project Sponsor: Executive Leadership Team – Tony Lines, Director, Operations

Project Manager: Liz Byrne, Manager Community and Cultural Services

Project Team (internal):

Marg Edgecombe - Unit Manager Community Cultural Development

Elizabeth Sykora - Cultural Development Officer



10. Risk Management Approach

Risks may include:

- Time and appropriate resources to complete a thorough review of the service whilst delivering current Festival
- Potential lack of consistent data from previous festivals

Service Review Scope Approval

Service Review Manager

Name: Liz Byrne

Position: Manager, Community and Cultural Services

Signature: _____ Date: ___/___/___

Service Review Sponsor

Name: Tony Lines

Position: Director, Operations

Signature: _____ Date: ___/___/___

	Date
Service Review Scope to Finance & Audit Committee for review/feedback	___/___/___
Feedback from Finance & Audit Committee:	
Feedback Outcomes:	

**CITY OF MARION
FINANCE & AUDIT COMMITTEE
28 FEBRUARY 2017**

Originating Officer: Deborah Horton, Unit Manager Performance & Improvement

Manager: Jaimie Thwaites, Acting Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Governance

Subject: Internal Audit Program Status Report

Report Reference: FAC280217R8.7

REPORT OBJECTIVES

To provide the Finance and Audit Committee (the FAC) three final reports (Accounts Receivable, Purchase Cards and ICT – Cyber Security Maturity) and two scoping documents (Policy Framework and Property Portfolio Management) for comment.

EXECUTIVE SUMMARY

In effect, the list of internal audit projects identified in this report conclude the approved schedule (AC151215R7.7) for internal audits to be completed for the 2015/16 and 2016/17 financial years. It is expected that the FAC will be provided (at its meeting in May 2017) with the two final reports that are attached as scopes to this report concluding the 2016/17 program, along with a proposed new Internal Audit Program for 2017/18 and beyond.

The audit program to-date has identified thirty recommendations; twenty have been completed (66%), eight overdue (27%) and two (7%) on track. Of the eight overdue recommendations, six are attributed to “Capital Works Program” from the 2015/16 internal audit schedule. These six recommendations have progressed and are in various stages of completion. These recommendations will continue to be reported to the FAC in keeping with criterion 2.2 as listed within the FAC’s Terms of Reference (approved GC220915R07).

RECOMMENDATIONS

DUE DATES

That the Finance and Audit Committee:

- | | |
|--|--------------------|
| <ol style="list-style-type: none"> 1. Note this report | 28 Feb 2017 |
| <ol style="list-style-type: none"> 2. Provide comment regarding the following; <ul style="list-style-type: none"> • Accounts Receivable report (Attachment 1) • Purchase Cards report (Attachment 2) • ICT – Cyber Security Maturity report (Attachment 3) • Policy Framework Scoping Document (Attachment 4) • Property Portfolio Management Scoping Document (Attachment 5) | 28 Feb 2017 |

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 various operations of Council. The Internal Audit Program brings a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and the governance process.

ANALYSIS

Internal Audit Plan 2016/17

The following table provides information regarding the approved projects for 2016/17;

Project	Commence Date	Scope	Progress	FAC (Final)
Corporate Performance Reporting	Jan '17	FAC41016R7.12	30%	30 May '17
Accounts Receivable	Oct '16	FAC41016R7.12	Complete	28 Feb '17
Purchase Cards	Dec '16	AC151215R7.8	Complete	28 Feb '17
ICT – Cyber Security Maturity	Oct '16	FAC41016R7.12	Complete	28 Feb '17
Policy Framework	Feb '17	FAC280217R (This report)	10%	30 May '17
Property Portfolio Management	Feb '17	FAC280217R (This report)	10%	30 May '17

Corporate Performance Reporting

Scoping documents for this project were provided to the Committee in October 2016 and field work for this project has commenced in earnest. Documents such as processes and checklists have been provided and key stakeholders continue to meet with representatives from KPMG. A final report is due to the Committee at its next meeting in May 2017.

Accounts Receivable (Attachment 1)

In total, four low findings and two performance improvement opportunities have been identified during this review relating to three key areas; rate collection, sundry debtors and expiations. Testing by KMPG included checking whether rates and payments received were appropriately managed – of which no anomalies were found. Recommendations for rates include opportunities to exercise legislative powers that allow Council to sell land for non-payment of rates that are in arrears for three years. In addition, a realignment of delegations could realise efficiencies by streamlining processes for non-financial changes to invoices. Observations made regarding expiations include the organisations dependency upon technology/software systems used to record expiations with relatively manual processes and limited functionality.

Purchase Cards (Attachment 2)

The review has been completed resulting in three recommendations in total: two low findings relating to the use and limit of purchase cards and one performance improvement opportunity regarding eligible supporting documentation required to claim GST credits. A key observation identified current processes regarding the use and management of purchase cards as heavily reliant upon paper based and manual systems however noted that an authority based automated platform is in the process of being implemented. Field work during the audit did not identify any unauthorised or unsupportable transactions.

IT Cyber Security (Attachment 3)

The report identified that the City of Marion is operating above the Australian average for Local Government organisations but some further improvement is required to increase maturity levels. It has identified recommendations in accordance with KPMG's Cyber Maturity Assessment methodology (six domains) with Management accepting the findings and agreeing to action plans to address the recommendations.

Policy Framework Scoping Document (Attachment 4)

The scope of this audit will allow KPMG to determine the organisations compliance with the newly endorsed Policy Framework (FAC151216R7.4). The recommendations of the audit will be presented to the Committee in May and will form an action plan. The delivery of this plan will be the responsibility of the Performance & Improvement Team to implement with monitoring reported back through to the Committee.

Property Portfolio Management Scoping Document (Attachment 5)

This internal audit will determine the overall effectiveness of the organisation's management of its property portfolio including lease management, asset management, repairs and maintenance, financial management. It will also align and to some extent inform components of the internal service review which is being undertaken at the same time.

Monitoring Internal Audit Recommendations

Table one below provides the status of recommendations from the Internal Audit Plan 2015-2017 as at January 2017. It is noted that a total of 30 recommendations have been made, with 20 completed (including all high recommendations), 2 are on track and 8 are overdue;

Project	Findings	On Track	Overdue	Completed	Comments
Capital Works Program	8	-	6	2	No change between December '16 and February '17. <i>All recommendations from this audit were due 30 September 2016. The six recommendations yet to have been completed relate to a broad review of Asset management. This will be addressed during the Asset Management planning cycle and service review, which is scheduled to occur Qtr 3 commencing January 2017.</i>
Payroll	6	-	2	4	No change between December '16 and February '17. <i>The two outstanding recommendations relate to process improvements relying upon software system upgrades, one relates to the new SharePoint system (which is not yet fully integrated) and another regarding BIS systems with 'user setups requiring finalisation before rollout can commence'.</i>
Building Insurance & Asset Valuation	8	1	-	7	No change (due March 2017). <i>The Council has requested a report to come to Council in March 2017 regarding the cost benefit of the LGA. This work will form part of that report. The due date has been adjusted to March 2017.</i>
Cash Handling	8	1	-	7	Since December '16, two recommendations have been completed (policy/procedural documents approved by Management and minimum standards for reconciliations). <i>The remaining on-track recommendation relates to register systems being 'fit for purpose' and is due for completion June '17.</i>
TOTAL	30	2	8	20	

Table two below indicates the risk rating of those recommendations that are overdue and their associated risks;

Table 2					
Project	Low	Moderate	High	Critical	TOTAL
Outstanding recommendations by priority					
Capital Works Program	4	2			6
Payroll		2			2
					8

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.

ATTACHMENTS

- Accounts Receivable report (Attachment 1)
- Purchase Cards report (Attachment 2)
- ICT – Cyber Security Maturity report (Attachment 3)
- Policy Framework Scoping Document (Attachment 4)
- Property Portfolio Management Scoping Document (Attachment 5)



Accounts Receivable Internal Audit Report

City of Marion

February 2017



Inherent Limitations

This report has been prepared as outlined in the Executive Summary of this report. The services provided in connection with the engagement comprise an advisory engagement which is not subject to Australian Auditing Standards or Australian Standards on Review or Assurance Engagements, and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, City of Marion's management and personnel. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with City of Marion. The internal audit findings expressed in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Executive Summary of this report and for City of Marion's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. This internal audit report has been prepared at the request of the City of Marion Finance and Audit Committee or its delegate in connection with our engagement to perform internal audit services as detailed in the contract. Other than our responsibility to City of Marion, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Marion's external auditor, on this internal audit status report. Any reliance placed is that party's sole responsibility.

Electronic Distribution of Report

This KPMG report was produced solely for the use and benefit of City of Marion and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated February 2017 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report. Any redistribution of this report requires the prior written approval of KPMG and in any event is to be the complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree. Responsibility for the security of any electronic distribution of this report remains the responsibility of City of Marion and KPMG accepts no liability if the report is or has been altered in any way by any person.

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Appendix 1:
Staff Consultation

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Appendix 2:
Classification of Findings



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In accordance with the 2015-17 Internal Audit Plan of the City of Marion (“CoM”), an internal audit focusing on accounts receivable has been performed. The key aspects of the internal audit are detailed below.

Objective

The internal audit project focused on CoM’s key processes and controls and assessed compliance with current procedures and guidelines relating to accounts receivable. The audit included the process for receiving and receipting monies, aged debtors process, master file maintenance and monthly reconciliations. The focus of the audit was in relation to rates collection, expiations and sundry debtors.

Scope

To address the overall objective above, the scope of the accounts receivable internal audit project included consideration of the following:

- Processes in place in relation to invoicing
- Processes in place in relation to receipting of payments
- Processes for collection of overdue amounts and managing write-offs of debts
- Processes in place in relation to credit notes and adjustments

Key accounts receivable categories considered included:

- Rates
- Expiations (parking, public health and safety, and dog fines)
- Sundry debtors.

Observations and summary of findings

Internal Audit’s testing over rates included checking whether a sample of rates across categories had been invoiced at the declared rates and payments received, or appropriately followed up. This testing did not identify any exceptions. Samples of expiations, sundry debtor invoices, credit notes and write-offs were tested to supporting documentation. Findings in relation to sundry debtors and expiations testing are outlined within this report.

The number of findings identified during the course of this internal audit is shown in summary below and in the table on the following page. A full list of the findings identified, and the recommendations made, is included in this report. Classification of internal audit findings is detailed in Appendix 2 to this report.

These findings and recommendations were discussed with CoM Management. Management has accepted the findings and has agreed action plans to address the recommendations.

	Critical	High	Moderate	Low	PIO
Number of internal audit findings	-	-	-	4	2

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Internal audit findings

	Ref	Description	Issue Owner	Target Date
4 Low Findings	F1	Reporting of expiations There is limited reporting functionality within Authority in relation to expiations. The lack of available reporting for expiations makes it difficult to obtain accurate information, analyse expiations data and is inefficient for reporting purposes.	Sharon Perin, Unit Manager Community Health and Safety and Anna White, Team Leader Community Safety Inspectorate	30 June 2017
	F2	Recording of expiations It was noted that not all types of expiations are subject to system workflows within Authority. This leads to operational inefficiencies and an increased risk of expiation revenue not being appropriately collected.	Sharon Perin, Unit Manager Community Health and Safety and Anna White, Team Leader Community Safety Inspectorate	Closed
	F3	Recoverability of sundry debtors Internal Audit's testing identified a number of low value, long-outstanding sundry debtor balances within the ledger. Long-outstanding sundry debtor balances increases the risk of the debt not being recoverable.	Ray Barnwell, Manager Finance and David Harman, Financial Accountant	30 June 2017
	F4	Upfront payment for new debtors CoM does not currently request upfront payment when entering into new or once-off invoicing arrangements for debtors (e.g. hall rentals).	Ray Barnwell, Manager Finance and David Harman, Financial Accountant	30 June 2017
2 PIO	P1	Assessments with arrears greater than three years CoM has not sought to exercise clauses available within the Local Government Act of South Australia (1999) in relation to the ability to sell land for non-payment of rates. There is an opportunity for CoM to consider exercising this clause to recoup otherwise lost revenues, balanced against broader considerations by Council.	Ray Barnwell, Manager Finance and Kylie Jaggard, Team Leader Rating Services	N/A
	P2	Delegations of authority All adjustments to invoices currently require approval by the relevant Manager. There is an opportunity to delegate non-financial changes to invoices. All write-offs require multiple levels of authorisation (Manager and General Manager Level). There is an opportunity to delegate this authority based on a scaled dollar value.	Ray Barnwell, Manager Finance and David Harman, Financial Accountant	30 June 2017

Rates

Rating policy



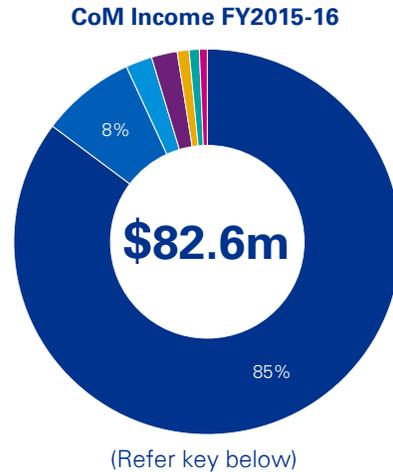
Council rates represent the most significant source of income at 85% of total income for CoM (FY2015-16). The CoM sets rates under the Local Government Act of South Australia 1999 (the Act) and in line with the CoM Rating Policy. CoM uses capital value for valuing land and applies differential general rates in the dollar categories across nine different land uses.

