

His Worship the Mayor
Councillors
CITY OF MARION



NOTICE OF AUDIT COMMITTEE MEETING

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 15 December 2015

Commencing at 3.00 p.m.

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 purple ink, appearing to read "Adrian Skull", with a stylized flourish at the end.

Adrian Skull
CHIEF EXECUTIVE OFFICER

11 December 2015

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE AGENDA
FOR THE MEETING TO BE HELD ON
TUESDAY 15 DECEMBER 2015
COMMENCING AT 3.00 PM
CHAMBER, ADMINISTRATION CENTRE
245 STURT ROAD, STURT**



1. OPEN MEETING

2. KAURNA ACKNOWLEDGEMENT

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

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

4. CONFIRMATION OF MINUTES

Confirmation of the Minutes for the Audit Committee meeting
held 13 October 2015..... 4

5. BUSINESS ARISING

5.1 Review of the Action Statement & Improvement Plan identifying business
arising from previous meetings of the Audit Committee..... 13

6. ELECTED MEMBER REPORT

6.1 Elected Member Communication Report
AC131015R6.1 19

7. REPORTS

Matters for Discussion

Corporate & Financial Management

7.1 Finance & Audit Committee Work Program and Meeting Schedule for 2016
AC151215R7.1 21

7.2 Ombudsman Annual Report
AC151215R7.2 24

7.3 Framework for the preparation of the 2016/17 ABP&B & LTFF
AC151215R7.3 32

7.4 Final Asset Management Plans
AC151215R7.4 37

Risk Management

7.5	Risk Management Policy and Framework Review AC151215R7.5	105
7.6	Local Government Association Mutual Liability Scheme Risk Review AC151215R7.6	133

Service Reviews and Internal Audit

7.7	Draft Internal Audit Plan 2015/16 – 2016/17 AC151215R7.7	143
7.8	Internal Audit Scopes - Development of 2 year plan - Payroll - Capital Works (Carryovers) - Purchase Cards AC151215R7.8	167
7.9	Services Review Update & Scope – Living Kurna Cultural Centre. AC151215R7.9	182

8. CONFIDENTIAL ITEMS

Nil

9. ANY OTHER BUSINESS

10. MEETING CLOSURE

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

11. NEXT MEETING

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

Time: TBC
Date: TBC
Venue: TBC

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON TUESDAY 13 OCTOBER 2015**



PRESENT

Mr Greg Connor (Chair), Mr Lew Owens, Councillor Tim Pfeiffer

In Attendance

Mr Adrian Skull	Chief Executive Officer
Ms Kathy Jarrett	Director
Mr Vincent Mifsud	Director
Ms Abby Dickson	Acting Director
Mr Ray Barnwell	Manager Finance
Ms Fiona Harvey	Manager Strategy
Ms Penny Woods	Partner Deloitte Touche Tohmatsu (items 7.2, 7.3, 7.5)
Mr Jason Liu	Client Manager Deloitte Touche Tohmatsu (items 7.2, 7.3, 7.5)

1. OPEN MEETING

The meeting commenced at 3.02pm. The Chair welcomed all those present to the meeting. The Chair advised the Committee that the order of the agenda will change to accommodate the series of discussions regarding the annual financial statements.

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. The Chair noted his membership on the Southern Region Waste Resource Authority Audit Committee.

4. CONFIRMATION OF MINUTES

Moved Councillor Pfeiffer, Seconded Mr Owens that the minutes of the Audit Committee meeting held on 18 August 2015 be confirmed as a true and correct record of proceedings.

Carried

5. BUSINESS ARISING

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

Confirmation was sought on the status of item 1, the Project Management Review. The Committee was advised that a body of work to develop a project management system has been conducted and will be presented to the Committee out of session for their feedback.

Action: Circulate project management review report out-of-session to Audit Committee for their feedback.

Confirmation was sought regarding item 2, the Debtors Aging report. The Committee was advised that this report would be included in the suite of annual reports to the Committee. This report will be brought to the Committee annually in conjunction with the presentation of the report on the Annual Financial Statements.

The Committee queried whether item 4, the driver safety training sessions were classroom based, and whether there was value in having practical session for drivers in higher risk roles. It was advised that data on motor vehicle incidents would be analysed to assess where practical training may be beneficial.

6. ELECTED MEMBER REPORT

6.1 Elected Member Representative Report to Audit Committee Report Reference: AC131015R6.1

Councillor Pfeiffer presented the Elected Member report and, in addition to the written report, informed that Committee that, under the newly adopted Council committee structure, he would not be nominating for reappointment to the new Finance and Audit Committee. Councillor Pfeiffer recognised the highly valuable work of the Audit Committee and thanked current and past members for their support during his time on the Committee.

The Committee noted the comprehensive nature of the Terms of Reference for the newly formed Finance and Audit Committee and sought clarification on item 6.5 in the terms of reference regarding the timing of the bi-annual review of the Committee's performance. The Committee was advised that a bi-annual review is due to be scheduled shortly and the methodology for the review used in the past, the LeBlanc survey, is being considered and may be revised for the next review.

Action: Add the bi-annual review of the Committee to the 2016 annual work program

The Committee also sought confirmation of the engagement term of the external auditor-Deloitte Touche Tohmatsu and were advised that their term expires at the end of 2015/16. The Committee were also advised that the external auditor has put in place a rotation policy in relation to the auditors undertaking audits at the City of Marion over the term of their engagement. The Committee was advised that the review of the contract for the engagement of the external auditor is included in its 2016 annual work program.

Action: Add the external auditor contract review to the 2016 annual work program

The Committee requested that any changes made to policies, Terms of Reference and other Committee documentation be marked in red when presented to the Committee so they can be easily recognised.

The Chairman also thanked Councillor Pfeiffer for his contribution to the Committee.

7. REPORTS

Corporate and Financial Management

The Chair noted the combination of reports relating to the Annual Financial Statements and advised the Committee that overviews from the City of Marion and the external auditor representing Deloitte Touche Tohmatsu would be provided and then the Committee will formally consider each individual report.

Mr. Barnwell, Manager Finance, provided a brief overview of the key points in relation to the City of Marion's 2014/15 Annual Financial Statements:

- A high level analytical review was provided (pages 191-192 of the agenda) which explained the main variances in the Comprehensive Income Statement and Statement of Financial Position against the 2013/14 position.
- The Statement of Comprehensive Income showed a continued sound financial performance with a positive underlying operating surplus for the tenth year in a row. The operating surplus reported for 2014/15 is \$10.027m. This included a substantial increase in Grants of \$2.3m predominantly relating to advance payment of an installment of 2015/16 Grants Commission's Financial Assistance Grants (FAG) received in the 2014/15 year.
- The adoption of the 2014/15 budget came with a commitment given to making a concerted effort and having a strong focus on pursuing efficiency and effectiveness savings throughout the year resulting in the strong financial position being presented in the 2014/15 annual Financial Statements.

Mr Barnwell informed the Committee that the audit process went very well, with no issues or delays arising. The result from the audit of the financial statements of no significant issues and an unmodified audit report being issued was very pleasing. In addition the audit on the effectiveness of Internal Controls demonstrated that all of last year's points raised had been appropriately dealt with.

3:25pm Ms Penny Woods, Partner and Mr Jason Liu, Client Manager Deloitte Touche Tohmatsu entered the meeting.

Ms Woods provided a verbal summary of key points regarding the 2014/15 audit of financial statements and internal controls. Ms Woods confirmed that the audit is now completed and Deloitte can now proceed to sign the financial statements. Ms Woods also confirmed that:

- The City of Marion would receive an unqualified audit opinion for the 2014/15 Annual Financial statements and an unqualified audit opinion on the effectiveness of the Internal Controls for 2014/15.
- There may be an opportunity for improvement moving forward to streamline and consolidate internal controls to reduce number of core controls.
- There were no issues raised during the audit process. Management has been very helpful with no delays encountered during the process.

The Committee noted the summaries provided by Mr Barnwell and Ms Woods and congratulated staff, and in particular the Finance Team, for the excellent results of the 2014/15 audit and its outcomes. It was noted that all actions from the previous year's audit on Internal Controls had been addressed which was very pleasing.

The Committee requested that the 'Analytical Review' provided in Appendix 6 (explaining the major variances shown in the Financial Statements) be presented in the future, at the front of

the suite of reports, as it provides valuable information in preparation for review of the detailed reports.

7.2 Independence of Council's Auditor for the year ending 30 June 2015 AC131015R7.2

Deloitte Touch Tohmatsu's Partner Ms Woods provided a verbal statement of independence as part of her summary report to the Audit Committee.

Moved Councillor Pfeiffer, Seconded Mr Owens that the Audit Committee:

1. Note the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2014/15 financial year.
2. Note that the CEO will be signing a statement that Council's external auditor Deloitte Touche Tohmatsu maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2014/15 financial year.
3. Endorse the Chairperson signing a statement that Council's external auditor Deloitte Touche Tohmatsu maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2014/15 financial year.

Carried

7.5 Meeting with external Auditors (in confidence) AC131015R7.5

Moved Councillor Pfeiffer, Seconded Mr Owens that the Audit Committee:

1. pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999*, orders that all persons present, with the exception of Ms Penny Wood (Deloitte) be excluded from the meeting as the Audit Committee meets with Councils external auditor to discuss the end of financial year audit, on the basis that the Audit 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 of the Council.
2. Provide a summary statement to be included in the Audit Committee Minutes.

Carried

3:40 pm The meeting went into confidence and all staff present left the meeting.

The Audit Committee and Elected Members present held a discussion with Ms Penny Woods and Mr Jason Liu from Deloitte. Through the discussion the auditors reported that there were no issues of substance they wanted to raise with the Committee, and that the response and support from Management throughout the Audit was of the highest order. All issues and requests were dealt with in a timely and professional manner.

3.55 pm The meeting came out of confidence.

7.3 Audited Annual Financial Statements for the year ending 30 June 2015 AC131015R7.3

The Committee considered the detailed audited annual Financial Statements for the year ending 30 June 2015 and sought clarity on a range of elements in addition to the Analytical Review presented in Appendix 6, accompanying the audited annual Financial Statements.

The Committee sought clarification on the increase in net surplus from operations, and was advised that a significant contribution to this surplus was due to the early receipt of a \$1.4m Financial Assistance Grant payment received in 2014/15 which relates to the 2015/16 financial year. The adoption of the 2014/15 budget also came with a commitment given to making a concerted effort and having a strong focus on pursuing efficiency and effectiveness savings throughout the year resulting in the strong financial position being presented in the 2014/15 annual Financial Statements.

The Committee noted that the 'Net Financial Liabilities' presented on page 42 of the report is not a ratio, rather a representation of total Net Financial Liabilities.

The Committee noted the variance in the prior year user charges figures provided in the Statement of Comprehensive Income and the Statement of Cash Flows, along with the reference to the full expenditure of grants for the Cove Civic Centre in 2013/14 on page 79 should be reviewed and appropriately updated prior to adoption by Council. They also reiterated the need to ensure explanatory notes provide clarity in areas of significant variances such as the increases in 'Physical Resources Received Free of Charge' from developers including roads, bridges and footpaths (page 68).