On an annual basis, CoM declares rates and adopts property valuations, as supplied by the Valuer-General. As part of this process Council also applies a minimum rate annually (\$1,000 for FY2016-17).

Rate payments are due quarterly on the first day of the months of September, December, March and June. Ratepayers can also pay the balance in full at anytime.

Rates can be paid utilising the following methods:

- Australia Post – post office, telephone or internet
- BPAY – telephone or internet payments
- Centrepay – deductions directly from Centrelink deductions
- Direct debit – direct from either a cheque or savings account
- e-Services – direct through the CoM’s internet system
- In person - at CoM’s offices
- By mail – locked bag



Key: ■ Rates Revenues ■ Grants, Subsidies and Contributions ■ Statutory Charges ■ User Charges ■ Reimbursements ■ Investment Income ■ Net Gain - Equity Accounted Council Businesses

A Natural Resource Management (NRM) Levy is also applicable to all rateable land within the Adelaide and Mount Lofty Ranges NRM Board Area and is collected by CoM on behalf of the NRM Board.

Rate rebates

Mandatory rebates legislated under the Act provide 75-100% rebate to land used for health services, community services, religious purposes, public cemeteries, Royal Zoological Society of SA purposes and educational purposes. CoM may, at their discretion, increase a 75% rebate by up to a further 25% upon receipt of the ratepayer’s application.

Discretionary rebates can also be applied at CoM’s decision upon receipt of the ratepayer’s application and assessment of the request against CoM’s Rating Policy and the Act.

Late payments

CoM imposes a fine of 2% for amounts not received by the due date, with additional interest then charged each month on the total balance in arrears. Amounts that remain unpaid greater than 21 days since issue of the final rates notice are referred to CoM’s debt collection agency, National Credit Management Limited (NCML). Fees and charges incurred by NCML are charged to the ratepayer.

Ratepayers suffering financial hardship may apply for an extension of payment provisions and CoM may remit penalties for late payment upon assessment of individual circumstances.

Monthly rates reporting details overdue, postposed and rates in arrears as well as payment methods and other information in relation to rates.

The Act enables CoM, if an amount payable by way of rates in respect of land has been in arrears for three years or more, to sell the land. CoM has not traditionally enforced this clause.

Assessments with arrears > 3 years totalled,

\$522k

comprising 72 assessments in Sept ‘16

Expiations

The internal audit of accounts receivable included the various types of expiations issued by CoM.



Parking expiations

Parking expiations represent the most significant contributor of expiation revenue for CoM. Expiation fees are prescribed in legislation including the Expiation of Offences Act 1996, Private Parking Areas Act 1986, Local Government Act 1999, Road Traffic Act 1961 and the Australian Road Rules. CoM uses the Pinforce system for issuing expiations, with data downloaded and transferred to Authority.

Parking expiations are considered to be an “invitation to pay”. As a result, they are not recorded as a debtor upon issuance of the expiation. This means that CoM only recognises the expiation in the finance system when the actual revenue is received. This is in recognition that CoM does not have control over the assets comprising the expiation fees until payment is received or awarded to CoM by the judicial system.

If expiations are not paid following required reminder notices, they are transferred to the Fines Enforcement and Recovery Unit as required by legislation (part of the SA State Government).

Parking expiations:

\$446k | **56%** | **9%**

Revenue FY2015-16

Relate to exceeding the time limit issued *(by number)*

Of all parking fines are appealed *(by number)*



Public health and safety expiations

Expiations are issued in relation to public health and safety for breaches as outlined in legislation including the Food Act 2001 (SA) and South Australia Public Health Act 2011. These primarily relate to serious breaches resulting from food inspections. These expiations’ details are maintained outside of Authority in spreadsheets, as system workflows are not developed for these expiation codes.



Animal management expiations

Expiations are issued under the Dog and Cat Management Act 1995 and primarily relate to unregistered dogs, dogs wandering at large and dog attacks. In FY2015-16 326 animal management expiations were issued with a total value of \$30k.



Other expiations

CoM issue various other expiations under a number of acts including the Environmental Protection Act 1993, Fire and Emergency Services Act 2005, Supported Residential Facilities Act 1992 and for breaches of CoM by-laws. As these are issued in low volumes, these other expiation types are maintained outside of Authority in spreadsheets, as system workflows are not developed for these expiation codes.



Payment

An expiation notice can be paid utilising the following payment methods:

- Australia Post – post office, telephone or internet
- BPAY – telephone or internet payments
- e-Services – direct through the CoM’s internet system
- Customer Service Centre – telephone or in person at CoM’s offices
- By mail – locked bag

If an expiation is not paid by the due date, there is a late fee of \$53 charged.



Appeals

Under the Expiation and Offences Act 1996 recipients have the right to make an appeal by submitting in writing a ‘Review of Decision Application’ form and ‘Statutory Declaration’ or ‘Change of Driver’ form (depending on the type of expiation). CoM assesses each application received and utilises the Local Government Authority (LGA) Guidelines for Reviewing and Withdrawing and Expiation Notice Procedure to assist in the decision-making process.

Expiations (continued)



FY15-16 parking

510 appeals received

152 expiations waived

240 appeals not waived

\$17.2k waived

CoM maintains records for appeals received for parking expiations. In FY2015-16, 510 appeals were received for parking expiations. The category which received the largest amount of appeals was the Private Parking Areas Act's exceeding time limit, with 288 appeals received and 81 of these waived. This represents 28% waived, in line with the overall average of 30% of appeals received that are waived by CoM. As part of the current Parking Management Service Review, the Performance Improvement Team has identified that 118 appeals' resolutions are unaccounted for, which is being followed up by CoM. Appeals are reviewed in line with the LGA process and require Manager level approval to be waived.

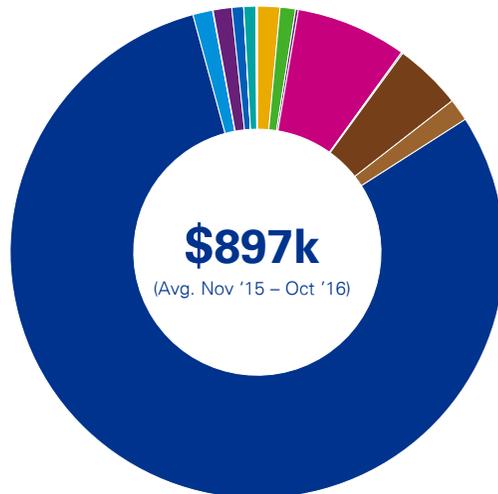
Sundry debtors

Sundry debtor invoices are issued for a range of services, legislative requirements, grants, subsidies, reimbursements and contributions. The two figures below highlight that the sundry debtors ledger is generally comprised of a large number of low value balances, with the exception of a few high value grant invoices, usually invoiced in June each year. There is a large administrative effort required for the maintenance of the ledger, in comparison to the dollar value of the balances.

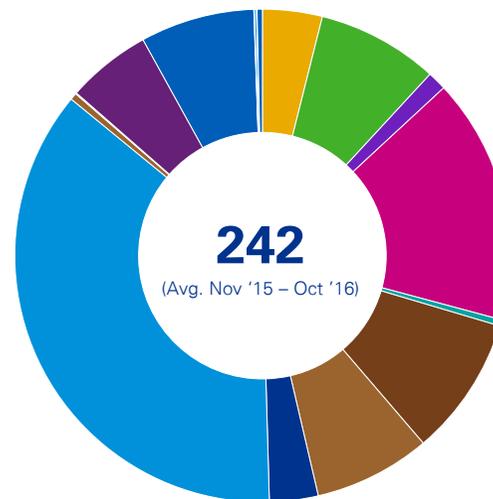
Sundry debtor invoices can be paid utilising the following methods:

- e-Services – direct through the CoM's internet system
- In person – at CoM's offices
- By mail – credit card (Visa or MasterCard only), cheque or money order

Average dollar value sundry debtor by category



Average number of sundry debtor by category



Key of sundry debtor categories:

- 02 - General
- 03 - Neighbourhood Centres
- 04 - Land Clearing
- 05 - Sporting Clubs & Other Leases
- 06 - Local Govt Workers Comp Scheme
- 07 - Extra Works
- 08 - Swim Centre Debtors
- 09 - Grants & Subsidies
- 11 - Environmental Health
- 12 - Impoundment
- 13 - Supplier Refunds
- 14 - Tree Funds
- 16 - LKCC
- 17 - Environmental Health Testing
- 18 - Local Government
- 20 - Communications
- 22 - Economic Development

Sundry debtors (continued)

Internal Audit reviewed the average ageing of the sundry debtors portfolio across a 12-month period from November 2015 to October 2016. In order to reflect the majority of the balances that comprise sundry debtors, three significant dollar value grant invoices (collectively worth \$3.2m) were excluded from the analysis. On average, CoM's sundry debtor portfolio comprised 45% of current debtors and 26% of debtors in the + 90 days category.

Sundry debtors ageing

45% | **26%**

(by value, \$131K)

(by value, \$79K)

Current

+ 90 days

Credit notes

Credit notes are issued for invoices requiring amendment and must be approved by a manager via the 'request for credit note' form, in conjunction with any supporting documentation to substantiate the reason for the credit note to be issued.

Internal Audit's testing identified a missing adjustment note comprising of 48 separate credits for which the supporting request documentation could not be located. These all related to adjustments for building insurance for FY2015-16. These adjustments related to the findings of the building insurance Internal Audit conducted by KPMG. Internal Audit is therefore satisfied with the nature of these adjustments, but notes that supporting documentation for manager approval should be retained by CoM.

Write-offs

Internal audit noted that there were two sundry debtor write-offs totalling \$14k processed for FY2015-16 and none for YTD 2016-17 at the time of Internal Audit's testing. The write-offs processed were subject to Council (Elected Members) approval.

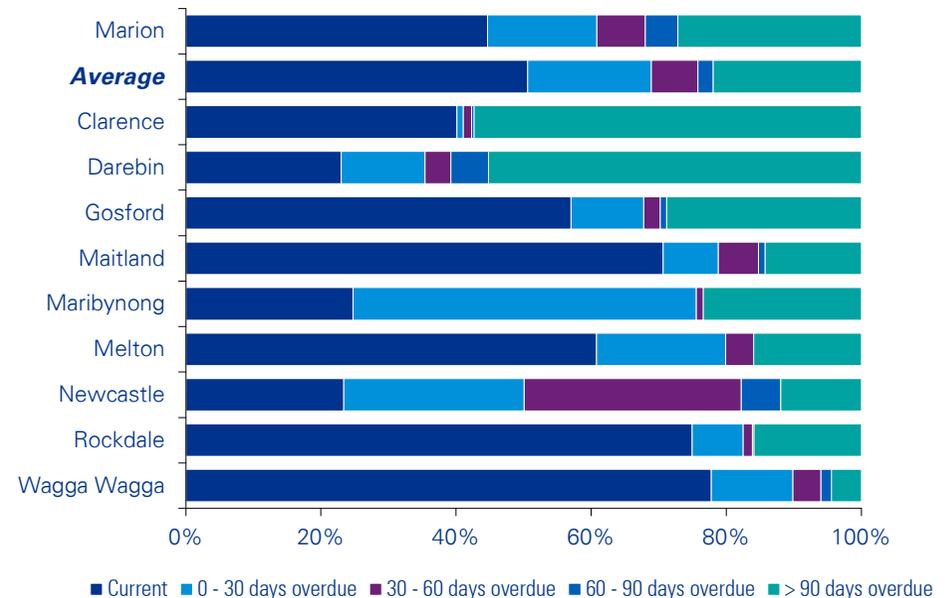
Benchmarking

The ageing of CoM's sundry debtors at 30 June 2016 was benchmarked against other councils sundry receivables ageing based on similar socio-economic status (within +/- 15% of CoM on the Local Government Area (LGA) Index of Relative Socio-economic Advantage and Disadvantage, 2011) and similar population (average population within 20% of CoM). Note: CoM's three significant value grant invoices of \$3.2m were excluded from the analysis.