The Committee queried the reason employee leave expenses had increased in 2014/15 and were advised that this was due to improved reporting resulting in the 2014/15 leave expense being reflected more accurately. The Committee was also provided clarification that the contractors expenses only includes engagement of external parties. Agency hire staff are appropriately captured within Employee Costs and FTE numbers.

The Committee noted that the category under the Employer of Choice heading on pg 84 should be updated to read Work, Health and Safety.

The Committee discussed the process and controls in place for ensuring that monies allocated to Super Funds are actually paid into those funds. The Committee recommended that appropriate processes are in place as part of the Annual Financial Statements process to verify this.

Action: Ensure appropriate processes are in place to verify that the transfer of funds to Superannuation Accounts occurs in accordance with legislative requirements.

The Committee also sought clarification regarding whether any increase in employer contributions is needed into Defined Benefit Fund. The Committee was advised that an independent bi-annual actuarial review is undertaken to ensure contributions are adequate. The Committee was advised that current funding levels in the Defined Benefit Fund are adequate.

The Committee sought further details regarding the benefits in being part of the Council Solutions Regional Authority and advised it would be useful to provide an annual overview regarding the benefits in being part of both Southern Regional Waste Resource Authority (SRWRA) and Council Solutions.

Action: Provide details regarding the benefits and value of being part of SRWRA and Council Solutions, to accompany the future annual Financial Statements reports.

The Committee discussed the three key areas of focus included in the information paper 'Model Work Program for Council Audit Committees' developed by the Local Government Association and queried whether these areas had been adequately addressed as part of the preparation and deliberations on the annual financial statements. Confirmation was provided that these key areas of focus had been comprehensively covered, however cross referencing back to these areas of focus will become part of reporting in the future.

Action: Cross reference against areas of focus in information paper 'Model Work Program for Council Audit Committees' and provide analysis as part of ongoing reporting to the Committee.

Moved Cr Pfeiffer, Seconded Mr Owens that the Audit Committee:

1. Recommend to Council that the audited Annual Financial Statements for the year ended 30 June 2015, as attached at Appendices 1-4, be adopted.
2. Note Deloitte's management letter, as attached at Appendix 5
3. Note the comparative analysis to prior year Audited Financial Statements (Analytical Review), as attached at Appendix 6

Carried

4:30pm Ms Woods and Mr Liu left the meeting

7.1 Audit Committee Annual Report to Council 2014/15 Ref No: AC131015R7.1

The Audit Committee noted the report and made the following comments:

The Committee requested that future annual reports align with the elements in the Committee's Terms of Reference. Clarification was provided that the annual agenda program for the Committee closely aligns with the Terms of Reference and the report follows the agenda structure. Further improvements will be made to the report to strengthen alignment with the Terms of Reference.

Action – Cross reference the current Annual Report against the Committee's Terms of Reference to ensure all elements of Terms of Reference have been considered.

The Committee requested that the draft Asset Management Plan approval process always includes tabling with the Audit Committee prior to presentation to the Council, as was the case in 2014/15.

The Committee also requested that a further key point be added to the report to reflect the focus on strengthening the information sharing and reporting between the Audit Committee and Council. It was agreed that a focus on embedding good two-way reporting over the past year has been very beneficial for both the Audit Committee and Council.

The Committee noted some minor editorial amendments to the Annual report which will be revised before tabling with Council on 27 October.

Councillor Gard sought advice regarding the need to strengthen reporting and alignment on delivery, particularly in respect of Council's resolutions, against various strategic, operational and financial plans. The Chair of the Audit Committee noted that this is a primary role and responsibility of the CEO. Ms Jarrett provided further clarity regarding the system of reporting of corporate KPIs on a quarterly basis to Council. This includes reporting progress of Council resolutions and will also focus on strengthening alignment of plans and delivery in 2015/16.

Moved Mr Owens, Seconded Councillor Pfeiffer endorses the Annual Report to Council for 2014/15 provided at Appendix 1 to this report, subject to amendments as required, prior to being presented to Council at the 27 October 2015 General Council meeting.

Carried

7.4 Debtors Report AC131015R7.4

The Committee noted the report and queried whether any debts were written off during the 2014/15 year and were advised that only a small number of very minor debts, totaling less than \$500, had been written-off during the year. As previously advised to the Committee the Debtors Ageing report will be provided annually with the year-end Financial Statements.

Action: The Committee sought further information on the actual recovery of debts in the past year from debts preserved in the deferred rates category following sale of the property.

7.6 Investment Performance 2014/2015 AC131015R7.6

The Committee noted the Investment Performance Report 2014/15 and sought clarification regarding the risk that may be associated with investing monies with the Local Government Finance Authority (LGFA) given the City of Marion's current consideration of its membership with the Local Government Association (LGA). The Chief Executive provided clarity that the LGFA is a separate entity to the LGA and membership of the LGA is not a prerequisite for the LGFA.

The Committee provided advice regarding benchmarking of investment performance, and that it would be useful to benchmark against commercial rates being offered by one or more of the big 4 banks, in addition to the Reserve Bank cash rate.

7.7 Asset Valuation Process and Outcomes for 2014/2015 AC131015R7.7

The Audit Committee noted the report and advised management to discuss the change in process regarding annual desktop valuations for Non-Infrastructure Assets with the external auditors (Deloitte) to ensure they were comfortable with the proposed change before implementing it.

The Committee also advised that the Non-Infrastructure valuation report should still be reviewed annually by Finance. This will ensure that if any material movements do occur, appropriate adjustments are made in the Annual Financial Statements to reflect these movements.

Action: Seek advice from Deloitte regarding the proposed change to the desktop valuation process for Non-Infrastructure Assets prior to implementing the change.

Risk Management

Nil

Program Evaluation

7.8 Hard Rubbish Service Review Project Brief AC131015R7.8

The Committee noted the report and sought clarification regarding the scope of the hard rubbish review, specifically whether it would include difficult waste streams such as e-waste, paint and batteries. The Committee was advised that the scope of the review would not include these types of waste, and would focus on waste that is part of the Hard Rubbish collection service. The importance of containing the scope of this review was explained to the Committee as this will be the first review under the new service review program and it provides a valuable project to inform the continued development of the system and review approach. Hence it is critical to complete this review in a timely manner to support the roll out of the next suite of reviews.

The Committee also queried whether there is adequate internal expertise regarding management of specialised waste streams and difficult waste management challenges. The Committee was advised that the City of Marion has good internal expertise for this review, and also has access to expertise at the Southern Region Waste Resource Authority, and other Councils such as City of Charles Sturt which has recently undertaken a targeted waste review from which we are able to learn. As this project is the first new service review, the approach, information and expertise to be sought, will continue to be assessed as the review progresses.

7.9 Internal Audit and Service Review Update AC131015R7.9

The Committee noted the report and provided feedback that they supported the proposed approach for the service review program. The Committee requested that this report, with a progress update, be added to the Audit Committee meeting in December to enable the Committee to consider the Internal Audit and Service Review program in more detail.

Action: Add the Internal Audit and Service Review Update report to the December Audit Committee meeting agenda.

The Committee discussed the way in which the services are defined and that this would likely influence the focus, process and outcomes of the review. They advised it would be worthwhile to compare the current City of Marion service list with the way in which other councils define their services. The Committee was advised that the service list and definitions will continue to

be reviewed and their priority for a service review will be considered at a number of levels. An update on this process will be provided to the Audit Committee at its December meeting.

8. CONFIDENTIAL ITEMS

Nil

9. ANY OTHER BUSINESS

The Audit Committee Chair invited the new Chief Executive Officer Mr Adrian Skull to provide any comments to the Committee. Mr Skull provided comments regarding a key priority being managing the carryover issues related to the Capital Works program and that he will ensure that this issue is managed as quickly and effectively as possible. He also informed the Committee that he provided a report to Council after his first 30 days in the role, covering his early views of a range of aspects of the organisation.

Councillor Pfeiffer sought clarification regarding contributed assets, and specifically whether engineering standards are required to be met for these assets. This question was taken on notice, with a response to be provided to the Audit Committee.

Action: Provide the Audit Committee with comment regarding if contributed assets are specifically required to meet engineering standards.

10. MEETING CLOSURE

The meeting was declared closed at 5.27 pm

11. NEXT MEETING

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

Time: 3.00 pm - 6.00 pm

Date: 15 December 2015

Venue: Chamber, Administration Building, 245 Sturt Road, Sturt

.....
CHAIRPERSON

/ /

CITY OF MARION

BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS

AS AT 11 DECEMBER 2015



	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	13 October 2015	LGA MLS Risk Review **See Annual Work Program**	S Walczak	October 2015	Included on the agenda for 15 th December 2015	December 2015
2.	13 October 2015	Circulate project management review report out-of-session to Audit Committee for their feedback.	F Harvey	December 2015	Consultation is currently occurring with the CEO and the report will be circulated to Committee members in due course	March 2016
3.	13 October 2015	Add the bi-annual review of the Committee to the 2016 annual work program	K McKenzie	December 2015	This item has been added to the work program 2016	December 2015
4.	13 October 2015	Add the external auditor contract review to the 2016 annual work program	K McKenzie	December 2015	This item has been added to the work program for 2016	
5.	13 October 2015	Ensure appropriate processes are in place to verify that the transfer of funds to Superannuation Accounts occurs in accordance with legislative requirements.	R Barnwell	December 2015	Appropriate procedures have now been put in place to ensure independent verification is now obtained from the Superannuation Clearing House of all monies transferred from the City of Marion	December 2015
6.	13 October 2015	Provide details regarding the benefits and value of being part of SRWRA and Council Solutions, to accompany the future annual Financial Statements reports.	V Mifsud	December 2015	This is noted and information will be provided with future annual Financial Statement reports.	December 2015
7.	13 October 2015	Cross reference against areas of focus in information paper 'Model Work Program for Council Audit Committees'	K McKenzie	December 2015	This document has been reviewed and noted.	December 2015

City of Marion
Audit Committee Action Arising Statement as at 11 December 2015

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		and provide analysis as part of ongoing reporting to the Committee.				
8.	13 October 2015	Cross reference the current Annual Report against the Committee's Terms of Reference to ensure all elements of Terms of Reference have been considered.	K McKenzie	December 2015	Completed as part of final report to Council. Council considered and adopted the report at the 27 October 2015 General Council Meeting.	December 2015
9.	13 October 2015	The Committee sought further information on the actual recovery of debts in the past year from debts preserved in the deferred rates category following sale of the property.	R Barnwell	December 2015	We have reviewed the recovery of rates debts for the past two calendar years in relation to arrears greater than 3 years which have been recovered following the sale of the property. In 2014 - There were 8 properties sold recovering rates in full of \$74,960. One of these properties was the single largest rates debt on the COM books of \$16,140 In 2015 - There were only 3 properties sold recovering \$18,730	December 2015
10	13 October 2015	Seek advice from Deloitte regarding the proposed change to the desktop valuation process for Non-Infrastructure Assets prior to implementing the change.	R Barnwell	December 2015	Management will be meeting with Deloitte for an audit close out meeting on 17 December. At that meeting one of the topics to be discussed will be the proposed change to the desktop valuation process for Non-Infrastructure Assets. No change will be implemented prior to the consideration and agreement with the changed process from our external auditors Deloitte.	17 Dec 15
11.	13 October 2015	Add the Internal Audit and Service Review Update report to the December Audit Committee meeting agenda.	K McKenzie	December 2015	The progress of the Internal Audit and Service Review Program is included within the agenda.	December 2015
12.	13 October 2015	Provide the Audit Committee with comment regarding if contributed assets are specifically required to meet	R Barnwell F Harvey	December 2015	Contributed assets are required to meet all relevant engineering standards. These vary depending on the type of contributed assets. Many are captured through the Development Act	December 2015

City of Marion
Audit Committee Action Arising Statement as at 11 December 2015

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		engineering standards.			and planning regulations, building regulations and technical specifications as well as Australian Standards and Codes.	

* completed items to be removed are shaded

SCHEDULE OF MEETINGS 2015			
Day	Date	Time	Venue
Tuesday	14 April 2015	3.00 – 6.00 pm	Administration Centre
Monday	15 June 2015	3.00 – 6.00 pm	Administration Centre
Tuesday	18 August 2015	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council and the Strategic Directions Committee)	Administration Centre
Tuesday	13 October 2015	3.00 – 6.00 pm	Administration Centre
Tuesday	15 December 2015	3.00 – 6.00 pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2015

TUESDAY, 14 April 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Business Plan and Budget 2015/16	Review and Feedback
Corporate Risk Profile	Review and Feedback
Asset Management Plans & Associated Policies – Update	Review and Feedback
Community Facilitates Partnership Program	Review and Feedback
Acquisition and Disposal of Land/Assets	Review and Feedback
Program Evaluation (Internal Audit Tender)	Review and Feedback
Outstanding Debtors Report	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note

MONDAY, 15 June 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Engagement for the Year Ending 30 June 2015	Review and Recommendation to Council
Draft Annual Business Plan and Budget (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note
Annual Review of WHS Program	Review and Feedback
Asset Management Plans – Final Draft	Review and Feedback

TUESDAY, 18 August 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Claims and Insurance Renewal Report	Review and Feedback
Valuations of Buildings and Assets	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note
Meeting with internal auditors in camera	Seeking feedback from Auditors

TUESDAY, 13 October 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Committee Annual Report to Council	Review and Refer to Council
Independence of Council's Auditor for the year end 30 June 2015	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2015	Review and Recommendation to Council
Meeting with external auditors in camera	Seeking feedback from Auditors
Program Evaluation (Scopes and Reports)	Review and Notes
LGA MLS Risk Review **see actions arising statement**	Review and Feedback
Investment Performance 2014/15	Noting

Tuesday, 15 December 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Feedback
Corporate Risk Profile	Review and Feedback
Work Program and Meeting Schedule 2016	Review and Feedback
Long Term Financial Plan – Half yearly update	Review and Feedback
Ombudsman SA Annual Report 2014-15	Review and Feedback

CITY OF MARION

AUDIT COMMITTEE IMPROVEMENT PLAN AUGUST 2015



	Identified Improvement Opportunity (Audit Committee Effectiveness Survey)	Identified Improvement Activity	Responsible Officer	Original Due Date	Revised Due Date	Status	Completed

The Committee agreed at its meeting of 29 July 2014 to completed/remove the remaining item from the improvement plan. There are currently no outstanding items on the Audit Committee Improvement Plan.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
15 DECEMBER 2015**

Originating Officer: Kate McKenzie, Manager Corporate Governance
Councillor Raelene Telfer & Councillor Tim Gard

Subject: Elected Member Representative Report to Audit Committee

Report Reference: AC151215R6.1

REPORT OBJECTIVE:

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

EXECUTIVE SUMMARY:

Since the last Audit Committee meeting on 13 October 2015, Council has held five (5) General Council meetings being the 13 October, 27 October, 10 November, 24 November and 8 December. At these meetings, the Council made the following decisions that relate to the Audit Committee Terms of Reference:

13 October 2015

- Confirmed Council's membership with the Local Government Association until the end of June 2016.

27 October 2015

- Noted the minutes and action from the 13th October 2015 Audit Committee Meeting.
- Council adopted the Audit Committee Annual Report to Council 2014/15.
- Adopted the Annual Financial Statements for the year ended 30 June 2015.
- Adopted the Investment Performance 2014/15.

10 November 2015

- No matters to report relevant to the Terms of Reference.

24 November 2015

- No matters to report relevant to the Terms of Reference.

8 December 2015

- Council considered a review of decision to close the wet areas at Marion Leisure and Fitness and at the conclusion of the matter resolved to “direct the YMCA to operate the spa area without a life guard in accordance with the lease provided users sign a waiver and subject to insurance availability to cover Council for this activity either via the Local Government Mutual Liability Scheme or commercial provider.”
- Council resolved to progress the planning of a multi- purpose indoor courts and the integrated development of facilities for existing sporting clubs and dog club at Mitchell Park. This included the progress of costed concept plan and the calling of a select tender to engage architectural, civil engineering, services engineering, landscape architecture, geo-technical, contamination assessment and cost management services.

- Council endorsed the option of demolishing all existing buildings on the Edwardstown Oval site with the preferred concept to erect new buildings. This will be further developed through a section 48 prudential report to assist the bid for the National Stronger Regions Fund early in 2016. Note that a separate report, as required under Section 48 of the Local Government Act, will be brought to Council for consideration describing, amongst other matters, the whole of life costs associated with the project.
- 1. Council adopted its first budget review for 2015/16 and approved the remainder of the identified once-off savings from the 2014/15 audited financial statements of \$2.914m (total funding savings of \$3.315m less committed funds per Council resolutions of \$0.401m) be used to reduce the total level of planned and approved borrowings required for the completed City Services Redevelopment project.

RECOMMENDATION (1)**DUE DATE****The Audit Committee note the report.****December
2015**

**CITY OF MARION
FINANCE AUDIT COMMITTEE MEETING
15 DECEMBER 2015**

Originating Officer: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, Corporate Services

Subject: Finance & Audit Committee Work Program & Meeting Schedule for 2016

Reference No: AC151215R7.1

REPORT OBJECTIVE

Setting an annual work program helps to ensure that the Audit Committee addresses the scope of activities identified in the Audit Committee Policy and Terms of Reference, and ensures that the workload of the Committee is planned, managed and resourced. It allows the Committee to relay the dates and times of the meetings to the community and provides for upcoming business to be dealt with in a timely manner.

EXECUTIVE SUMMARY

The Audit Committee Policy requires that the Committee meet at least quarterly at a time and place determined by the Committee, provided that all meetings are open to the public at the City of Marion building (Clauses 4.15 of the Finance and Audit Committee Policy). A schedule of meetings is to be determined by the Committee Members (clause 4.17 of the Finance and Audit Committee Policy).

A work program and meeting schedule for 2016 satisfying the requirements set out in the Policy has been compiled in **Appendix 1** for the Committee's consideration. The items included on the program are indicative only as items may be added, changed or moved during the year depending on areas of identified risk. As can be seen, the program addresses areas of responsibility as defined within the Audit Committee Terms of Reference, as well as providing opportunity for the improvement of the Committee's operations.

RECOMMENDATION (2):

DUE DATES

That the Audit Committee:

1. **Notes the proposed work program for 2016 identified at Appendix 1 to the report.**
2. **Adopts the following indicative schedule of meetings for 2016;**
 - a. **TUESDAY, 8 March 2016 (2.00 – 5.00 pm)**
 - b. **TUESDAY, 31 May 2016 (2.00 – 5.00 pm)**
 - c. **TUESDAY, 15 August 2016 (4.00 – 6.00 pm, followed by joint workshop with Council from 7.00 – 9.00 pm)**
 - d. **TUESDAY, 11 October 2016 (2.00 – 5.00 pm)**
 - e. **TUESDAY 13 December 2016 (2.00 – 5.00 pm)**

**December
2015**

**December
2015**

Appendix 1

SCHEDULE OF MEETINGS 2015			
Day	Date	Time	Venue
Tuesday	8 March 2016	2.00 – 5.00 pm	Administration Centre
Tuesday	31 May 2016	2.00 – 5.00 pm	Administration Centre
Tuesday	15 August 2016	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council)	Administration Centre
Tuesday	11 October 2016	2.00 – 5.00 pm	Administration Centre
Tuesday	13 December 2016	2.00 – 5.00 pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2016 TUESDAY, 8 March 2016

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

TUESDAY, 31 May 2016

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Engagement for the Year Ending 30 June 2015	Review and Recommendation to Council
Draft Annual Business Plan and Budget (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Scope for Audit Committee Bi-Annual Review Process	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Annual Review of WHS Program	Review and Feedback

TUESDAY, 15 August 2016 (Joint Workshop with Council)

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

TUESDAY, 11 October 2016

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

Tuesday, 13 December 2016

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Feedback
Work Program and Meeting Schedule 2017	Review and Feedback
Ombudsman SA Annual Report 2015-16	Review and Feedback
Framework and Key Assumptions Annual Business Plan and Budget and Long Term Financial Plan	Review and Feedback

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
15 December 2015**

Originating Officer: Deborah Horton, Unit Manager Executive Support

Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, Corporate Services

Subject: Ombudsman's Annual Report 14/15

Report Reference: AC151215R07.2

REPORT OBJECTIVES:

To provide information extracted from the South Australian Ombudsman (the Ombudsman's office) Annual Report 2014/15 (the report) with particular reference and explanation of statistics relating to Local Government and the City of Marion.

EXECUTIVE SUMMARY:

The Ombudsman's office received a total of 30 complaints regarding the City of Marion in 2014/15. Six of these complaints were refused to be investigated (five from the same complainant), referring 20 complainants back to the City of Marion, one complaint investigated with a Section 25 finding, two complaints were from an anonymous complainant requiring no action and one complaint the Ombudsman considered resolved.

With the steady rise of complaints to the Ombudsman's office (10% increase from last year) the Ombudsman has instigated the practice of referring complainants back to the relevant council in the first instance. This comes from the view that the Ombudsman's office should be the last resort for complainants. This practice gives Council the opportunity to address complaints in keeping with policy framework and at the same time, improve processes if required.

This report provides the City of Marion with a greater understanding of the categories of complaints investigated and the administrative standards expected by the Ombudsman office and to identify possible areas for improvement where relevant.

RECOMMENDATION (1)

DUE DATES

That the Audit Committee:

1. Acknowledges the information provided in AC151215R7.2 and provides any relevant feedback.

15 Dec 15

BACKGROUND

The SA Ombudsman presents an annual report to Parliament which summaries the activities, investigations, initiatives and achievements for the past financial year. Of particular interest is the investigations undertaken by the Ombudsman relating to Local Government generally and the City of Marion. The full report can be accessed at: www.ombudsman.sa.gov.au

ANALYSIS:

Relevant Local Government highlights

- A total of 923 local government complaints were 'open' during 2013/14 – 45 less from 2013/14.
- In June 2015, the Ombudsman commenced an audit of local council's implementation of the obligation under section 270 of the *Local Government Act 1999* to establish a procedure for an internal review of a council decision. This audit is still in train, with recommendations and a report to be tabled in the early part of 2016.
- The top five areas of complaints in local government relate to the following;
 - 156 complaints (16.8%) – Regulation/enforcement/unreasonable parking fines
 - 87 complaints (9.4%) – Regulation/planning & dev/inappropriate development
 - 72 complaints (7.8%) – Complaint handling/inadequate process
 - 34 complaints (3.7%) – Regulation/planning & dev/unreasonable conditions imposed
 - 33 complaints (3.6%) - Complaint handling/wrong conclusion
- **Appendix 1**, diagram 1 provides a visual comparison of complaints received in metropolitan local government relating to the number of complaints per 10,000 head of population.