Benchmarking identified that CoM's ageing, on average, is generally aligned with the group of comparative councils:

- CoM current 45% (group average 50%)
- CoM + 90 days 26% (group average 25%)

Sundry receivables ageing comparative councils' benchmarking – 30 June 2016



Finding 1 – Reporting of expiations

Low

Finding(s)

There is limited reporting functionality within Authority in relation to expiations. The following observations were identified during the internal audit:

- The Community Safety Inspectorate team generally has to extract and manipulate the data as necessary for reporting purposes. Whilst the team can obtain the information required, the process is not automated and there is no dashboard type reporting available.
- The current infringement summary report does not have the ability to extract historical expiations fees information (despite this data being captured in the system).
- Other beneficial reporting capability identified not currently available included:
 - Reporting on expiation late fees, how many are received and paid per offence type and legislation.
 - Reporting to extract data around expiations issued at specific times (i.e. after hours).
 - Reporting to extract data expiations issued by location (e.g. around school areas)
- On a monthly basis a summary is received from the Fines Enforcement and Recovery Unit (FERU) detailing the status of all expiations currently with the FERU. This data is not input in the system for reporting or analysis.

The lack of available reporting for expiations makes it difficult to obtain accurate information, analyse expiations data and is inefficient for reporting purposes.

Recommendation(s)

It is recommended that CoM explores with Civica (Authority's developer) if the additional reporting functionalities can be added in Authority that may be able to improve the reporting capability in relation to expiations.

This would also enable management to more easily assess expiation data, including by category, appeals received and expiations waived.

Agreed Management Action(s):

Administration are aware of this issue and will continue to liaise with Civica to ascertain if there are improvements that can be made to the system including the cost of such changes.

Responsibility: Sharon Perin, Unit Manager Community Health and Safety and Anna White, Team Leader Community Safety Inspectorate

Target date: 30 June 2017

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Finding 2 – Recording of expiations

Low

Finding(s)	Recommendation(s)	Agreed Management Action(s):
<p>It was noted that not all type of expiations are subject to system workflows within Authority. The following expiation codes are maintained outside of Authority in spreadsheets:</p> <ul style="list-style-type: none"> • Council by-laws (42 expiation codes) • Environment Protection Act 1993 (two expiation codes) • Food Act 2001 (40 expiation codes) • Local Government Act 1999 (five expiation codes) • South Australian Public Health Act 2011 (two expiation codes) • Supported Residential Facilities Act 1992 (nine expiation codes) <p>This leads to operational inefficiencies and increased risk of expiation revenue not being appropriately collected.</p>	<p>It is recommended that workflows are developed for those expiations not currently included within Authority. This will enable a uniform approach to the recording of all expiations and reduce the level of manual effort required for expiation types not currently included in workflows.</p> <p>Including all expiation types within workflows will also assist in the availability of data for finding 1, to allow for greater reporting capability from the system.</p>	<p>Administration have actioned this finding and all expiation codes have been entered into the authority system.</p>

Responsibility: Sharon Perin, Unit Manager Community Health and Safety and Anna White, Team Leader Community Safety Inspectorate

Target date: Closed

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Finding 3 – Recoverability of sundry debtors

Low

Finding(s)	Recommendation(s)	Agreed Management Action(s):
<p>Sundry debtor invoices are issued for a range of services, legislative requirements, grants, subsidies, reimbursements and contributions. Internal Audit’s testing identified a number of very long-outstanding sundry debtor balances within the ledger. Sample items identified for testing throughout the period Nov 2015 to Oct 2016 were identified to have been invoiced as far back as:</p> <ul style="list-style-type: none"> • October 2012, 42 months outstanding (\$88.00) • December 2013, 34 months outstanding (\$723.90) • January 2014, 27 months outstanding (\$88.00) • February 2014, 28 months outstanding (\$1,100.00) <p>Whilst it is noted that these do not represent material dollar values from a financial reporting perspective, better practice involves regular maintenance of the ledger, including the recording of any doubtful debt provisions and write-offs as appropriate.</p> <p>It was also noted that the sundry aged debtors report cannot be run to show invoice date (only by total debtor balance), which makes it difficult to differentiate the actual ageing of sundry debtors in the highest bucket of +90 days outstanding.</p> <p>Long-outstanding sundry debtor balances increase the risk of the debt being unrecoverable.</p>	<p>It is recommended that:</p> <ul style="list-style-type: none"> • As part of the debtors reporting prepared for General Council and the Finance and Audit Committee the review of the sundry debtors ledger includes identifying balances that require provisioning or write off. • CoM explores with Civica (Authority’s developer) if the ability to add invoice date to sundry debtors reporting exists, to aid in the ease of follow up of long-outstanding balances. 	<p>Administration is in the process of updating its Sundry Debtors policy and processes to incorporate a number of improvements. This will include reporting on determining guidelines for provisioning for bad and doubtful debts and a better mechanism for following up on undeliverable mail by obtaining addresses from a registered source where this occurs. It will also better outline responsibilities and requirements for invoicing, including ensuring requests are complete and come through in a timely fashion.</p> <p>In regards to the sampled outstanding invoices, recent communication with the debtor relating to the December 2013 invoice has resulted in an agreement for payment being negotiated, and the February 2014 invoice is already on a payment plan.</p>

Responsibility: Ray Barnwell, Manager Finance and David Harman, Financial Accountant

Target date: 30 June 2017

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Finding 4 – Upfront payments for new sundry debtors

Low

Finding(s)

CoM does not currently request upfront payment when entering into new or once-off invoicing arrangements for debtors (e.g. hall rentals). There is also no consolidated view of sundry debtors who have previously had long-term outstanding debts.

As a result, CoM does not have an appreciation as to whether the debtor has a good credit history and is in a financial position which will enable them to pay invoices within the agreed payment terms.

Recommendation(s)

Recommendation:

- a) It is recommended that CoM considers requesting payment upfront for all new invoicing arrangements where possible, except where the entity is a government organisation or public company.
- b) In addition, CoM should seek to cross-check within the system to identify current debtors with long-term outstanding balances and flag these in Authority.
- c) For material balances an external credit check may be deemed appropriate.

Agreed Management Action(s):

Management will investigate adding a more rigorous set of requirements for setting up a debtor to its processes.

Where viable, EFTPOS machines will be set up at council sites to enable more ways for payment to be taken in advance, allowing individuals to utilise credit provided by their banks, rather than by council.

A new room booking system is currently being investigated and, if possible, this would be integrated with the debtor system so that bookings cannot be made if overdue amounts exist.

Responsibility: Ray Barnwell, Manager Finance and David Harman, Financial Accountant

Target date: 30 June 2017

Performance Improvement Opportunity 1 – Assessments with arrears greater than three years

PIO

Observation(s)

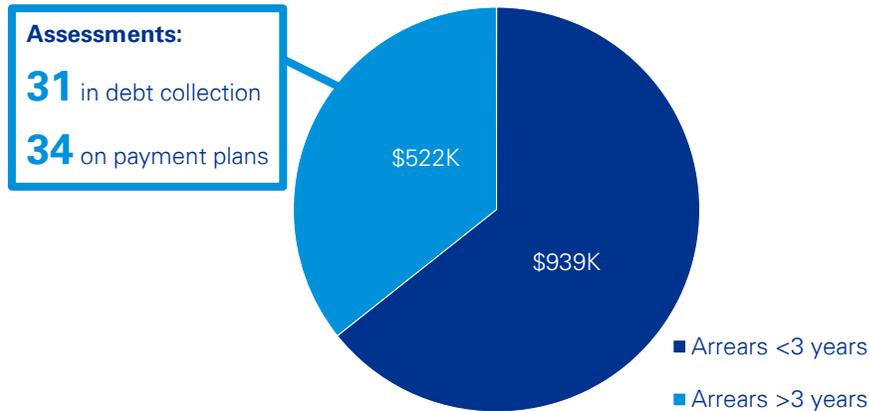
Traditionally, CoM has not sought to exercise clauses available within the Local Government Act 1999 in relation to the ability to sell land for non-payment of rates:

184 (1) If an amount payable by way of rates in respect of land has been in arrears for three years or more, the council may sell the land.

Whilst Internal Audit appreciates that CoM wishes to maintain positive relationships within the community, there is a level of effort associated with the follow up of outstanding balances and a cost to the community. In addition, the longer the debt is outstanding the lower the chance of recovery.

As at September 2016 there was \$522k of assessments with arrears greater than three years, with 31 assessments in debt collection and 34 assessments on payment plans.

Breakdown of total arrears - September 2016



Recommendation(s)

CoM considers exercising the clauses available in the Local Government Act 1999 to recoup assessments with arrears greater than three years, balanced against broader considerations of the council and community.

Agreed Management Action(s):

Management will explore the opportunity to exercise its power under the Local Government Act to recover arrears greater than three years old through the sale of land. It is managements view that these opportunities should be considered on a case by case basis thereby balancing the recovery of long outstanding arrears against the broader considerations of the council and community.

Responsibility: Ray Barnwell, Manager Finance and Kylie Jaggard, Team Leader Rating Services

Target date: N/A

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Performance Improvement Opportunity 2 – Delegations of authority

PIO

Observation(s)	Recommendation(s)	Agreed Management Action(s):
<p><u>Invoicing</u></p> <p>All adjustments to invoices currently require approval by the relevant Manager. There is an opportunity to delegate non-financial changes to invoices (i.e. updates to debtor addresses, invoice narratives etc.) to a lower level delegation to improve operational efficiency.</p> <p><u>Write-offs</u></p> <p>All write-offs require multiple levels of authorisation (Manager and General Manager Level). There is an opportunity to delegate this authority based on scaled dollar value (for example writing off an \$82.00 food inspection fee invoice – over 50% of all environmental health category debtors were 90+ days as at June 2016.) Reducing the number of administrative processes will encourage more regular review and clean-up of the sundry debtors ledger.</p>	<p><u>Invoicing</u></p> <p>CoM consider updating the delegations for non-financial changes to debtors invoicing to a lower level. This may reduce some of the administrative effort currently required to make small updates to invoices.</p> <p><u>Write-offs</u></p> <p>CoM consider updating the delegations for write-offs based on a scaled approach. This may reduce some of the administrative effort currently required to write-off low value long-outstanding debtor balances.</p>	<p>As part of the Sundry Debtors policy and procedure review management will look at having certain adjustments and credits authorised at a lower level where minor adjustments are required. This could include where proof of duplication of invoicing exists, or where non-financial adjustments are required.</p> <p>Delegations for write-offs at a scaled level will also be reviewed so that minor balances do not need the same high-level approval that they currently do.</p>

Responsibility: Ray Barnwell, Manager Finance and David Harman, Financial Accountant

Target date: 30 June 2017

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The table below summarises City of Marion personnel who were involved in discussion and contributed to the findings and actions detailed in this Internal Audit Report.



Name	Title
Vincent Mifsud	General Manager Corporate Services
Kate McKenzie	Manager Corporate Governance
Ray Barnwell	Manager Finance
David Harman	Financial Accountant
Kylie Jaggard	Team Leader Rating Services
Sharon Perin	Unit Manager Community Health and Safety
Anna White	Team Leader Community Safety Inspectorate
Leah Standfield	Business Support Officer – Community Safety Inspectorate

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The following framework for internal audit ratings has been developed and agreed with City of Marion's Management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in reports will be discussed and rated with City of Marion's Management.

Rating	Definition	Examples of business impact	Action(s) required
Extreme/Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Detrimental impact on operations or functions. • Sustained, serious loss in reputation. • Going concern of the business becomes an issue. • Decrease in the public's confidence in the Council. • Serious decline in service/product delivery, value and/or quality recognised by stakeholders. • Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. • Life threatening. 	<ul style="list-style-type: none"> • Requires immediate notification to the Council Finance and Audit Committee via the Presiding Member • Requires immediate notification to City of Marion's Chief Executive Officer. • Requires immediate action planning/remediation actions
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Major impact on operations or functions. • Serious diminution in reputation. • Probable decrease in the public's confidence in the Council. • Major decline in service/product delivery, value and/or quality recognised by stakeholders • Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. • Extensive injuries. 	<ul style="list-style-type: none"> • Requires immediate City of Marion's General Manager notification. • Requires prompt management action planning/remediation actions (i.e. 30 days)

Rating	Definition	Examples of business impact	Action(s) required
<p>Moderate</p>	<p>Issue represents a control weakness, which could have or is having a moderate adverse effect on the ability to achieve process objectives</p>	<ul style="list-style-type: none"> • Moderate impact on operations or functions. • Reputation will be affected in the short-term. • Possible decrease in the public’s confidence in the Council. • Moderate decline in service/product delivery, value and/or quality recognised by stakeholders. • Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. • Medical treatment required. 	<ul style="list-style-type: none"> • Requires City of Marion’s General Manager and/or Senior Manager attention. • Requires short-term management action.
<p>Low</p>	<p>Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.</p>	<ul style="list-style-type: none"> • Minor impact on internal business only. • Minor potential impact on reputation. • Should not decrease the public’s confidence in the Council. • Minimal decline in service/product delivery, value and/or quality recognised by stakeholders. • Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. • First aid treatment. 	<ul style="list-style-type: none"> • Timeframe for action is subject to competing priorities and cost/benefit (i.e. 90 days).



Purchase Cards Internal Audit Report

City of Marion

February 2017



Inherent Limitations

This report has been prepared as outlined in the Executive Summary of this report. The services provided in connection with the engagement comprise an advisory engagement which is not subject to Australian Auditing Standards or Australian Standards on Review or Assurance Engagements, and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, City of Marion's management and personnel. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with City of Marion. The internal audit findings expressed in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Executive Summary of this report and for City of Marion's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. This internal audit report has been prepared at the request of the City of Marion Finance and Audit Committee or its delegate in connection with our engagement to perform internal audit services as detailed in the contract. Other than our responsibility to City of Marion, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Marion's external auditor, on this internal audit status report. Any reliance placed is that party's sole responsibility.

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Appendix 1:
Staff Consultation

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Appendix 2:
Classification of Findings



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In accordance with the 2015-17 Internal Audit Plan of the City of Marion (“CoM”), an internal audit focusing on purchase cards has been performed. The key aspects of the internal audit are detailed below.

Objective:

The overall objective of the internal audit was to consider the effectiveness of key controls, compliance and efficiency in relation to CoM’s purchase cards.

Scope:

To address the above objective, the scope of the purchase cards internal audit project included assessment of the overall compliance with guidelines and procedures in relation to the use of purchase cards, including:

- Approval and issuance of purchase cards
- Maintenance of purchase cards e.g. changes to credit card limits
- Cancellation of purchase cards on termination of employment
- Review and approval of supporting documentation, reconciliations and authorisation for payment of purchase card purchases and statements.

The scope included particular consideration of efficiencies and better practice recommendations that could be embedded into the purchase cards processes, including at a high-level in the context of the CoM’s overall purchasing arrangements.

Observations and summary of findings:

The current purchase cards processing, reconciliations and approvals are all completed manually, with the process and supporting documentation heavily reliant on paper based methods.

These processes are time consuming and costly to the organisation and have been identified by CoM as an opportunity to be streamlined with automated workflows to be put in place.

Internal Audit understand that the Authority system-based online purchase cards module is currently being implemented. It is understood that Authority with automate a number of key aspects of the purchase cards process and enable workflows within the system.

Internal Audit’s testing over purchase cards issuance, supporting documentation, reconciliations, authorisation for payment and cancellations did not identify any unauthorised or unsupported transactions.

The number of findings identified during the course of this internal audit is shown in the table below. A full list of the findings identified, and the recommendations made, is included in this report. Classification of internal audit findings is detailed in Appendix 2 to this report.

These findings and recommendations were discussed with CoM Management. Management has accepted the findings and has agreed action plans to address the recommendations.

	Ref	Description	Issue Owner	Target Date
2 Low Findings	F1	CoM’s use of purchase cards	Heath Harding, Management Accountant	30 June 2017
	F2	Purchase card limits	John Stewart, Financial Coordinator	30 June 2017
1 PIO	P1	Eligible supporting documentation for GST credits	Heath Harding, Management Accountant	30 June 2017

Purchase Cards

The growth in use of card payments across Australia and the world has been significant in recent times. Purchase cards have demonstrated value in improving efficiency by cutting processing costs and speeding up the payment cycle time. Benefits for using purchase cards include:

- Increased convenience of purchasing for employees
- Reduced transaction processing workload
- Reduced time needed to obtain goods and services
- Reduced labour and administrative costs associated with procurement and payables
- Obtaining rebates and incentives for the organization
- Obtaining better data to increase control over spending

At CoM, purchase card processes are governed by CoM’s Purchase Cards Policy and Purchase Cards Procedures. The purchase card process covers (i) maintenance of purchase cards, (ii) monthly purchase card approvals, and (iii) reporting and reconciliation requirements. Bank SA purchase cards are utilised by CoM for purchasing of immediate need, low value items to reduce accounts processing costs, petty cash transactions and reduce inventory of low use items. At the time of the internal audit, purchase cards authorisation, processing and reconciliations were completed manually, with the move to an Authority-based automated platform currently being implemented.

Purchase Card Trends

Active cards

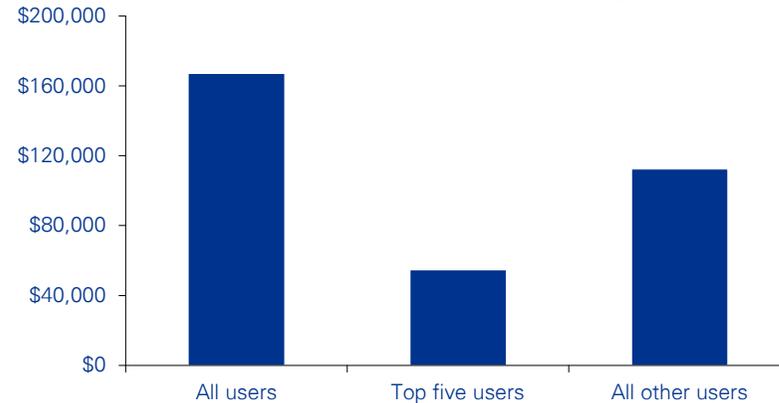
CoM currently has 34 active card users, with credit limits of either \$2,000 or \$1,000. The spread of limits is as follows:

Limit (\$)	2,000	1,000
Number of purchase card holders	24	10

Top card users

Transactions instigated by the top five purchase card users (15% of cardholders) accounted for 33% (\$55k) of all purchase card expenditure for the period tested. Conversely, the bottom 20% (\$33k) of expenditure is transacted by 17 cardholders (58% of cardholders). The diagram below demonstrates the split between the top five card users, all other remaining card users and total expenditure for the period tested.

Top five users compared to all other card users (Nov '15 to Oct '16)



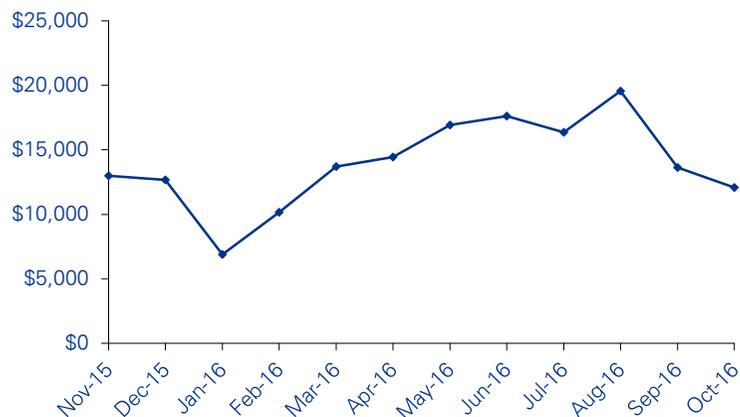
Transactional values and frequencies

Total purchase card expenditure at CoM for the 12 month period tested approximated \$167k, resulting in an average monthly rate of expenditure of \$14k.

A number of purchase cards were only used very occasionally during the period reviewed by internal audit. Six card holders incurred less than \$750 of transactions during the 12 month period from November 2015 to October 2016.

The graph on the following page shows the total dollar amount per month for period tested.

Monthly purchase card spend (Nov '15 to Oct '16)



Overview of purchase cards benefits

This section provides an overview of key benefits and risks associated with purchase cards, as well as high-level comparison with two other metropolitan Adelaide Councils in relation to how they utilise purchase cards.

Benefits of purchase cards for CoM

The use of a fit-for-purpose purchase card system can provide significant benefits to organisations, including

- **Cost savings and increased efficiencies** – Whilst there are costs associated with the use of purchase cards (e.g. \$55.00 annual fee per cardholder), these costs are significantly out-weighted by increased efficiencies, lower manual handling time and reduced manual data entry.
- **Greater controls and increased compliance** – From a purchase card transaction perspective, data is automatically entered based on transaction details captured at the point of transaction. Approvals can be work-flowed based on business rules (e.g. CoM procedures and delegations).

- **Enhanced visibility and reporting** – Increased visibility of expenditure provides options for expenditure analysis, including follow up of atypical transactions in a timely manner, spend profile analysis across the business, as well as identification of opportunities relating to consolidation of spend.
- **Auditability** – Purchase cards provide strong audit trails which are difficult to alter where a transaction has been made, with transaction details being captured at the point of transaction as well as processing, approvals and cost allocations steps.

Potential disadvantages and risks associated with purchase card use by CoM

There are potential risks associated with purchase cards, particularly in relation to inappropriate expenditure. For example:

- Inadvertent/intentional use of purchase cards for private purchases
- Employee and suppliers colluding to misuse a purchase card
- An employee modifying purchase card receipts/records
- Employees colluding for improper benefit — for example, the person allocated the purchase card colluding with staff member whose role is to check expenditure.

These risks are largely mitigated through appropriate governance and oversight including operating procedures, processes and controls and monitoring and internal audit activities.

Further mitigation is achieved through purchase card thresholds with cardholder limits set of either \$1,000 or \$2,000 per month.

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Qualitative benchmarking of purchase card usage

Based on personal communications with local government representatives in South Australia and publicly available South Australian Government data, the following observations are reported for CoM’s consideration:

Council #1

- Council #1 has 100+ purchase cards (out of a total staff of approximately 400), and as an organisation, they are still looking to expand this out to a greater number of employees
- Purchase order thresholds have increased (to \$1,000), and there has been a shift to purchase cards transactions, and much greater efficiencies
- No transactions on purchase cards require a purchase order, up to the maximum card monthly and transaction limit of \$5,000 (for CEO, General Managers and some procurement team members)
- Purchase cards have both monthly limits (average of \$2,700) and transaction limits (average of \$1,100), enforced by the purchase card provider
- Have removed the need for “accounts” with various suppliers
- Public realm staff do not have purchase cards but do have Bunnings cards, which do not attract the same fees as purchase cards
- Fuel is banned, with only fuel cards to be used to refill Council vehicles

Council #2

- Council #2 has 100+ purchase cards (out of a total staff of approximately 800)
- Purchase card limits are significantly higher than CoM’s (up to \$20,000), resulting in far greater usage of purchase cards
- Purchase cards have monthly, but not transaction limits
- Fuel is banned, with only fuel cards to be used to refill Council vehicles.
- Formal quarterly review of transactional data is undertaken to identify any erroneous transactions

Council #3

It is understood that Council #3 utilises a single purchase card only for the entire organisation.

South Australian Government Agencies

Internal Audit benchmarked a selection of South Australian Government Agencies use of purchase cards noting that on average 35.5% of employees held purchase cards.

These comparative usages of purchase cards has been summarised below:

Entity	% of staff with purchase card
City of Marion	9.9%
South Australian Government Agencies	35.5%
Council #1	25.0%
Council #2	12.9%
Council #3	0.2%

Internal Audit notes that CoM’s purchase card usage is at the lower end of the range. There is an opportunity to consider if there is an appetite for increased use of purchase cards to gain some of the available benefits, as outlined on the previous page.

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Low

Finding 1 – CoM’s use of purchase cards

Finding(s)

Purchase cards within overall procurement strategy

CoM’s overall use of purchase cards is currently quite limited with only a low percentage of employees holding cards, with low monthly spend limits of up to \$2,000. Purchase cards are currently utilised for “immediate need, low value items to reduce accounts processing costs, petty cash transactions and reduce inventory of low use items”.

Policy alignment

There is no clear linkage between the purchase cards policy and the procurement and contractor management policy. The procurement policy does not identify purchase cards within the document as a method of purchasing or the intended uses of purchase cards within CoM’s purchasing strategy.

The purchase cards policy has not been reviewed since 2005. Internal Audit note that new purchase card procedures were created in June 2016 to align with the new Authority system-based method for purchase cards processing and approvals.

Review of low-use purchase cards

Based on Internal Audit’s testing a number of purchase cards were identified as having only been used very occasionally during the testing period. Six card holders incurred less than \$750 of transactions during the 12 month period from November 2015 to October 2016 reviewed.

A number of these card holders were identified as ‘back-up’ cards, for usage when other staff members are on leave. Holding excess purchase cards represents an increased cost to CoM, through additional annual fees incurred.

CoM have historically undertaken informal reviews of purchase card holders on an ad hoc basis to identify if current cardholders are appropriate.

Recommendation(s)

Purchase cards within overall procurement strategy

There is an opportunity for CoM to consider increasing the overall use of purchase cards within CoM’s overall purchasing strategy to obtain the benefits of purchase cards, as outlined in this report, including: Cost savings and increased efficiencies, greater controls and increased compliance, enhance visibility and reporting and auditability. These benefits should be considered against the potential disadvantages associated with purchase cards, in relation to the risks around inappropriate expenditure.