City of Marion Key Highlights

The following highlights have been extracted from the Ombudsman's Annual Report and comparing these statistics with six monthly reports received from the Ombudsman's Office.

The phrase "*referrals back to the Agency*" used within documents produced by the Ombudsman's Office indicate that the complainant has been encouraged to contact Council.

In some instances, this contact may be the first time that Council may have heard of the complaint (they may have called anonymously) or there may be a record of the complaint and they have requested;

- No further action from Council;
- Further action from Council which has not been finalised at the time contact with the Ombudsman was made;
- Requested further action from Council and are not satisfied with the outcomes.

In some cases, the complainant may not have contacted Council again at the request of the Ombudsman's office.

Key highlights include:

- The Ombudsman received in total 30 complaints pertaining to the City of Marion in 2014/15 (**Appendix 1** diagram 2 shows a comparison of complaints made last financial year).

- Four complaints related to breaches of the Elected Member Code of Conduct. One was declined to be investigated, two were referred back to Council, and one was made anonymously with no further details).
 - Elected Member Code of Conduct – anonymous
 - Elected Member Code of Conduct – referred back to Council, complainant unknown
 - Elected Member Code of Conduct - declined to investigate
 - Elected Member Code of Conduct – unreasonable decision to pay travel allowance, referred back to Council
- The Ombudsman completed two investigations which were made in 2013/14 relating to breaches of the Code of Conduct for Elected Members, following from recommendations of the Acting Ombudsman during 1 July 2014 – December 2014.

Given one Elected Member was no longer a member at the time of the investigation, the Acting Ombudsman did not make any recommendations and the matter has been closed.

The second complaint made a finding that the Elected Member engaged in repeated/sustained inappropriate behaviour such as to constitute misconduct under Part 3 of the Code of Conduct for Elected Members. The Acting Ombudsman recommended that the Council reprimand the Member and require them to issue a public apology to the complainant verbally and in writing and to agree to refrain from this behaviour in future. These recommendations were implemented.

- The Ombudsman undertook an investigation in accordance with Section 25 of the *Ombudsman Act 1972*, with a finding that the outcome was wrong in the way it handled the complainant's complaint (see below).
- A total of six complaints received by the Ombudsman were declined to be investigated due to being deemed 'unnecessary or unjustifiable'. These related to;
 - Unreasonable refusal of Council not to investigate complaint relating to parking and building – five of these complaints related to the same complainant.
 - Unreasonable planning regulations – complainant wishes to extend to an existing dwelling but regulations do not allow the complainant to undertake their extension as they wish.

Section 25 Reports - City of Marion

Section 25 reports are prepared (after a full investigation by the Ombudsman has been undertaken) which finds that an administrative error has been made. These reports often contain recommendations intended to remediate the error, with the details below;

Refusal to fix damage: compliance with the Councils Complaint and Grievance Policy

The Ombudsman investigated whether the Council had immunity under section 245 of the Local Government Act 1999 to repair any damage to a crossover allegedly caused by a street tree.

Council's view was whilst the crossover was damaged; it was not as a result of a street tree, but of the poor compaction of the complainants paved driveway. The complainants view was that they had sufficiently advised Council about the trip hazard and on that basis, Council was liable for damage caused.

The Ombudsman reported the Council did not act in a way which was unlawful, unreasonable or wrong in relation to the decision not to repair the crossover, but found that an internal communication error caused delay in responses to the complainant and that Council acted in a way that was wrong in relation to the management of the complainant's complaint.

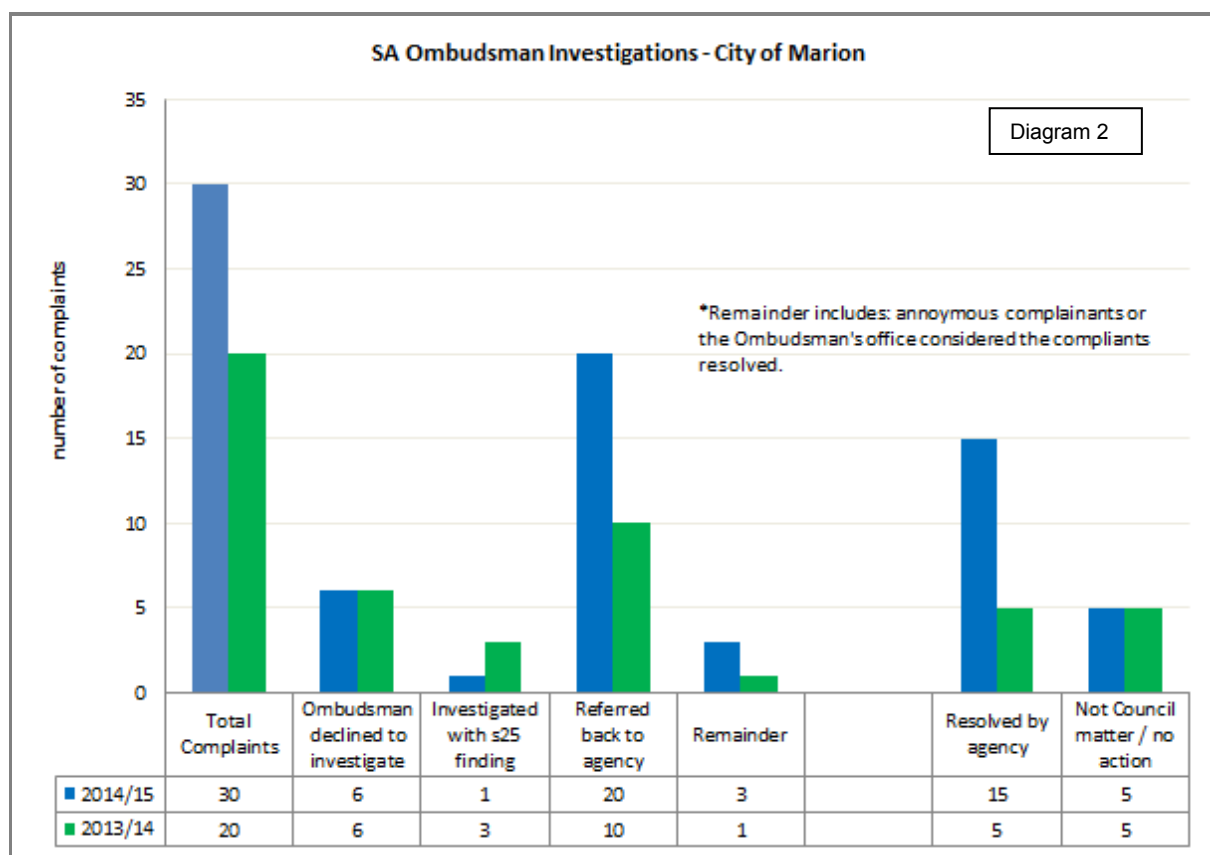
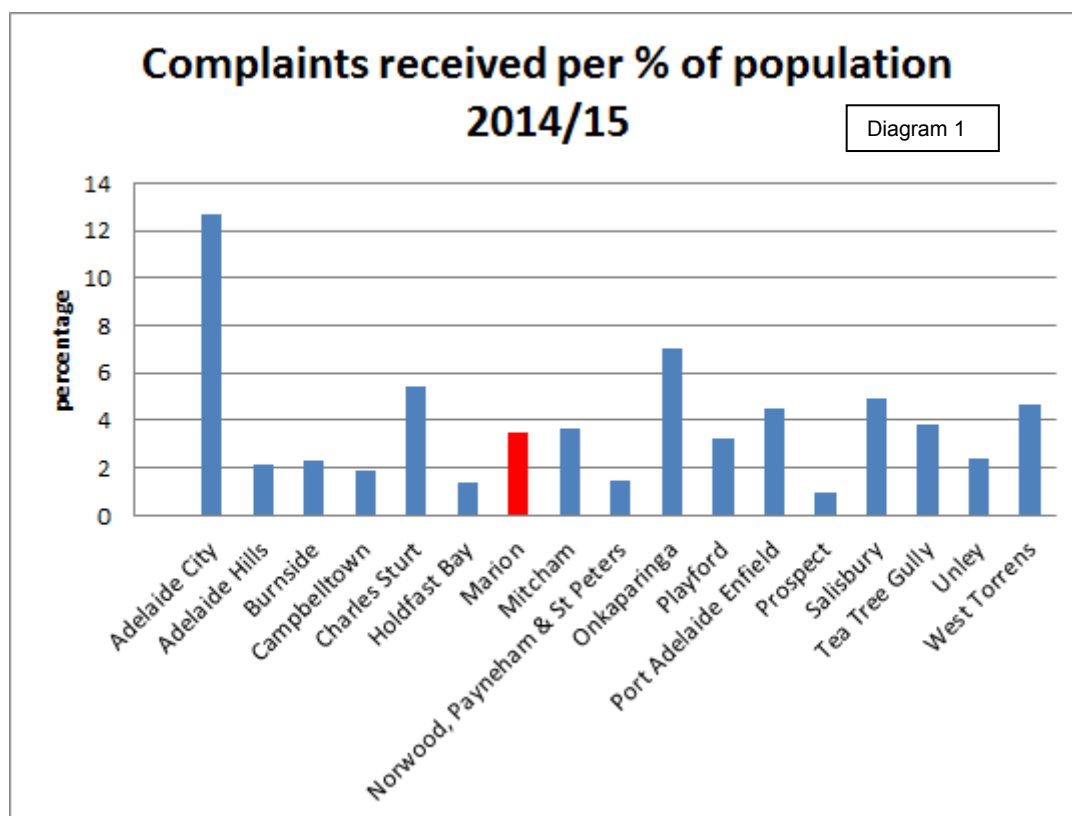
CONCLUSION:

The Ombudsman plays an important role for investigation of complaints about local government agencies. The City of Marion continues to improve processes by ensuring that such reviews are based on good practice and continuous improvement.