Policy Alignment

It is recommended that CoM clarify the intended usage of purchase cards within the procurement and contractor management policy, including a direct reference to the purchase cards policy.

The policy should also be reviewed and approved on a systematic basis (each two years) to identify any relevant updates or changes required.

Review of low-use purchase cards

It is recommended that a review of low-use purchase cards is undertaken and documented on a regular basis to identify and confirm if purchase cards are still required by all current cardholders. CoM should consider undertaking this review on a six-monthly basis.

This review would also enable a check for any purchase cards which require cancellation, due to staff changes in position or departure from CoM.

Agreed Management Action(s):

Agree with recommendations, continue to monitor expenditure, in particular petty cash, to determine opportunities to increase the use of purchase cards within the CoM’s overall purchasing strategy.

The Purchase Card Policy will be reviewed and updated. Regular reviews and updates will be made within every two-year period.

Purchase card holders use will be reviewed on an annual basis, by May, to determine if the purchase card and or the purchase card limit is still valid. Cards that are no longer required will be cancelled prior to the annual fee charge in July.

Responsibility:

Heath Harding, Management Accountant

Target date: 30 June 2017

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Finding 2 – Purchase card limits

Low

Finding(s)

Total monthly limits:

Total monthly expenditure limits per card are currently not a hard limit feature enforced by Bank SA for CoM’s purchase cards. One sample expense item was identified in Internal Audit’s testing which breached the cardholders’ total monthly limit of \$2,000 by \$122.11, for which an over-limit fee was incurred for the month on the purchase card.

Transaction limits:

The purchase card application form and purchase card records currently include individual transactions limits identified by the employee and their manager as part of the process to obtain a purchase card. Transaction limits are currently not a feature enforced by Bank SA for CoM’s purchase cards.

Recommendation(s)

CoM should consider if total purchase card and transaction limits are to be enforced and liaise with Bank SA if these limits can be automatically enforced.

If transaction limits are decided not to be enforced, this field can be removed from the purchase card application form and purchase card records.

Agreed Management Action(s):

Agree with the recommendation. Purchase Cards exceeding limits are a rare occurrence and generally have only exceeded limit by a minimal amount and represent a low risk. We will continue to monitor card usage for those cards exceeding limits and if there is an increase in this occurrence we will liaise with the bank to automatically enforce the limits.

Transaction limits are not applicable to the bank and therefore will be removed from the purchase card application form and purchase card records.

Responsibility: John Stewart, Financial Coordinator

Target date: 30 June 2017

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Performance Improvement Opportunity 1 – Eligible supporting documentation for GST credits

PIO

Observation(s)

Internal Audit’s testing identified two instances where a GST credit could not be claimed by CoM, as there was no appropriate tax invoice for expenditure >\$82.50 (the threshold set by the Australian Tax Office (ATO) for which a tax invoice is required to claim a GST credit) included in the cardholders’ monthly purchase card reconciliation.

One sample expense item for \$1,040.60 was only supported by an order summary, with the GST handwritten by the cardholder.

The second sample expense item for \$400.00 was only supported by an EFTPOS receipt, which does not meet the requirements of a tax invoice as defined by the ATO.

In both instances the Finance Officer had correctly identified that these expenses were ineligible to claim a GST credit and were included in the reconciliations as not eligible for GST credits to be claimed.

These represent forgone GST credits that CoM could otherwise claim, if tax invoices had been obtained for the expenditure.

Recommendation(s)

It is recommended that purchase cardholders and authorising managers are reminded of the requirement to include a tax invoice to support all purchase card expenditure.

The specific tax invoice requirements are not currently included in either the purchase cards policy or purchase cards procedure.

In order to claim GST credits, tax invoices are required to include the following information:

1. that the document is intended to be a tax invoice
2. the seller's identity
3. the seller's Australian business number (ABN)
4. the date the invoice was issued
5. a brief description of the items sold, including the quantity (if applicable) and the price
6. the GST amount (if any) payable – this can be shown separately or, if the GST amount is exactly one-eleventh of the total price, as a statement such as 'Total price includes GST'
7. the extent to which each sale on the invoice is a taxable sale (that is, the extent to which each sale includes GST)

In addition, tax invoices for sales of \$1,000 or more need to show:

8. The buyer's identity or ABN

Agreed Management Action(s):

The Purchase Card Policy and Procedure will be updated to include the specific tax invoice requirements. Finance will ensure all cardholders and managers will be reminded of the tax invoice requirements for purchase card holders.

Responsibility: Heath Harding, Management Accountant

Target date: 30 June 2017

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Name	Title
Vincent Mifsud	General Manager Corporate Services
Kate McKenzie	Manager Governance
Ray Barnwell	Manager Finance
Heath Harding	Management Accountant
Katherine Galea	Finance Officer

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High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Major impact on operations or functions. • Serious diminution in reputation. • Probable decrease in the public's confidence in the Council. • Major decline in service/product delivery, value and/or quality recognised by stakeholders • Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. • Extensive injuries. 	<ul style="list-style-type: none"> • Requires immediate City of Marion's General Manager notification. • Requires prompt management action planning/remediation actions (i.e. 30 days)

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Rating	Definition	Examples of business impact	Action(s) required
Moderate	Issue represents a control weakness, which could have or is having a moderate adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> Moderate impact on operations or functions. Reputation will be affected in the short-term. Possible decrease in the public’s confidence in the Council. Moderate decline in service/product delivery, value and/or quality recognised by stakeholders. Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. Medical treatment required. 	<ul style="list-style-type: none"> Requires City of Marion’s General Manager and/or Senior Manager attention. Requires short-term management action.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> Minor impact on internal business only. Minor potential impact on reputation. Should not decrease the public’s confidence in the Council. Minimal decline in service/product delivery, value and/or quality recognised by stakeholders. Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. First aid treatment. 	<ul style="list-style-type: none"> Timeframe for action is subject to competing priorities and cost/benefit (i.e. 90 days).



Cyber Security Internal Audit Report

City of Marion

February 2017



Inherent Limitations

This report has been prepared as outlined in the Executive Summary of this report. The services provided in connection with the engagement comprise an advisory engagement which is not subject to Australian Auditing Standards or Australian Standards on Review or Assurance Engagements, and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, City of Marion's management and personnel. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with City of Marion. The internal audit findings expressed in this report have been formed on the above basis.

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In accordance with the 2015-17 Internal Audit Plan of the City of Marion (“CoM”), an internal audit focusing on cyber security has been performed. The key aspects of the internal audit are detailed below.

Objective:

This internal audit considered the current cyber security posture of CoM. This project was a non-technical review and focussed on the current standing of cyber security at CoM in order to identify areas of improvement.

Scope:

To address the overall objective, the scope of the high level cyber maturity assessment included the following:

- Conduct a high level cyber maturity assessment covering the following domains:
 1. Leadership and Governance;
 2. Human Factors;
 3. Information Risk Management;
 4. Business Continuity;
 5. Operations and Technology; and
 6. Legal and Compliance.
- Develop recommendations to address identified improvement opportunities and IT security weaknesses.

Scope Exclusions:

The scope specifically excluded the following areas:

- Assurance over the domains reviewed and reported on as part of the cyber maturity assessment (including assurance over any procedures and strategies);
- Testing the operational effectiveness or control samples of process controls or procedures, or technical security controls in operation;
- Any testing involving the use of any automated tools, including penetration testing or vulnerability assessments;
- Development of policies, procedures or framework documentation;
- Testing over recovery capability, plans or recovery strategies; and
- Implementation of remediation recommendations.

Summary of Findings:

The number of findings identified during the course of this internal audit is shown in the table below. A full list of the findings identified, and the recommendations made, is included in this report. Classification of internal audit findings is detailed in *Appendix 2* of this report.

Further analysis of the overall maturity ratings for each domain have been included in the *Background* section.

These findings and recommendations were discussed with CoM Management. Management has accepted the findings and has agreed action plans to address the recommendations.

	Ref	Description	Issue Owner	Target Date
2 Moderate Findings	F1	Leadership and Governance	John Deally, Manager ICT (in conjunction with Manager Corporate Governance)	From Feb 2017 to Jun 2018
	F2	Human Factors	John Deally, Manager ICT (in conjunction with Manager HR)	Dec 2017
4 Low Findings	F3	Information Risk Management	John Deally, Manager ICT (in conjunction with Unit Manager Risk)	From Mar 2017 to Jun 2018
	F4	Business Continuity	Sherie Walczak, Unit Manager Risk	From Nov 2017 to Jun 2018
	F5	Operations and Technology	John Deally, Manager ICT	From Apr 2017 to Jun 2018
	F6	Legal and Compliance	John Deally Manager ICT (in conjunction with Manager Corporate Governance)	Jun 2018

Overview

Cyber Security is a rapidly growing area of concern for Boards, Executives and organisations alike trying to understand, mitigate and safeguard themselves from significant cyber risk. The thinking around cyber preparedness has moved substantially in recent years, and particularly in recent months in Australia.

With increasing, and almost daily examples of cyber incidents, ranging from random and opportunistic events to state-based targeted attacks, organisations are now preparing for the inevitability of these events. CoM is no different and has recognised the need to gain further understanding of the organisation’s cyber security preparedness and level of exposure in order to determine the specific areas where there is need for an uplift in the organisation wide security posture.

Whilst CoM does not have a dedicated security role appointed internally within the organisation, a strategic partnership has been formed with CQR Consulting Australia (“CQR”) to act as CoM’s outsourced security provider and subject matter expert. This ensures that CoM is able to leverage CQR for any additional skills and knowledge that it does not currently possess internally. As part of this partnership, a four year information security program has been developed and implemented, comprising both information security advice and audit services.

It is also noted that CoM has a maturing risk culture, which is supported by a formal Risk Management Framework. This framework ensures that a standardised and integrated approach to risk management is performed across the organisation and includes the management of cyber risk.

This maturing risk culture has also led to the development of a formal Business Continuity Framework to increase organisational resilience by ensuring that CoM has appropriate plans in place to continue operations of critical functions in the event of a disruptive incident or disaster.

Cyber Maturity Assessment

KPMG’s Cyber Maturity Assessment (CMA) Methodology was used to assess CoM’s ability to protect and manage its sensitive information assets, protect itself against cyber attack as well as to identify, manage and minimise the impact of an attack should it occur. It looks beyond pure technical preparedness, and instead, considers additional factors such as people, processes and technology to further understand areas of vulnerability and implement targeted recommendations across both the corporate and operational environment.

The six domains considered as part of this assessment are shown in the following diagram.



Figure 1: CMA Domains

Further details regarding each of the CMA domains is included in *Appendix 1*.

CoM CMA Ratings

Based on consultation with CoM stakeholders, observation, and inspection of documentation provided, the current rating of CoM’s cyber maturity is assessed as ‘Defined’ with a rating of 2.61 out of 5 (Refer to Figure 2 below, and *Appendix 1 – CMA Methodology* for definitions). It was identified that there is a strong investment in cyber security through outsourced service providers, particularly CQR, who provide both security advice and audit services.

Whilst it is noted that the organisation has implemented a range of industry recognised technical solutions and controls, there is a lack of definition of these through appropriate governance structures. Furthermore, there is limited definition of overall roles, responsibilities, and requirements across the organisation relating to cyber security through policy and procedure documentation. Whilst IT have a strong understanding and awareness of the risks of cyber security, it is observed that cyber security is largely seen as an IT issue across the business and as such, further educational activities are required to uplift overall awareness across the organisation.

It is noted that the Australian average in KPMG’s CMA benchmarking data for local government organisations is currently 0.99, and as such, CoM well exceeds this maturity score. Given its maturing risk culture, we would expect CoM to aspire to a maturity rating of 3 to 3.5 – indicating a ‘Managed’ approach to cyber security. This target maturity should be informed by CoM’s risk appetite in relation to cyber attacks.

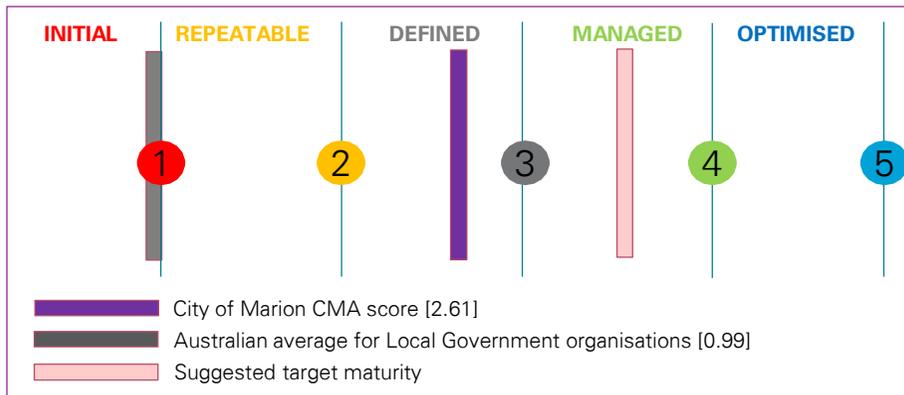


Figure 2: CoM’s overall cyber maturity rating

The overall ratings of each domain within the cyber maturity assessment have been detailed in Figure 3 below.