Appendix 1 Additional Information - Diagrams

Appendix 2 Summary of complaints

Additional Information – Diagrams



Summary of complaints '*referred back to the Agency*'

- Twenty complaints were 'referred back' to City of Marion with claims of unreasonable outcomes, which were managed by the respective area responsible for the complaint with a short summary provided of any action as a result of the complaint;
 - Dog complaints (one) – 'refusal to issue dog destruction order'
 - A complaint was registered with Council and a Section 270 review of a council decision was undertaken. This involved the complainant's dog being attacked and killed by neighbouring dogs. Council investigated the matter and determined to progress with;
 - Prosecution against the neighbouring dog's owners for two dogs found wandering at large, two offences for harassing a person, two offenses of dog attack of an animal owned by another person and one unregistered dog
 - Additional orders seeking the dog owner to pay compensation to the complainant for the injury, damage and loss suffered
 - Destruction orders be issued for two dogs (but not a third) but remitted on the basis that both dogs be subject to control dangerous dog orders.
 - Unreasonable action and fines (one)
 - City of Marion was unaware that a complaint had been made to the Ombudsman. This complaint involved a dog wandering at large. The owner was at work but the daughter of the owner collected the dog. The fine was mistakenly placed in the daughter's name, but was resolved by prompt re-issue.
 - Unreasonable action taken regarding a sign (one)
 - City of Marion was unaware that complaints were made to the Ombudsman. No complaints are recorded on file under the names of either complainant however, the complainant took offence to a sign "make coffee not war" located within a shop. The shop also had tables and chairs outside which blocked the footpath for pedestrian traffic.
 - Unreasonable action and failure to remove a tree (one)
 - City of Marion was unaware that a complaint had been made to the Ombudsman. The process for tree removal is managed by Council. The tree is significant and healthy with no identifiable risks and therefore no justifiable reason for Council to remove the tree.
 - Unreasonable failure to remove illegally dumped rubbish (one)
 - A complaint was made to the Ombudsman's Office regarding illegally dumped rubbish. The Ombudsman's office contacted Council and the rubbish was promptly removed.
 - Unreasonable restrictions (one)
 - A complaint was made to the Ombudsman's Office regarding planning regulations that prohibit the owner from extending a dwelling to increase the view. The issue is outside of Councils jurisdiction.

- Unreasonable refusal to accept responsibility (four)
 - A complaint was registered by a resident who alleged damage to his gutter and roof due to contractors removing a street tree adjacent to his property. The issue was resolved with the matter being referred to Council's insurance scheme.
 - The City of Marion was unaware of this complaint registered by a resident who alleged that due to resurfacing of the road, their car was damaged when entering their driveway. There is no complaint on file and therefore no further action undertaken by Council.
 - The City of Marion was unaware of one complaint registered as 'refusal to accept liability'. There is no complaint on file and therefore no further action undertaken by Council.
 - The City of Marion was unaware of this complaint registered by a resident whom requested Council pay part of a retaining wall. There is no complaint on file and therefore no further action undertaken by Council.
- Unreasonable restrictions (one)
 - A complaint was made to the Ombudsman's Office regarding planning regulations that prohibit the owner from extending a dwelling to increase the view. The issue is outside of Councils jurisdiction.
- Unreasonable delay (five)
 - Of the five complaints, the City of Marion is unaware that three complaints were made to the Ombudsman's office. No records are on file/ registered by the names provided.
 - A complaint was made to the Ombudsman's Office regarding the time taken to review / determine lease arrangements for the Casa Marion Leisure and Fitness Centre.
 - A complaint was made to the Ombudsman's Office regarding the time taken to review a complaint made by a resident regarding a fall from a bike. The matter was referred to the Council's insurance scheme.
- Unreasonable action illegal parking and unsightly property (one)
 - A complaint was made to the Ombudsman's Office regarding a decision not to expiate a resident for continued parking allegedly on the Council verge and unsightly property. The matter was reviewed under the obligations imposed via Section 270 of the *Local Government Act 1999* (SA) with 11 recommendations to improve internal processes and service levels to residents which are in train. The complainants have been referred to mediation and advised of civil remedies available to them if they wish to pursue.
- Unreasonable action noise (one)
 - A complaint was made to the Ombudsman's Office regarding noises and vibrations felt at two properties (in their dwellings) allegedly coming from the water pumps at Oaklands Wetlands. The matter as reviewed under the obligations imposed via Section 270 of the *Local Government Act 1999* finding no evidence to support the allegations. The complainants have been referred to mediation services and the Environment Protection Authority.

- Delay's in Council action or providing information (two)
 - The City of Marion was unaware that a complaint had been made to the Ombudsman. One complaint related to a property in Hallett Cove with a shipping container located in the front yard and a retaining wall collapsing onto the footpath. This complaint involved other agencies including Court orders however the matter was closed with a successful outcome in June 2014.
 - The City of Marion was unaware that a complaint had been made to the Ombudsman. This complaint involved allegations of a Council tree damaging private property. Inspection of the driveway by arborists revealed that footpaths had recently been replaced and that the species of tree could not have done the damage claimed. No further action was taken.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
15 DECEMBER 2015**

Originating Officer: David Harman, Financial Accountant

Corporate Manager: Ray Barnwell, Manager Finance

General Manager: Vincent Mifsud, Corporate Services

Subject: Framework and Key Assumptions for the preparation of the 2016/17 ABP&B and LTFP

Report Reference: AC151215R7.3

EXECUTIVE SUMMARY:

The purpose of this report is to present to the Audit Committee for its consideration and feedback:

- The proposed framework in setting the Annual Business Plan & Budget (ABP&B) 2016/17 including a review of financial parameters and key budget assumptions
- The associated risks with the proposed framework and key budget assumptions

RECOMMENDATIONS (2)

DUE DATES

That Audit Committee:

- | | |
|---|---------------------------|
| <p>1. provide feedback on the framework, assumptions and associated risks in setting the Annual Business Plan and Budget for 2016/17 and the Long Term Financial Plan</p> | <p>15 Dec 2015</p> |
| <p>2. Recommend the adoption of the proposed framework and assumptions by Council subject to the inclusion of any recommended changes</p> | <p>15 Dec 2015</p> |

BACKGROUND & DISCUSSION

Prior to the preparation of the next iteration of Council's Long Term Financial Plan (LTFP) and the ABP&B 2016/17, the Audit Committee's feedback is sought on the framework and key assumptions that will be used.

The current framework was adopted by Council at its meeting on 28 April 2015 (GC280415R05) and included the following key changes to the framework and key assumptions presented to the Audit Committee on 14 April 2015 (AC140415R6.1):

- Reduction of an average rate increase to 2.75% (2.9% in 2015/16 and previously 5.0%)
- Employee cost increases are capped at 2.0% (3% in 2015/16 and previously 6.0%)
- CPI is projected at 2.5% (previously 3.0%)

Framework

The ABP&B 2016/17 and the next iteration of the LTFP will be prepared under the following framework

- **Supports the achievement of the City of Marion's Strategic Directions.**

Comments: No change proposed.

- **Addresses issues arising from the internal audit reviews and business excellence assessments.**

Comments: It is recommended to change the wording to "Addresses issues arising and opportunities identified from internal audit reviews, service reviews and business excellence assessments."

- **Maintain a financial position at an average of category 3 (Operating Surplus of between 0 – 5%) over any five consecutive years, with a primary focus being on Cash Flow and Funding.**

Comments: It is recommended to change the wording of this to "Maintain an Operating Surplus ratio of between 0 – 6% over any five consecutive years, with a primary focus being on Cash Flow and Funding". This will remove any confusion with reference to "categories" and align the targeted Operating Surplus ratio to that adopted in the ABP&B 2015/16.

- **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: This prioritisation has been embedded in Council's Asset Management Policy, which in turn has informed the development of Council's next iteration of its AMP's which have been finalised and are due to be adopted by Council early in 2016. Once adopted these plans will be integrated into the next iteration of the LTFP.

- **Reviews existing services and assets to ensure they meet prioritised community needs.**

Comments: Processes for delivering further efficiency and effectiveness savings to ensure that maximising public value for ratepayers are continuing. This process of continual improvement incorporates undertaking a series of Business Service reviews with the objective of delivering future on-going operational savings.

- **Council only considers 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

- **Implements responses for progressing liveable cities strategies and funding opportunities within Marion.**

Comments: No change proposed.

Assumptions

In constructing the Draft ABP&B 2016/17 and the LTFP, a number of assumptions and variables will be applied:

- Service delivery levels are maintained at current levels (any new service improvements are prioritised and approved separately by council subject to financial capacity).
- 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:
 - Employee costs – increase of 2.0% from 2016/17 onwards, 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.
 - Rates – increase of 2.75% 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.
 - 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).
 - Contributed assets from developers of \$1.5m will be forecast for 2016/17 – 2025/26 (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.
 - 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.

Environmental Scan

The Environmental Scan identifying areas where critical issues and opportunities have been identified is currently undergoing its annual review and will be presented to the Audit Committee for feedback early in 2016 along with the projected timeline for the preparation of the ABP&B 2016/17 and the LTFP.

Risks in the preparation of the ABP&B and LTFP

There are a number of potential risks that need to be considered when assessing the Framework and Key Assumptions:-

1. Employee Costs - Dependant on the outcome of future Enterprise Agreements:

- the inside workforce agreement will expire at 30 June 2016 and is due for renegotiation in the new year. The existing agreement includes maintaining 6th ranking amongst other metro councils which resulted in a 3.4% increase in 2015/16.
- The outside workforce agreement will expire at 30 June 2017. The existing agreement again includes maintaining 6th ranking amongst other metro councils with a minimum 3% increase for 2016/17

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 are 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 \$0.3m in year one, and a total compounding impact over the 10 year term of the LTFP of \$9.6m.

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% increase.

2. 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, as well as a significant number of unfunded and unprioritised initiatives. It is crucial that these aspirational strategic projects and unprioritised initiatives are prudently assessed with appropriate due diligence and in a disciplined manner to ensure Councils long term financial sustainability is preserved.

3. There are increasing levels of community housing transfers across the City resulting in increasing levels of rate rebates. Recently we have had the transfer of 608 Mitchell Park homes from Housing SA to the management of community-housing provider Junction Australia. Whilst this transfer, through agreement between State Government and Junction Australia, does not require the legislated rate rebate there has also been an increasing number of transfers in addition to this agreement since the start of the financial year. Excluding the properties mentioned above the following are the transfers over the past 3 years:

Year to date	2015/16	58 (+ 608 Mitchell Park transfer)
	2014/15	20
	2013/14	34

Targeted Savings

With the strong focus on identifying on-going savings during the preparation of the ABP&B 2015/16, Council adopted a budget which incorporated projected savings of \$3.2m. In addition, identified once-off savings of \$3.315m were achieved and recently reported to Council following the completion of the 2014/15 audited financial statements. Council services will continue to be reviewed during the preparation of the ABP&B 2016/17 and any areas where further efficiency and effectiveness savings are identified through Business Service reviews will be incorporated into the development of the ABP&B 2016/17 and the LTFP.

CONCLUSION:

Feedback is sought from the Audit Committee in regards to the Framework, Assumptions and Risks in the preparation of the draft LTFP and ABP&B 2016/17.

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
15 December 2015**

Originating Officer: Fiona Harvey, Manager Innovation and Strategy
General Manager: Abby Dickson (Acting)
Subject: Asset Management Plan
Report Reference: AC151215 R7.4

REPORT OBJECTIVES:

This report presents the City of Marion's finalised Asset Management Plan (AMP), taking into account the feedback received through community consultation, for the Audit Committee's consideration. The plan covers transport infrastructure (roads, footpaths, kerbing, bridges, signage and traffic control devices), open space, buildings, drainage and coastal walking trail assets.