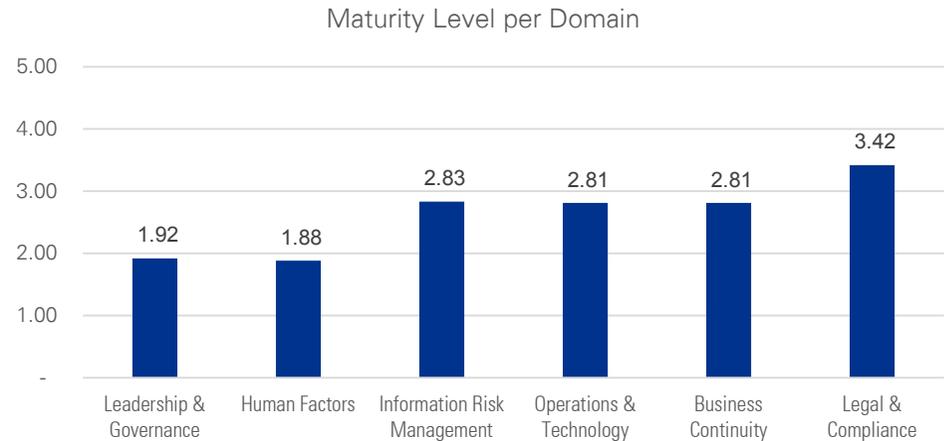


Figure 3: CoM cyber maturity ratings per domain

‘Legal and Compliance’ was the highest rated domain with a rating of 3.42 out of 5. This is due to the fact that a ‘three lines of defence model’ is utilised at CoM with regard to governance and risk management, spanning across business operations, oversight functions and independent assurance providers, as well as the fact that CoM has a cyber insurance policy in place. ‘Human Factors’ was the lowest rated domain with a rating of 1.88 out of 5. This can be largely attributed to the lack of a formalised and ongoing cyber security awareness program in place to ensure that staff have an appropriate level of understanding of cyber security risks and threats across the organisation.

Finding 1 – Leadership and Governance

Maturity Rating: 1.92

Risk Rating: Moderate

Finding(s)

Key Positive Observations:

The following were identified as key strengths relating to the Leadership and Governance domain:

1. The Executive team and senior leadership at CoM recognise the importance of cyber security in the organisation.
2. Whilst there is no dedicated security role appointed within the organisation, a strategic partnership has been formed with CQR to act as CoM's outsourced security provider and subject matter expert.
3. CQR provide CoM with a four year information security program encompassing information security advice and audit services. This incorporates a large number of audit activities across the four year period, including a number that are performed annually. Furthermore, remediation activities raised as part of audit activities are tracked and validated.

Areas of Improvement:

The following were identified as areas for improvement in order to increase CoM's cyber security maturity relating to the Leadership and Governance domain:

1. CoM's leadership have historically had periodic awareness of the organisation's overall cyber security posture and key cyber risks as the risk has not been determined to a be high organisational risk.
2. There is currently limited definition of roles and responsibilities with respect to cyber security. Whilst some responsibilities have been defined as part of the IS Policy, this is limited in nature, does not define all responsibilities (i.e. GM Corporate Services not included) and the policy has not been formally endorsed or recently reviewed.
3. The following was noted with regard to the IT policy framework
 - Whilst an information security policy has been developed, the following was noted:
 - The policy has been in draft form without endorsement from the CEO since 2004.
 - The draft information security standards and policies make reference to access control, physical security, incident management, operational security patch management, Human Resources security and the Information Security Governance structure. The policy requires further review and refinement (including formal adoption) to ensure the content is up to date and covers all requirements including, but not limited to access management, asset management, incident management and patch management. Furthermore, there are no associated policy documents that cover off on the additional aspects of cyber security.
 - ICT Security Standards have been developed, however, are also in draft; and
 - There is no overarching organisational wide policy framework to ensure ongoing review of policies (including IT related policies) and as such, policy development, approval and review is currently at the discretion of the business unit responsible for the policy. Discussions indicated that there are plans in place to develop an overarching policy framework.
4. There is no formal Information Security Management System (ISMS) in place (for example, based on ISO/IEC 27001:2013 or the National Institute of Science and Technology (NIST) Cybersecurity Framework). This leads to the absence of an appropriate governance structure to oversee cyber security activities and ensure that it is aligned to business needs and based on organisational risk.

Finding 1 – Leadership and Governance (continued)

Maturity Rating: 1.92

Risk Rating: Moderate

Recommendation(s)

The following should be considered as recommendations for increasing maturity in the Leadership and Governance domain:

1. In order to increase the awareness of CoM’s cyber posture and key threats, the following should be considered:
 - a) Introducing cyber security as an agenda item at the IT Steering Committee for update of information security plan activities, remediation and any ongoing trends/threats relevant to CoM. This will increase the awareness and understanding at the Executive Level.
 - b) Develop an annual assurance report to the Risk Working Group with regard to the cyber security program being performed by CQR and any other relevant activities.
2. The roles and responsibilities to manage the information security program at CoM should be clearly defined and assigned including review of existing definitions to determine appropriateness. This should ensure that accountabilities are clearly defined. IT management, in consultation with HR, should consider reviewing technical position descriptions to ensure that these appropriately define cyber security roles and responsibilities.
3. The existing Information Security Policy should be reviewed to ensure that it aligns with CoM’s risk profile, captures all relevant cyber security requirements, and is supported by standards, guidelines and procedures. ISO/IEC 27001:2013 and/or NIST can be used as reference guides to the creation and implementation of controls covering all aspects of cyber security (including Information Security Policy; Organisation of Information Security; Personnel Security; Asset Management; Access Control; Cryptography; Physical and Environmental Security; Operations Security; Communications Security; System Acquisition, Development and Maintenance; Supplier Relationships; Information Security Incident Management; Information Security Aspects of Business Continuity; Compliance). Formal requirements should be implemented to promote continual review and improvement of the policy framework.
4. Consideration should be given to implementing a formal ISMS based on ISO/IEC 27001:2013 or the National Institute of Science and Technology (NIST) Cybersecurity Framework to ensure that an appropriate cyber defence program is in place and effectively managed.

Agreed Management Action(s):

1. a) Manager ICT – agree to implement (February 2017)
1. b) Manager ICT – the annual report to the Risk Working Group will be implemented in conjunction with the Unit Manager Risk (September 2017)
2. Manager, Corporate Governance – Currently developing a Policy Framework for the organisation to address public policy and administrative policy (June 2017)
3. Manager ICT – The Information Security Policy will be comprehensively reviewed with CQR and stakeholders, and subsequently implemented taking into consideration other work area plan commitments for 2017/18 and higher organisational priorities (June 2018)
4. Manager ICT – this will be considered as part of the above Policy review (June 2018)

Responsibility: Manager ICT, Manager Corporate Governance

Target date: February 2017 to June 2018

Finding 2 – Human Factors

Maturity Rating: 1.88

Risk Rating: Moderate

Finding(s)

Key Positive Observations:

The following were identified as key strengths relating to the Human Factors domain:

1. Whilst there is no formal cyber security awareness program in place, email communication is sent out to alert staff of specific cyber security related threats. For example, alerting of scam emails containing potentially malicious attachments. This has resulted in an increased awareness of cyber security and associated threats in the organisation, and has also led to instances of staff notifying IT of potential threats.
2. As part of induction processes, staff are required to read and formally acknowledge that they have read and understood the contents of both the Internet and Email Access And Usage and the Code of Conduct. This is then recorded against the staff member’s record for compliance.
3. A phishing exercise has been performed which consisted of a malicious email being sent out to all staff in order to gain login credentials and passwords. Further analysis was performed over the results to gain an understanding of what level of staff and which parts of the organisation were most prone to clicking the link.

Areas of Improvement:

The following were identified as areas for improvement in order to increase CoM’s cyber security maturity relating to the Human Factors domain:

1. The IT Security Policy is currently in draft form and as such, staff are not required to read and formally acknowledge that they have read and understood the contents of this policy.
2. There is no formal and ongoing cyber security awareness training program in place to ensure that a strong information security awareness culture is promoted. Whilst some awareness is performed at induction, this is limited to the contents of the Internet and Email Access and Usage Policy. It is noted that a cyber awareness video developed by CQR is also available for staff to view on the intranet. Without continued awareness of good cyber security practices, CoM is exposed to cyber security risks from both internal and external threats.
3. There is currently no mechanism through which to assess, monitor and improve staff attitudes and understanding of cyber security across the organisation, such as surveys.

Finding 2 – Human Factors (continued)

Maturity Rating: 1.88

Risk Rating: Moderate

Recommendation(s)

The following should be considered as recommendations for increasing maturity in the Human Factors domain:

1. Upon formal endorsement of the IT Security Policy (as recommended in Finding 1.3), consider implementing an ongoing process for staff to formally acknowledge that they have read and understood the contents of policies and associated cyber security requirements on at least an annual basis, or as changes are made to the documents.
2. The following should be considered in order to increase cyber security awareness across the organisation:
 - a) Implement an ongoing formal security awareness program, including training upon induction and at regular intervals, in order to develop the organisation’s knowledge of the impact of cyber threats and improve the organisation wide cyber security culture. This could include education with regard to the following:
 - Awareness of relevant cyber security threats, targeted specifically to CoM (e.g. social engineering attempts including targeted phone calls to obtain network passwords, recent fraud case studies etc.);
 - Good practices for email (e.g. spam/phishing), online behaviour (e.g. not to use DropBox or other third party storage services) and passwords (e.g. not sharing or writing down passwords); and
 - Privacy and other external compliance requirements.
 - b) Consider performing social engineering testing of a different nature to increase awareness of the types of cyber attacks that are possible, such as USB drops, phone calls to obtain user names and passwords or tailgating into the building.
3. Consider developing an internal staff survey to measure the strength of understanding and awareness of cyber security across the organisation. This can then be used to tailor and further refine the cyber security awareness program (per recommendation 2).

Agreed Management Action(s):

1. Manager HR – staff are requested to periodically sign off on the Employee Code of Conduct which addresses the understanding of Policies. This occurs when employment commences and every few years. It is suggested that this process continue in its current format. Therefore no additional action required.
2. Manager ICT – Agree (ICT will consult with CQR on the effectiveness of including different types of cyber attacks in the existing annual Cyber Security program along with more awareness educational activities) (December 2017)

Responsibility: Manager ICT, Manager HR

Target date: December 2017

Finding 3 – Information Risk Management

Maturity Rating: 2.83

Risk Rating: Low

Finding(s)

Key Positive Observations:

The following were identified as key strengths relating to the Information Risk Management domain:

1. CoM have a maturing risk culture with formal processes in place with respect to enterprise risk management. A Risk Management Framework and Policy is in place to ensure that risk is clearly articulated and understood, and formally managed across the business. Furthermore, processes are in place to ensure that risks on the corporate risk register are reviewed periodically for completeness and accuracy.
2. A risk appetite has also been defined as part of the Risk Management Framework, which includes cyber risk.
3. The State Records Act is followed for Information Classification at CoM. This assists with ensuring that any information deemed sensitive or confidential is appropriately handled.
4. With regard to asset management, automatic tools are in place for network asset discovery. Furthermore, financial asset registers are in place to record hardware and some software based IT assets.

Areas of Improvement:

The following were identified as areas for improvement in order to increase CoM’s cyber security maturity relating to the Information Risk Management domain:

1. There is currently limited definition of the associated requirements that staff must comply with for the sharing of information both internally and externally (including USBs and third party sharing sites). Furthermore, there are no technology tools or workstation level hardening in place to monitor or restrict the transfer of data externally, such as with regard to USBs.
2. There is currently no formally documented IT asset management policy (only draft standards) or associated procedures in place to document requirements relating to IT asset management, including asset review for completeness and accuracy. Furthermore, whilst hardware and some software based asset registers exist, there is currently no record of information assets.
3. A formal cyber risk assessment has not been performed over all critical assets across the business, including both tangible and intangible assets.
4. Whilst a confidentiality statement is required to be included as part of third party contracts, other relevant cyber security obligations are not formally identified and defined for consideration in third party agreements. It is noted that the onus is currently on the individual department engaging with the third party vendor to ensure that appropriate due diligence has been performed prior to formally engaging the third party.

Finding 3 – Information Risk Management (continued)

Maturity Rating: 2.83

Risk Rating: Low

Recommendation(s)

The following should be considered as recommendations for increasing maturity in the Information Risk Management domain:

1. The requirements for the sharing of information both internally and externally should be clearly defined as part of the IT Security Policy (refer recommending in finding 1.3). Consideration should be given to implementing controls for removable and portable media control as part of a data loss prevention strategy, including storage, handling, whitelisting allowed USB devices, encryption and destruction.
2. Formally define the requirements for IT asset management and document the associated processes in place, including relating to the periodic review of asset registers for completeness and accuracy. Perform assessment to identify and document tangible and intangible assets (physical, logical and information assets) across the organisation and clearly assign ownership.
3. Perform a formal risk assessment over tangible and intangible critical assets to ensure that all cyber security related risks are appropriately tracked, managed and mitigated, where possible. Ensure that risks are captured in a formal register.
4. Consider formally defining the requirements for third party cyber security obligations and including related clauses into each significant contract. This should include consideration of data ownership and storage, technical controls, backups, monitoring, notification of security incidents, and any associated security compliance requirements. A “right to audit” clause should also be considered for inclusion in contracts with technical service providers. Existing third party contracts should then be reviewed to determine compliance and any potential concerns moving forward should be renegotiated where possible. Continual due diligence and assurance activities on third parties should be performed to ensure that they adhere to CoM's minimum requirements.

Agreed Management Action(s):

1. Manager ICT – this will be addressed as part of policy review (June 2018)
2. Manager ICT – this will be addressed as part of policy review (June 2018)
3. Unit Manager Risk and Manager ICT – this will occur as part of the Annual Risk Review Process (March 2017)
4. Manager Contracts and Operational Support – this will be further investigated and implemented where necessary (June 2017)

Responsibility: Manager ICT, Unit Manager Risk, Manager Contracts and Operational Support

Target date: March 2017 to June 2018

Finding 4 – Business Continuity

Maturity Rating: 2.81

Risk Rating: Low

Finding(s)

Key Positive Observations:

The following were identified as key strengths relating to the Business Continuity domain:

1. A secondary data centre exists at the City Services Depot on Marion Road, which acts as the recovery site in the event that the primary site at the Admin Centre is unavailable and services are required to be restored. Data is replicated across sites providing redundancy of both server and network infrastructure.
2. An IT Security Response Plan (SRP) has been developed to define processes to recover key production systems to the secondary site in the event of a disaster or disruption.
3. A Business Continuity Framework and associated Business Continuity Plan have been developed to ensure that key services, including time critical activities and the supporting resources, are able to be restored in the event of a business disruption. It was noted during interviews that Business Impact Assessments have been performed across the business to confirm priority processes/activities and associated recovery objectives. Functions across CoM have been defined as critical and non-critical, and all critical functions have developed an associated SRP.

Areas of Improvement:

The following were identified as areas for improvement in order to increase CoM's cyber security maturity relating to the Business Continuity domain:

1. As the Business Continuity Plans have only been recently implemented, full scenario testing has not yet been performed, including with respect to a cyber security related scenario such as a cyber attack.
2. Whilst recovery objectives have been defined for each critical function by the business, there has been limited interaction with IT to ensure that metrics are achievable in the event of a disaster.
3. The primary data centre (Admin Centre) and secondary data centre (City Services Depot on Marion Road) are located within 1.5 kilometres of each other. Furthermore, they are currently located on the same electrical grid, which means that both sites would lose power in the event of a blackout or electricity disruption. Discussions noted that CoM is currently investigating the potential for investment in a power backup generator.
4. There is no formal Information Security Incident Response Plan (ISIRP) (only in draft). This may reduce CoM's ability to recognise, respond and rectify when planning against and combating security incidents.

Finding 4 – Business Continuity (continued)

Maturity Rating: 2.81

Risk Rating: Low

Recommendation(s)

The following should be considered as recommendations for increasing maturity in the Business Continuity domain:

1. Perform testing of the business continuity and disaster recovery plans for a cyber security related scenario, such as a cyber attack.
2. Ensure that defined recovery objectives have been validated with IT to ensure that these are achievable.
3. Consideration should be given to relocating the secondary data centre to a different location or implementing additional measures to mitigate associated risk (where possible), with specific consideration given to risk appetite and business need.
4. Management should develop an ISIRP to ensure that appropriate processes are in place to identify, manage and analyse incidents. These should be aligned with industry recommended practice, such as NIST 800-61 Computer Security Incident Handling Guide. At a minimum, this should comprise of the following key phases:
 - Preparation;
 - Detection and Analytics;
 - Containment, Eradication and Recovery; and
 - Post-Incident Activity.

Consideration should also be given to responsibilities and accountabilities in the event of a cyber security incident such as a cyber attack or breach.

Agreed Management Action(s):

1. Unit Manager Risk – further scenario planning is scheduled for May and November 2017. It is suggested that a cyber attack will be included as part of the November scenario (November 2017)
2. Unit Manager Risk and Manager ICT – recovery strategies have been developed by relevant business units but validation is required with ICT to ensure they are realistic and achievable (November 2017)
3. Manager ICT – A power backup generator is to be acquired for Admin Centre to protect ICT services. Relocating the secondary data centre requires further consideration and assessment, and ICT will incorporate this consideration into future disaster recovery (DR) equipment planning replacement cycles (December 2017).
4. Manager ICT – this requires further consideration and assessment in consultation with CQR, and ICT will refine work area procedure to manage and report on ICT-related cyber security incidents in consultation with appropriate stakeholders. A Cyber Security Incident Handling Guide will be considered. (June 2018)

Responsibility: Unit Manager Risk, Manager ICT

Target date: November 2017 to June 2018

Finding 5 – Operations and Technology

Maturity Rating: 2.81

Risk Rating: Low

Finding(s)

Key Positive Observations:

The following were identified as key strengths relating to the Operations and Technology domain:

1. Formal processes relating to logical and remote access are in place and managed via CoM's dHelp system.
2. Whilst there is no formally defined physical access requirements or procedures, discussions noted that appropriate controls are in place to restrict access to office locations and server rooms.
3. An annual external penetration test is performed by CQR and any time there is a significant change within the environment at CoM. It is noted that internal and wireless penetration tests are only performed once over the four year audit program.
4. CoM has invested in a number of industry leading tools, including the following:
 - Trend Micro for Antivirus on desktop and server level, as well as intrusion detection at server level;
 - Fortinet firewalls in order to provide better protection of the CoM network;
 - Brocade network advisor for internal network monitoring;
 - Meru Networks wireless network monitoring including monitoring of rogue access points; and
 - Symantec for web content and mail filtering.
5. Wireless networks are appropriately secured and RADIUS is used for authentication. Corporate and guest wireless networks are monitored, and users have to click a formal acknowledgement of the acceptable use policy prior to being provided with wireless access.
6. A mobile device policy is in place which users are required to formally acknowledge before being provided with mobile access. BYOD requirements are clearly outlined and requests must be formally approved. MobileIron is used for mobile device management, including remote wipe functionality.
7. Domain administrators have separate administrator accounts for privileged activities to ensure that business as usual activities (such as reading emails, opening attachments and browsing the internet) are not performed using an account with administrative privileges.

Areas of Improvement:

The following were identified as areas for improvement in order to increase CoM's cyber security maturity relating to the Operations and Technology domain:

1. Whilst external penetration testing is performed annually by CQR, internal network and wireless penetration testing is only performed once over the four year cycle.
2. There are no mechanisms in place for CoM to receive real time threat and vulnerability feeds.
3. Whilst some logging and monitoring is performed, there is currently no Security Information and Event Management (SIEM) solution implemented to ensure the optimised management of security incidents and events in a consolidated manner. SIEM solutions are designed to provide central collection and storage of security log events from numerous hosts within an enterprise.
4. Enquiry validated that police checks are required for any staff that are working with children, and in some other instances where staff have a higher level of access, such as Finance. However, the specific requirements have not been formally defined, nor is it part of the checklist to ensure that this is performed for all relevant staff.

Finding 5 – Operations and Technology (continued)

Maturity Rating: 2.81

Risk Rating: Low

Recommendation(s)

The following should be considered as recommendations for increasing maturity in the Operations and Technology domain:

1. Consider performing more frequent internal network penetration tests or vulnerability assessments. It is recommended that these be performed on at least an annual basis.
2. Consider subscribing to industry leading real time threat and vulnerability feeds, such as AusCERT, to receive up-to-date and timely alerts and information. CoM should consider performing a cost benefit assessment to determine if a Security Information and Event Management (SIEM) solution would be valuable to the organisation, either as an internal tool or a managed service. SIEM solutions result in a number of benefits, including centralised analysis and log reporting of an organisation’s security events, as well as increased security attack detection capabilities and improving the efficiency of incident handling activities.
3. Formalise the requirements relating to a clear desk policy and ensure that this is enforced, including regular spot checks.

Agreed Management Action(s):

1. Manager ICT - CoM will consider with CQR the effectiveness of increasing Internal Penetration Testing to yearly rather than as currently programmed in the 4 year schedule reviewed annually as well as when significant change to the environment occurs (April 2017).
2. Manager ICT - CoM will consider outcomes of Centralised Log management review already in Security Program (June 2018).
3. A Security Information and Event Management system is not considered necessary at this time, but may be considered in the future after other recommendations are implemented and the cyber security maturity level is reassessed.

Internal Responsibility: Manager ICT

Target date: April 2017 to June 2018

Finding 6 – Legal and Compliance

Maturity Rating: 3.42

Risk Rating: Low

Finding(s)

Key Positive Observations:

The following were identified as key strengths relating to the Legal and Compliance domain:

1. CoM has adopted a “three lines of defence” approach to assurance and compliance management. As part of this, an outsourced internal audit function has been established to provide independent assurance over a range of functions, including cyber security activities. Furthermore, an internal risk function exists for risk management processes and oversight. CQR provide additional assurance and audit activities with respect to cyber security in accordance with the agreed Cyber Security Plan 2014-2016.
2. CoM has invested in a dedicated Cyber Insurance policy as part of the asset insurance provided through the Local Government Association.

Areas of Improvement:

The following were identified as areas for improvement in order to increase CoM’s cyber security maturity relating to the Legal and Compliance domain:

1. There has been no formal assessment performed or central register maintained to ensure that CoM is aware of and complies with all relevant statutory, regulatory or contractual requirements, industry based requirements (such as PCI-DSS) or industry best practice relating to cyber security where deemed relevant (such as ISO/IEC 27001).

Recommendation(s)

The following should be considered as recommendations for increasing maturity in the Legal and Compliance domain:

1. Consider improving the current information security compliance program to ensure that all statutory, regulatory, contractual and industry based (such as PCI-DSS) requirements are well understood, analysed, implemented and monitored. IT, in conjunction with Corporate Governance, should ensure that all cyber security related compliance obligations are assessed and incorporated into the development of the policy framework (as recommended in Finding 1.3). Furthermore, compliance criteria for the information security policy should be incorporated into the program once the policy is finalised and endorsed.

Agreed Management Action(s):

1. Manager ICT – this will be addressed as part of policy review (June 2018)

Responsibility: ICT Manager

Target date: June 2018

No Performance Improvement opportunities were identified as part of this internal audit.

Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	A1: CMA Methodology	A2: Classification of Findings	A3: Staff Consultation
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KPMG’s CMA Methodology is designed to assess an organisation’s ability to protect and manage its sensitive, most valuable information assets, protect itself against cyber attack as well as to identify, manage, and minimise the impact if one should occur. It looks beyond pure technical preparedness and takes a rounded view of people, process and technology.

CMA Domains

The following six domains are assessed as part of the Cyber Maturity Assessment:

Leadership and Governance	Human Factors	Information Risk Management
Maturity of cyber security governance frameworks, reporting to leadership and the management’s knowledge and awareness of cyber security threats.	Controls for enabling a cyber security aware culture and equipping the workforce with appropriate skills and knowledge of cyber security risks.	Controls for effective risk management of information across the organisation, in its services and delivery to third parties and within its supply partners.
Business Continuity and Crisis Management	Operations and Technology	Legal and Compliance
Preparations for a security event and ability to prevent or minimise the impact through successful crisis and stakeholder management	Controls implemented to address identified risks, and minimise the impact of threats.	Controls in place to address cyber security compliance requirements from applicable regulations, legislations, contracts and international standards.