The AMP provides information on Council's asset needs over the life of the 10 year Long Term Financial Plan (LTFP) with financial projections extending over 20 years. It also includes a key section detailing an ongoing improvement program for improved asset management.

EXECUTIVE SUMMARY:

The key objective of the AMP is to inform Council's long term investment in its assets and align forecast expenditure in the LTFP with projected asset maintenance and renewal requirements.

The AMP has been prepared in accordance with the requirements of the *Local Government Act 1999* and Council's Asset Management Policy adopted in August 2014 (GC120814R04), which places priority on maintenance before renewal, and renewal of assets before acquisition of new or upgrade of existing assets where it is cost effective to do so. Any acquisitions or upgrades will need to be prioritised by Council prior to their inclusion in future iterations of the AMP, having regard to whole of life costs.

The AMP has been prepared on the basis of the proposed 2015/16 LTFP taking into account all existing information available, and with action plans being developed for improved asset management and asset planning (including data and systems improvement). New or upgrade works have not been included in this AMP unless there is a specific Council resolution or legislative requirement to do so (e.g. new stormwater works arising from adoption of Council's Stormwater Management Plans, new signage and Disability Discrimination Act building works).

The draft AMP was considered by the Audit Committee on 15 June 2015 (AC150615R7.3), and by Council on 23 June 2015 (GC230615R09), and subsequently endorsed for community consultation. The draft plan was placed on the City of Marion 'Making Marion' website for a four week period, with the community feedback taken into consideration in the preparation of the final version of the AMP (Appendix 1).

RECOMMENDATIONS (2):**DUE DATES****That the Audit Committee:**

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Notes the feedback received through the Asset Management Plan Community consultation period. 2. Endorses the forwarding of the finalised Asset Management Plan (as attached in Appendix 1) to Council for adoption | <p>15 December
2015</p> <p>15 December
2015</p> |
|--|---|

DISCUSSION:

Community Consultation

Council is required to develop and adopt an infrastructure and asset management plan in accordance with section 122(1a)(b) of the *Local Government Act 1999* (the Act), which is taken to form part of Council's strategic management plans. As such, Council is required to undertake a period of consultation and four weeks was proposed. Although this AMP is a 'baseline' plan to maintain and renew existing assets at current service levels, any feedback received will inform future iterations which will seek to ensure community expectations are translated into appropriate and sustainable service levels.

The draft AMP was published for public consultation for a 4 week period from 27 July - 28 August 2015. Two comments were received from community members during this period:

1. *I don't believe that there is enough focus on whether things are being done as efficiently as they could be. Before increasing rates understand whether Council could be more effective through innovation. The document fails to describe how Council will measure Levels of Service or be held accountable for poor performance. Only technical Levels of Service are described. Overall it is a poor document which has been plagiarized from various sources and lacks details about how Asset Management will be delivered. Council is failing to meet ISO 55000, based on this document.*
2. *It's very simple*

The following key elements of the AMP address the concerns raised in these comments:

- The development of the AMP examined a number of improvements in the delivery of services including an optimised works program for roads based on least lifecycle cost resulting on predicted savings of approximately \$1 million per year; potential additional savings using alternative road treatments (rejuvenation); and an investigation on upgrade options and the provision of a sustainable budget for the Coastal Walking Trail. The Plan identifies opportunities for improving the management of the building network including the need for the development of renewal plans, rationalisation and additional data capture.
- The background plans provide detail on the individual asset classes including programs and costs. The improvement plan identifies a number of tasks including the development of service levels, operations and maintenance plans, on-going auditing, condition rating methodologies, and further integration with the LTFP.
- The document has been compiled using a national template, NAMS.PLUS3, and hence will have a standard 'look and feel'. The content, including the analysis and costing's are City of Marion specific.
- The AMP meets the legislative requirements within the *Local Government Act 1999* and is informed by the City of Marion Asset Management Policy. There is no current requirement for Local Government in SA to meet the international standards ISO 55000, ISO 51000, ISO 51002.
- The AMP includes an improvement plan (Table 7.2), which, in summary recommends an ongoing focus on continuous improvement in asset management, particularly in areas of audit and assessment, development of renewal programs and review of levels of service. This ongoing focus on improvement will ensure that the City of

Marion is well placed to understand current and future community and asset needs and proactively plan to meet these needs.

Taking into account the community feedback, and that the AMP is intended to be a baseline plan that is dynamic and will continue to be improved, the draft AMP is proposed for the Audit Committee's endorsement and forwarding to Council for adoption as a final Plan.

Strengthening the AMP will begin in 2016 once the current building audit is complete.

Asset Management Plan Overview

The AMP focuses on 'built' assets, rather than land, information technology, fleet or fixtures and fittings. While Council does have some vacant land assets, the majority contain buildings, sporting or recreational infrastructure. Council is currently in the process of compiling information on vacant land assets for further consideration. Information technology, fleet and fixtures and fittings are generally considered 'operational' in nature.

Current forecasts for Council to operate, maintain and renew existing assets, minor building renewals and new signage and stormwater works equates to \$216.6 million over the 10 year life of the LTFP, excluding building renewals as building renewal plans have not yet been developed. As noted by the Audit Committee on 14 April 2015 (AC140415R6.4), it is proposed that building renewal plans be developed over the coming 2 years. However, given the current consumption of building assets, it would be reasonable to initially provision \$49 million (equivalent to accumulated depreciation to 30 June 2014) for building renewals, pending the assessment of buildings and development of renewal plans.

Based on all current information the AMP demonstrates a forecast funding shortfall of \$10.2 million over 10 years when compared to forecast asset expenditure in the LTFP, as outlined below:

Draft 2015/16 LTFP Projections for operations, maintenance & renewal	\$231.3 million
Draft 2015/16 LTFP Projections for approved new stormwater works	\$24.1 million
Less Draft AMP forecasts for Operations, Maintenance & Renewal (excluding building renewals) + new stormwater works	(\$216.6 million)
Less proposed provision for Building Renewals	(\$49.0 million)
Projected funding shortfall based on draft 2015/16 LTFP & draft AMP, including provision for building renewals	(\$10.2 million)

Impacts from asset acquisitions, upgrades, grants, contract unit rates, a downward variation of rates / revenue and development of building renewal plans will impact on available funding and may necessitate review of Council's works and approach to its assets.

Council may choose to manage this shortfall through a range of measures including increasing revenue (rates and/or grant funding), asset disposal, realignment of funding in the LTFP or reducing costs elsewhere.

Council's asset management approach needs to reflect the changing priorities, focus and decisions of Council and to adapt as further assessments of asset condition are completed and community needs and expectations are clarified.

The AMP highlights areas of operational improvement by driving the development of renewal and service strategies where these do not exist to a high degree. The plan also highlights the need for on-going discussion with Elected Members and the community regarding service standards to be delivered within Council's available resources.

In endorsing the AMP, the following points should be noted:

Buildings

- Council's 106 buildings have an estimated 'like for like' renewal value of approximately \$123 million (valuation as at 30 June 2014), with an average annual operating, maintenance and minor renewal spend of \$4.6 million.
- A number of Council's buildings are approaching the later years of their lives and will require renewal, so it is critical that provision for renewal costs be incorporated into asset management planning.
- A key opportunity for improvement in the AMP will be to review utilisation, community need and development of renewal plans (or, in some cases, Council may wish to prioritise disposal of under-utilised assets). A building audit is currently being undertaken which will inform the renewal plans.
- The AMP does not include maintenance where a lease exists and maintenance is the responsibility of the leaseholder.

Open Space

- Council's open space assets include playspaces, outdoor furniture, fencing, etc with an estimated 'like for like' renewal value of approximately \$29.3 million (valuation as at 30 June 2014), requiring an average annual operating, maintenance and renewal spend in the order of \$4.8 million.
- Many open space assets are approaching the end of their useful lives, with issues including restricted access, limited parent or carer facilities, limited creative play opportunities, and limited diversity and challenge.
- The Open Space AMP originally presented to Audit Committee (AC300713R5.2) included projections of levels of service that represented significant upgrades rather than 'like for like' renewal. This had the effect of adding in the order of \$20.6 million to the forecast resource requirements over the life of the LTFP (or \$43.2 million over the 20 year life of the AMP). These forecasts have now been excluded in line with Council's adopted Asset Management Policy.
- The Playspace Strategy is currently under review, and when completed this will provide a basis for Council's setting of service standards and associated costs.

Drainage

- Council's drainage and stormwater infrastructure has an estimated 'like for like' renewal value of approximately \$206.8 million (valuation as at 30 June 2014), requiring an average operating, maintenance and renewal spend in the order of \$3.35 million.
- Council has adopted stormwater management plans (SMPs) for two of its four catchment areas. These plans have provided information on necessary stormwater works, prioritisations and cost estimates within the relative catchments.
- Outcomes of the remaining two catchment studies will be incorporated in future iterations of the plan.

Coastal Walking Trail

- The Coastal Walking Trail forms a 7.2 km section between Hallett Cove and Marino.
- Initially a State Government initiative to develop a 70 km linear park along the Adelaide metropolitan coastline from Sellicks Beach to North Haven, maintenance and renewal of sections of the Coastal Walking Trail are now the responsibility of each Council.
- The trail requires an average annual operating, maintenance and minor renewal spend in the order of \$2.234 million over 10 years.
- While the maintenance of the trail is funded within the 10 year LTFP horizon, future renewal costs fall outside the scope of the report and will need to be considered in future iterations of the AMP.

Transport

- Council's transport infrastructure covers road seals, pavements, kerbs, footpaths, bus shelters, walking and cycling trails and other transport infrastructure with an estimated 'like for like' renewal value of approximately \$565.9 million (valuation as at 30 June 2014), requiring an average annual operating, maintenance and renewal spend in the order of \$8.73 million per annum.
- Analysis of the road audit has identified opportunities to implement alternative seal treatments and the need to renew some pavements, resulting in changes to the intervention methodology. This change will be monitored over future years and the impact on the road network validated by further audits and analysis including specific inspections.

ANALYSIS:

Legal / Legislative and Risk Management

The AMP will meet the requirements of the *Local Government Act 1999* (SA). A section on risk is contained in the AMP, which has been developed in conjunction with Council's risk unit and will be incorporated into future reviews of Council's corporate risk register.

Financial Implications

As outlined above, the AMP identifies a forecast funding shortfall in the order of \$10.2 million based on information presently to hand. This forecast is likely to be low as the cost of renewal is generally greater than the accumulated depreciation. Council may choose to address this shortfall through a range of means including increasing revenue (rates and/or grant funding), asset disposal, changing service standards, realignment of funding in the LTFP or reducing costs elsewhere.

Following endorsement of the AMP the LTFP will be updated with the financial details and assumption included in the AMP.

As future decisions are made on asset acquisitions, upgrades, and disposals the AMP and LTFP will be updated.

CONCLUSION:

The finalised AMP presented provides a strong baseline plan, in accordance with the provisions of the Local Government Act 1999 and the City of Marion's Asset Management Policy. The AMP includes a significant focus on ongoing improvement to ensure asset management continues to be proactive, dynamic and effective in meeting the community's needs.

City of Marion





Transport, Stormwater, Open Space, Buildings and Coastal Walking Trail

Asset Management Plan



Scenario 1 Version 2

December 2015

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1. EXECUTIVE SUMMARY

Context

Asset management planning is a comprehensive process to ensure delivery of services from infrastructure is provided in a financially sustainable manner. An asset management plan (AMP) details information about infrastructure assets including actions required to provide an agreed level of service in the most cost effective manner. The plan defines the services to be provided, how the services are provided and what funds are required to provide the services.

The AMP incorporates key information drawn from individual Transport, Stormwater, Open Space, Buildings and Coastal Walking Trail Asset Management Plans (background documents) that have recently been developed by Council.

One of the principle aims of this plan is to inform the preparation of Council's Long Term Financial Plan (LTFP). The plan uses the Draft 2015/16 10 year LTFP as its basis but ultimately proposes a realignment of funds between the different infrastructure asset types and between renewal and new / upgrade expenditure.

In the development of the plans it became clear that there was opportunity for reform particularly in the programming of the road reseal / reconstruction program. Following the ~~recent~~ adoption of Council's Asset Management Policy¹, projections of upgrade and new work have been removed, so that only projects approved by Council are included in the plan. The result of these two changes is an indicative (unrealised) surplus of \$38.8 million over the 10 years of the Draft 2015/16 LTFP based on projected budget requirements and projected budget availability. However, it is important to note that this does not include provision for major renewal of Council owned buildings, with building renewal plans to be developed over the next two years. It has been recommended that Council provision \$49 million for building renewal², being equivalent to accumulated depreciation on buildings as at June 2014. This would actually result in a net \$10.2 million deficit in renewal expenditure over the 10 year life of the LTFP, as set out below:

Draft 2015/16 LTFP Projections for operations, maintenance & renewal	\$231.3 million
Draft 2015/16 LTFP Projections for approved new stormwater works	\$24.1 million
Less Draft AMP forecasts for Operations, Maintenance & Renewal (excluding building renewals) + new stormwater works	(\$216.6 million)
Less proposed provision for Building Renewals	(\$49.0 million)
Projected funding shortfall based on currently adopted LTFP & draft AMP, including provision for building renewals	(\$10.2 million)

However, it is generally considered unreliable to draw comparisons between annual depreciation figures and sustainable renewal requirements, as infrastructure renewal requirements generally exceed depreciation. The forecast building renewal requirement outlined above is therefore considered conservative (low).

This plan does not include short term assets (such as fleet, furnishings, telecommunications equipment). While land assets are not discussed explicitly, most land assets contain building or open space infrastructure.

Assets covered by this plan and background documents include;

- Bridges
- Buildings
- Bus shelters
- Coastal walking trail
- Footpaths
- Irrigation
- Kerbing
- Playgrounds
- Reserves assets, benches / bins etc
- Road seals and pavements
- Signs
- Sports courts
- Stormwater pipes & pits
- Traffic control devices
- Wetlands

¹ <https://www.marion.sa.gov.au/webdata/resources/files/Asset-Management-Policy.pdf>

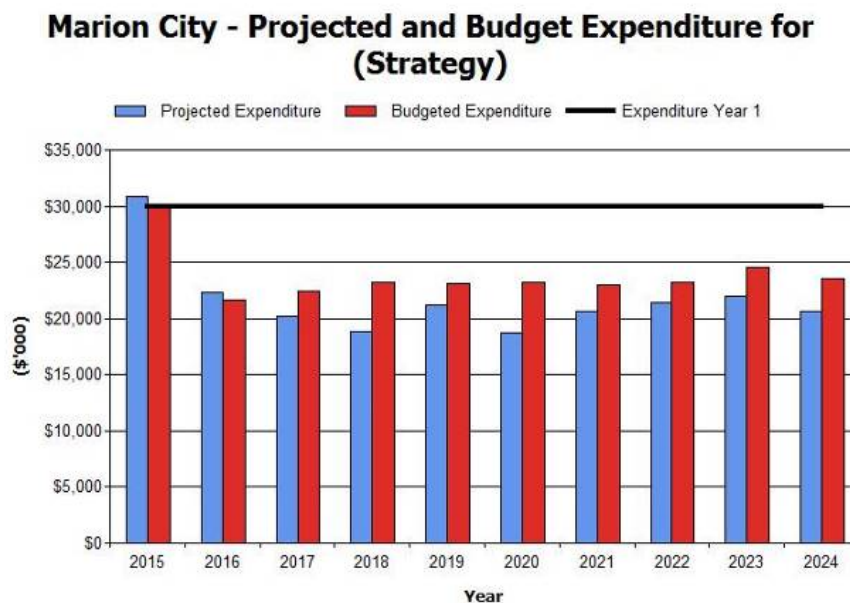
² City of Marion Audit Committee 14 April 2015 Report AC140415R6.3
(<https://www.marion.sa.gov.au/webdata/resources/files/AC140415%20-%20Combined%20Agenda%20&%20Reports.pdf>)

The infrastructure assets have a current replacement cost of \$938.9 million and a depreciable amount of \$609 million (Council audited valuations).

What does it cost?

The projected outlays necessary to provide the services covered by this AMP includes operations, maintenance, renewal and minor upgrade of existing assets plus approved stormwater works over the 10 year planning period is \$216.6 million or \$21.66 million on average per year, excluding major building renewals as discussed above.

Estimated available funding for this period according to the Draft 2015/16 LTFP is \$255.4 million or \$25.54 million on average per year which is 118% of the cost to provide the service, excluding major building renewals. Projected expenditure required to provide services in the AMP compared with planned expenditure currently included in the LTFP are shown in the graph below.



Changes to Council rates or service standards and the development of building renewal plans will impact on the forecasts outlined in this plan.

What is included in financial projections

We plan to provide services for the following:

- Operation, maintenance, renewal and minor upgrade of infrastructure to meet service levels set in annual budgets.
- No major upgrades within the 10 year planning period, other than currently approved Council building projects, stormwater and some signage.
- Rectify identified defects where they are deemed maintenance and renewal activities.

What is not included in financial projections

New work or upgrades beyond existing service levels have not been included in financial projections, unless there is a specific Council resolution for that work to be undertaken.

Confidence Levels

This AMP is based on medium to high level of confidence information.

2. INTRODUCTION

2.1 Background

This AMP is to demonstrate responsive management of assets (and services provided from assets), compliance with regulatory requirements, and to communicate funding needed to provide existing levels of service over a 10 year planning period, with financial projections extending over 20 years.

The AMP is based on the format for AMPs recommended in Section 4.2.6 of the International Infrastructure Management Manual³.

In the preparation of this plan, information has been drawn from a number of background papers which include more detail for transport, stormwater, open space, building and coastal walking trail assets.

Once adopted, this AMP will inform the next iteration of the LTFP. When compared to the Draft 2015/16 LTFP, available funds for approved stormwater works, asset operating, maintenance and renewal and minor upgrades amount to \$255.4 million while this plan identifies a resource requirement of \$216.6 million, resulting in a surplus of \$38.8 million before any provision is made for major building renewal plans. A range of measures have been identified, including:

- A detailed review has been undertaken of the Councils road resealing / reconstruction practices which has found significant potential savings provided that an alternative philosophy and program of works is adopted.
- In accordance with Council's current Asset Management Policy, upgrades of assets have not been included in the plan unless there is a specific Council resolution to do so.
- Other than existing building projects, stormwater assets and some signage works, construction of new assets has not been considered.
- Prior to upgrades to existing assets or construction of new assets, Council will prioritise works and have regard to whole of life costs and impacts on the LTFP.

It has been recommended that Council provision \$49 million for building renewal, being equivalent to accumulated depreciation on buildings as at 30 June 2014 and the projected depreciation of these assets over the life of the plan. This would result in a net \$10.2 million deficit in renewal expenditure over the life of the LTFP.

The infrastructure assets covered by this AMP are shown in Table 2.1. The cost to renew the asset has been calculated using asset management information including Council's estimated actual costs in undertaking renewal works or brownfield unit rates.

Table 2.1: Assets covered by this Plan

Asset category/sub-category	Dimension	Renewal Cost (\$million)
TRANSPORT		
Seals	458km	71.2
Pavements	482km	220.2
Kerb	980km	140.2
Footpath	777km	111.3
Traffic Control Devices	10758 of	13.4
Signs	14,811 of	2.7
Bus shelters	515 of	1.9
Bridges	31 of	5.0
SUB-TOTAL		565.9

³ IPWEA, 2011, Sec 4.2.6, Example of an Asset Management Plan Structure, pp 4 | 24 – 27.

Asset category/sub-category	Dimension	Renewal Cost (\$million)
STORMWATER		
Drainage pipes	258km	145.9
Drainage pits, manholes, inlets & outlets.	6.550 of	28.7
Box culverts	6.1km	12.1
GPTs and trash racks	45 of	2.2
Wetlands, dams and detention basins	12 of	17.9
SUB-TOTAL		206.8
OPEN SPACE		
Reserve general assets including park benches, bins, fences, etc	1256 of	22.5
Irrigation systems	72 of	3.0
Playgrounds (like for like)	93 of	5.2
Tennis Courts (not club courts)	29 of	1.6
SUB-TOTAL		32.2
BUILDINGS		
Structure	99 of	43.9
Roofing	99 of	13.8
Fitout	99 of	28.5
Services	99 of	31.5
Entire simple buildings	106 of	5.4
SUB-TOTAL		123.1
COASTAL WALKING TRAIL		
Path	6.5km	5.4
Benches	38 of	.076
Signs	61 of	.018
Bins	3 of	.005
Bridges	3 (37m total length)	.213
Structures	564m	3.8
Balustrade	728m	.036
Fencing	5.489km	.017
Drainage	36 items	.027
Viewing Points	5 of	.113
Links	26 of	.989
SUB-TOTAL		10.9
TOTAL		938.9

2.2 Goals and Objectives of Asset Management

The City of Marion exists to provide services to its community. Some of these services are provided by infrastructure assets. We have acquired infrastructure assets by 'purchase', by contract, construction by our staff, by donation of assets constructed by developers, by co-contribution via grant funding and others to meet increased levels of service for open space.

Our goal in managing infrastructure assets is to meet the existing level of service (as amended from time to time, in accordance with Council's Asset Management Policy) in the most cost effective manner for present and future consumers. The key elements of infrastructure asset management are:

- Providing a defined level of service and monitoring performance,
- Managing the impact of growth through demand management and infrastructure investment,

- Taking a lifecycle approach to developing cost-effective management strategies for the long-term that meet the defined level of service,
- Identifying, assessing and appropriately controlling risks, and
- Having a long-term financial plan which identifies required, affordable expenditure and how it will be financed.⁴

2.3 Plan Framework

Key elements of the plan are

- Levels of service – specifies the services and levels of service to be provided by Council,
- Future demand – how this will impact on future service delivery and how this is to be met,
- Life cycle management – how we will manage our existing and future assets to provide defined levels of service,
- Financial summary – what funds are required to provide the defined services,
- Asset management practices,
- Monitoring – how the plan will be monitored to ensure it is meeting the organisation’s objectives,
- Asset management improvement plan.