Maturity Rating Summary

KPMG’s Cyber Maturity Assessment uses a maturity rating to assess the levels of maturity that an organisation can achieve in respect of the security elements. The appropriate maturity level differs for each organisation depending on the level of cyber risk they face and the level of risk they wish to accept. A description of the maturity level used is detailed below:

Level 1 (Initial)	Level 2 (Repeatable)	Level 3 (Defined)	Level 4 (Managed)	Level 5 (Optimised)
Little or no consideration of information security. Limited information security capability, processes and measurement. Security program mainly based around putting out the fires. No strategic and forward planning.	Pockets of good information security practice. Management of information security reliant on individuals and their initiative. No formal definition of roles and responsibilities or measurements, although some might exist. Some forward planning focussed mainly on known security vulnerabilities.	Security operations are formalised and aligned throughout the organisation. Roles and responsibilities for information security are defined, but may not be implemented effectively. Information security still seen as an IT issue, with limited involvement from the business. Limited information security measurements. Operational forward planning is done and managed.	Information security measurements are available, and actively monitored and managed. Information security integrated with key business processes. Roles and responsibilities are clearly defined and agreed. Senior management committed to information security through a security steering committee. Information security has its own defined budget. Business users and owners are aware of their responsibility for information security. Information security risk management process defined and implemented.	All information assets are identified and classified. Information security risk management practices formalised, implemented and imbedded within the organisation. Information security managed as a component of risk management, and integrated with all key business processes. Business owners drive and are responsible for the information security requirements of the information and systems they own. Information security managed pro-actively, and detailed measurements and metrics are available, reviewed and reported.

The following framework for internal audit ratings has been developed and agreed with City of Marion's Management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in reports will be discussed and rated with City of Marion's Management.

Rating	Definition	Examples of business impact	Action(s) required
Extreme/Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Detrimental impact on operations or functions. • Sustained, serious loss in reputation. • Going concern of the business becomes an issue. • Decrease in the public's confidence in the Council. • Serious decline in service/product delivery, value and/or quality recognised by stakeholders. • Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. • Life threatening. 	<ul style="list-style-type: none"> • Requires immediate notification to the Council Audit Committee via the Presiding Member • Requires immediate notification to City of Marion's Chief Executive Officer. • Requires immediate action planning/remediation actions
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Major impact on operations or functions. • Serious diminution in reputation. • Probable decrease in the public's confidence in the Council. • Major decline in service/product delivery, value and/or quality recognised by stakeholders • Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. • Extensive injuries. 	<ul style="list-style-type: none"> • Requires immediate City of Marion's General Manager notification. • Requires prompt management action planning/remediation actions (i.e. 30 days)

Rating	Definition	Examples of business impact	Action(s) required
Moderate	Issue represents a control weakness, which could have or is having a moderate adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> Moderate impact on operations or functions. Reputation will be affected in the short-term. Possible decrease in the public’s confidence in the Council. Moderate decline in service/product delivery, value and/or quality recognised by stakeholders. Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. Medical treatment required. 	<ul style="list-style-type: none"> Requires City of Marion’s General Manager and/or Senior Manager attention. Requires short-term management action.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> Minor impact on internal business only. Minor potential impact on reputation. Should not decrease the public’s confidence in the Council. Minimal decline in service/product delivery, value and/or quality recognised by stakeholders. Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. First aid treatment. 	<ul style="list-style-type: none"> Timeframe for action is subject to competing priorities and cost/benefit (i.e. 90 days).

The table below summarises City of Marion staff consulted as part of this internal audit project



Name	Title
Vincent Mifsud	General Manager Corporate Services
Kate McKenzie	Manager Corporate Governance
John Deally	Manager ICT
Phil Mattingly	Services Delivery and Infrastructure, Unit Manager ICT
Stephanie Roberts	Manager Human Resources
Greg Starkey	CQR – Manager, Government and Commercial Business
Chris Self	CQR – Security Specialist

Internal Audit Program FY2016/17: Policy Framework Review

Objective

This internal audit project will focus on the City of Marion's Policy Framework with a view to understanding the current policy environment (currency, ownership hierarchy), assessing/prioritising policies based on strategic directions and high level risk assessment, and providing options and recommendations to help ensure that the City of Marion's policies are embedded across the organisation (including streamlining as applicable).

Scope of services

To address the overall objective above, the scope of the policy framework review internal audit project will include consideration of the following:

- Understand and document the current policy environment in the context of the Policy Framework (i.e. undertake an "inventory" audit of CoM's existing policies). This will include currency, ownership and overall policy hierarchy.
- Assess and prioritise policies based on a high level risk assessment process (taking into account CoM strategic directions and business risks and a prioritisation process to be undertaken in consultation with CoM stakeholders).
- Consider CoM's current policy environment against "better practice" and provide options and recommendations for CoM's consideration. This will include consideration of preliminary opportunities to determine public policy requirements and simplify, standardise and rationalise CoM's legislative and corporate policies.

Approach

The internal audit project will be performed using the following approach which comprises three key phases / activities:



These three phases are outlined below:

Phase 1 – Current state (e.g. Policy "inventory" audit)

- Identification of policies by Business Unit
- Categorise policies as 'public, 'legislative' and 'corporate'
- Currency including, expiry/review dates
- Identification of relevant policy "owner(s)"
- Identify linkages to other documents (e.g. related procedures)
- Understand how each policy is used/embedded across the CoM in practice.

Included in the phase is the development of a clear definition of what constitutes a policy. Part of this review will to be define what a policy is, and what is excluded. Broadly, the scope of this internal audit project will focus on policy and procedures which are organisation-wide (but will exclude local operating procedures).

Phase 2 – Assessment and prioritisation

- Assess the existing policies against CoM’s Policy Framework. Please note that this will be reliant on a diverse range of CoM stakeholders, and will need support from the CoM to ensure the exercise is successful.

Phase 3 – Policy framework better practice and recommendations

- In consultation with CoM determine a benchmark for “better practice”
- Consider current state environment against “better practice” principles – identify gaps and options for improvements in CoM’s Policy Framework and its implementation for CoM to consider and further develop (i.e. this will essentially be based on consideration of the “policy of policies” document).
- In consultation with CoM determine Public Policy suite
- Consider preliminary opportunities for simplification, standardisation and rationalisation (overlap, relevance, low risk, other considerations) for legislative and corporate policies – provide overarching qualitative comment/s and recommendations.

Collaborative approach

Please note that the approach for this internal audit project will be collaborative, with CoM and KPMG working together. Specifically, CoM will lead the policy “inventory” review by collecting information from across the CoM Business Unit areas.

KPMG will work with CoM to define what is a policy, reviewing the outcomes from the inventory review, and to support policy assessment and prioritisation. KPMG will consider better practices and then work with the CoM to develop recommendations to reform and strengthen the policy environment.

Stakeholders

The following stakeholders will be consulted as part of the internal audit project in addition to any other stakeholders as identified by CoM Management.

- Jaimie Thwaites, Acting Manager - Corporate Governance\
- Deborah Horton, Unit Manager Performance & Improvement
- Fiona Harvey, Manager Strategy & Organisational Excellence
- Elaine Delgado, Senior Planner - Strategy
- Representatives as identified by CoM for each of the following departments: Human Resources, Finance, Governance, Information Technology, Procurement and Contracts, Property, Strategy, Risk and Workplace Health and Safety.

Timing and reporting

The internal audit based on the CoM Policy Framework is proposed to be initiated in April 2017 with the review of relevant documentation, stakeholder consultation and draft reporting expected to be completed by May 2017. The draft report will be discussed with relevant members of CoM’s Management team in terms of the factual accuracy of the findings and to obtain agreement of Management responses and agreed action plans to address the internal audit findings and recommendations.

The final report, incorporating Management responses and agreed action plans, together with responsibilities and target dates for actions, is to be issued to the CoM Risk Working Group and, subsequently, to the CoM Council Audit Committee.

Target Audit Committee: May 2017

Proposed budget

The proposed budget for this internal audit project is \$19,800 excluding GST. Please note that any out-of-pocket expenses will be on-charged at cost (e.g. staff travel).

Name	Role	Hourly Rate (excl. GST)	Estimated Hours	Sub-total (excl. GST)
Justin Jamieson	Partner	\$350	4	\$1,400
Jared Lawrence	Director	\$310	16	\$4,960
James Rivett	Assistant Manager	\$195	48	\$9,360
Anneliese Pedler	Consultant	\$85	48	\$4,080
Total			116	\$19,800

Please note that the above budget assumes that CoM personnel will be able to support the overall internal audit project (that is, the approach will be collaborative in nature), in particular, in relation to information collection as part of the policy "inventory" audit.

Approvals

We are in agreement with the scope document for the internal audit project focusing on the CoM's Policy Framework.

City of Marion Internal Audit Project Sponsor

Name: Jaimie Thwaites (Acting Manager – Corporate Governance)

Signed:

Date:

KPMG Internal Audit Partner

Name: Justin Jamieson

Signed:

Date:

Disclaimers

Inherent limitations

The services provided in connection with the engagement comprise an advisory engagement which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that are to be subject to the procedures we perform, will not be reviewed in its entirety and, therefore, no opinion or view is to be expressed as to its effectiveness of the greater internal control structure. The procedures to be performed are not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

No warranty of completeness, accuracy or reliability can be given in relation to the statements and representations made by, and the information and documentation provided by, City of Marion Management and personnel. We shall seek to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update the report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with City of Marion. The internal audit findings expressed in the report will be formed on the above basis.

Third party reliance

This scope is solely for the purpose set out above and for City of Marion information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. The internal audit report is to be prepared at the request of the City of Marion Audit Committee or its delegate in connection with our engagement to perform internal audit services as detailed in the engagement contract.

Other than our responsibility to City of Marion Management, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Marion's external auditor, on the internal audit report. Any reliance placed is that party's sole responsibility.



City of Marion

Internal Audit Project:
FY2016/17

Property Management

30 January 2017

Internal Audit Program FY2016/17: Property Management

Objective

This internal audit project will focus on the overall effectiveness of the City of Marion's (CoM) management of its property portfolio, including a proactive approach to lease management, asset management, repairs and maintenance, contractor risk and compliance management, financial management, as well as overall oversight, monitoring and reporting.

Scope of services

To address the overall objective above, the scope of the property portfolio management internal audit project will include consideration of the following:

- Overall value achieved through the CoM's property portfolio in the context of the CoM strategy, including overall building utilisation (amount of buildings leased and purposes used for)
- Processes in place in relation to lease management including entering into the leases, managing ongoing lease arrangements (annual reviews, site inspections, consideration of any sub-lease arrangements) as well as processes in relation to lease termination (as applicable)
- Processes in place and management of contracts in relation to asset management and repairs and maintenance arrangements
- Processes in place in relation to financials (e.g. rent collection, outgoings (with a focus on utilities) and debt management)
- Overall oversight, reporting and monitoring

Approach

The approach for the property portfolio management internal audit project will include the following key phases/activities:

- Consultation with relevant CoM Management and staff
- Understanding of relevant policies and procedures (and other relevant documentation) in place in relation to the CoM's property management
- Undertake a site tour of key properties to assist in understanding of CoM's property portfolio
- Understanding of practices and processes in relation to the CoM's management and administration of its property portfolio management
- Consideration of systems used in relation to the property portfolio (use of Authority compared to level of end user computing (spreadsheets))
- Consideration of key controls and risks associated with property management processes
- Consideration of management reporting and monitoring processes
- Consideration of the efficiency and effectiveness of property management processes
- Internal audit reporting, including identification of any performance improvement opportunities

Stakeholders

The following stakeholders will be consulted as part of the internal audit project in addition to any other stakeholders as identified by CoM Management.

- Carol Hampton Manager Land and Property
- Colin Heath Manager Contracts and Operations Support
- James O’Hanlon Unit Manager Sport and Recreation
- Darryl Fowler Property Maintenance Officer
- Deb Clunie Leasing Officer
- David Harman Financial Accountant

Timing and reporting

The internal audit focusing on property management is proposed to be initiated in March 2017 with the review of relevant documentation, stakeholder consultation and draft reporting expected to be completed by April 2017. The draft report will be discussed with relevant members of CoM’s Management team in terms of the factual accuracy of the findings and to obtain agreement of Management responses and agreed action plans to address the internal audit findings and recommendations.

The final report, incorporating Management responses and agreed action plans, together with responsibilities and target dates for actions, is to be issued to the CoM Risk Working Group and, subsequently, to the CoM Council Audit Committee.

Target Audit Committee: May 2017

Proposed budget

The proposed budget for this internal audit project is \$19,800 excluding GST. Please note that any out-of-pocket expenses will be on-charged at cost (e.g. staff travel).

Name	Role	Hourly Rate (excl. GST)	Estimated Hours	Sub-total (excl. GST)
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James Rivett	Assistant Manager	\$195	48	\$9,360
Anneliese Pedler	Consultant	\$85	48	\$4,080
Total			116	\$19,800

Approvals

We are in agreement with the scope document for the internal audit project focusing on the CoM's property management.

City of Marion Internal Audit Project Sponsor

Name: Jaimie Thwaites (Acting Manager Corporate Governance)

Signed:

Date:

KPMG Internal Audit Partner

Name: Justin Jamieson

Signed:

Date:

Disclaimers

Inherent limitations

The services provided in connection with the engagement comprise an advisory engagement which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that are to be subject to the procedures we perform, will not be reviewed in its entirety and, therefore, no opinion or view is to be expressed as to its effectiveness of the greater internal control structure. The procedures to be performed are not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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