A road map for preparing an AMP is shown on the following page.

2.4 Core and Advanced Asset Management

This AMP plan has generally been prepared using advanced condition data collected at the individual asset level. Remaining lives have been estimated from this condition data and unit rates applied to the individual assets peculiar to the environment in which they are located.

2.5 Community Consultation

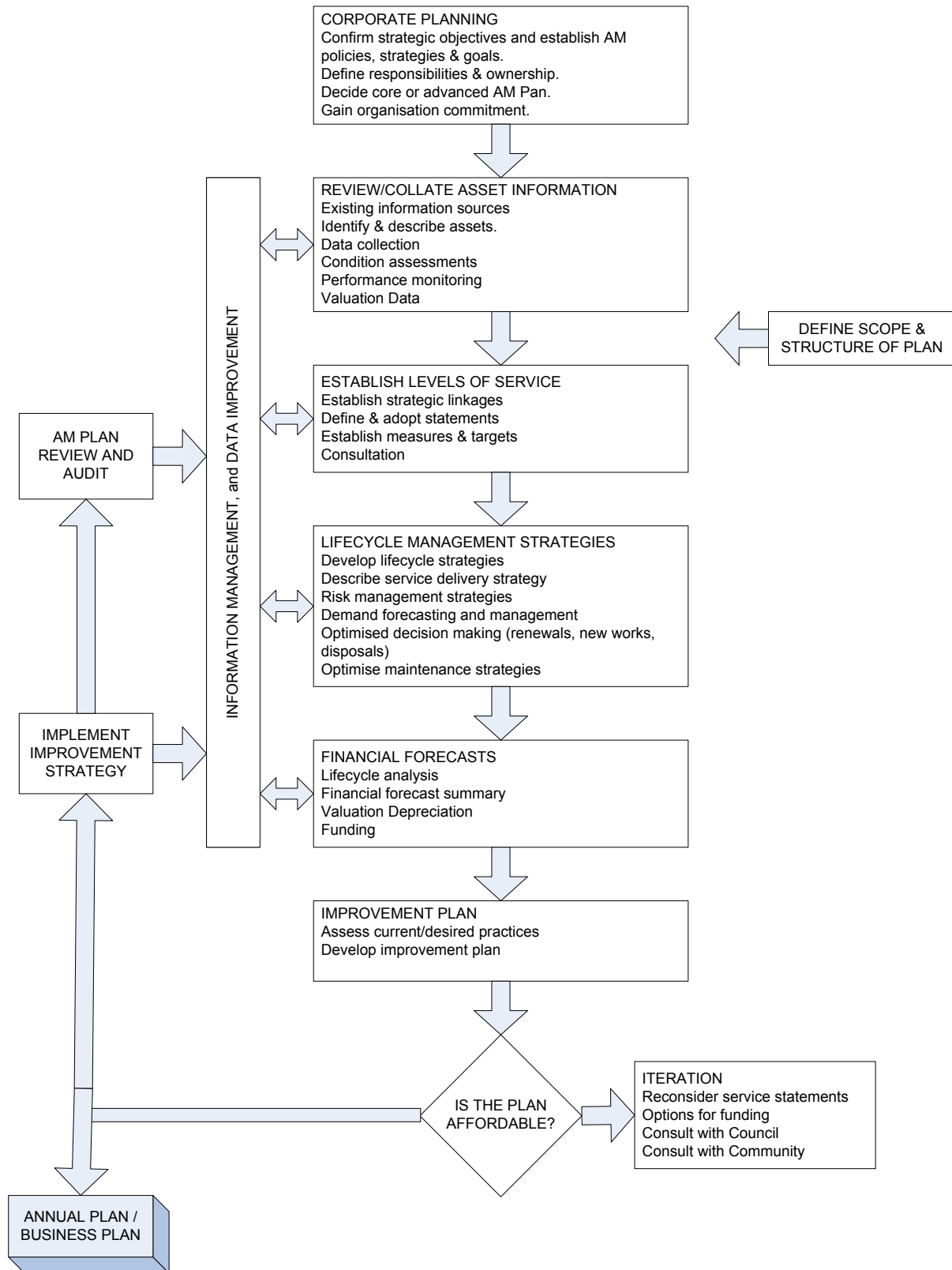
This AMP is prepared to facilitate community consultation prior to adoption by the Council.

Future revisions of the AMP will incorporate community consultation on desired / preferred service levels and provide clarity on the costs of providing the service. This will assist the Council and the community in aligning the level of service desired by the community, service risks and consequences with the community’s ability and willingness to pay for the service.

⁴ Based on IPWEA, 2011, IIMM, Sec 1.2 p 1|7.

Road Map for preparing an Asset Management Plan

Source: IPWEA, 2006, IIMM, Fig 1.5.1, p 1.11.



3. LEVELS OF SERVICE

3.1 Customer Research and Expectations

Council participates in the Local Government Association of South Australia Comparative Performance Measures in Local Government Customer Satisfaction survey. This telephone survey, last undertaken in 2012, polled a sample of residents on their level of satisfaction with Council's services. The most recent customer satisfaction survey reported above average satisfaction levels with Council's management of assets.

Table 3.1: Community Satisfaction Survey Levels

Performance Measure	Satisfaction Level				
	Very Satisfied	Fairly Satisfied	Satisfied	Somewhat satisfied	Not satisfied
Community satisfaction with asset management	√				

Source: LGA Customer Satisfaction Survey

While this plan largely represents existing levels of service, a community engagement approach is planned for the next iteration which will support Council to better understand customer expectations with respect to its assets. In addition, consultation will occur as part of Council's review of its Open Space and Playspace strategies (planned throughout 2015/16), as well as on a project-by-project basis.

3.2 Strategic and Corporate Goals

This AMP is prepared under the direction of the organisation's Community Plan – Towards 2040.

Our vision is:

Wellbeing

The six themes of the Community Plan are:

- Liveable
- Biophilic
- Engaged
- Prosperous
- Innovative
- Connected

The Council is currently working on a Council Plan, which will detail how we aim to turn the community's aspirations into reality. The AMP will be updated accordingly to include the Council Plan outcomes

3.3 Legislative Requirements

Council is required to meet many requirements including Australian and State legislation and State regulations, and various standards, rules and codes, as set out in Table 3.3.

Table 3.3: Legislative Requirements

Legislation	Requirement
<i>Aboriginal Heritage Act 1988 (SA)</i>	Provides for the protection and preservation of aboriginal heritage and includes legislation for the discovery, acquisition, damage or sale of sites, objects or remains of aboriginal significance.
<i>Civil Liability Act 1936 (SA)</i>	Liability of road authorities
<i>Coastal Protection Act 1972 (SA)</i>	Council responsible for the day to day maintenance of beach and coastal facilities.
<i>Dangerous Substances Act 1979 (SA)</i>	An Act to regulate the keeping, handling, transporting, conveyance, use and disposal, and the quality, of dangerous substances.
<i>Development Act 1993 (SA)</i>	An Act to provide for planning and regulate development in the State; to regulate the use and management of land and buildings, and the design and construction of buildings; to make provision for the maintenance and conservation of land and buildings where appropriate.
<i>Disability Discrimination Act 1992 (Cth)</i>	Sets out the responsibilities of Council and staff in dealing with access and use of public infrastructure
<i>Environmental Protection Act 1993 (SA)</i>	To provide for the protection of the environment and related areas. Sets out the role, purpose, responsibilities and powers of Council relating to protection and preservation of the environment; policies include Water Quality Policy
<i>Heritage Act 1993 (SA)</i>	To conserve places of heritage value, and for other purposes.
<i>Highways Act 1926 (SA)</i>	An Act to....."make further and better provision for the construction and maintenance of roads and works, and for other purposes"
<i>Local Government Act 1999 (SA)</i>	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a LTFP supported by AMPs for sustainable service delivery.
<i>Native Title Act 1993 (Cth)</i> <i>Native Title (South Australia) Act 1994 (SA)</i>	Protects native title and ensures that it cannot be extinguished contrary to the Act.
<i>Natural Resource Management Act 2004 (SA)</i>	Sets out the role, purpose, responsibilities and powers of Council relating to managing natural resources.
<i>Road Traffic Act 1961 (SA)</i>	Defines layout and format of roads within the city. Defines control requirements including use of traffic control, traffic calming, crossings, speed setting and general limitations of use
<i>South Australian Public Health Act 2011 (SA)</i>	An Act dealing with public and environmental health.
<i>Work, Health and Safety Act 2012 (SA)</i>	Proactive in occupational health, safety and welfare practices in all undertakings of Council.
Standards, Rules and Codes	Requirement
AS 1742	Manual of uniform traffic control devices
Australian Accounting Standards	Sets out the financial reporting standards relating to the (re)valuation and depreciation of infrastructure assets.
Australian Road Rules	Contain the basic rules of the road for motorists, motorcyclists, cyclists, pedestrians, passengers and others
Australian Standards AS/NZS4422 – 1996 Playground Surfacing AS4685-2004 Playground Equipment AS4486-1-1997 Playground Inspection & Maintenance	Sets out the general requirements for surfacing to be used in children's playgrounds A general standard in 6 parts that deals with playground equipment Sets out the requirements for the development, installation, inspection and maintenance of playgrounds and playground equipment
Building Code of Australia (status of building regulation in all States and Territories)	Enables the achievement of nationally consistent, minimum necessary standards of relevant safety (including structural safety and safety from fire), health, amenity and sustainability objectives efficiently.

3.4 Current Levels of Service

We have defined service levels in two terms.

Community Levels of Service measure how the community receives the service and whether the organisation is providing community value.

Community levels of service measures used in the AMP include:

Quality	How good is the service?
Function	Does it meet users' needs?
Capacity/Utilisation	Is the service over or under utilised?

Technical Levels of Service - Supporting the community service levels are operational or technical measures of performance. These technical measures relate to the allocation of resources to service activities that the organisation undertakes to best achieve the desired community outcomes and demonstrate effective organisational performance.

Technical service measures are linked to annual budgets covering:

- Operations – the regular activities to provide services such as opening hours, cleansing frequency, mowing frequency, etc.
- Maintenance – the activities necessary to retain an assets as near as practicable to an appropriate service condition (e.g. road patching, unsealed road grading, building and structure repairs),
- Renewal – the activities that return the service capability of an asset up to that which it had originally (e.g. frequency and cost of road resurfacing and pavement reconstruction, pipeline replacement and building component replacement),
- Upgrade – the activities to provide an higher level of service (e.g. widening a road, sealing an unsealed road, replacing a pipeline with a larger size) or a new service that did not exist previously (e.g. a new library). In accordance with Councils asset management policy upgrade has not been considered in the preparation of this plan.

Asset managers plan, implement and control technical service levels to influence the customer service levels.⁵ These technical levels of service inform annual works programs and budgets.

Our current service levels are detailed in Appendix A.

In some cases current and/or optimal levels of service have not been defined, however it is proposed that this will be the subject of community engagement in preparation for the next iteration of the plan.

⁵ IPWEA, 2011, IIMM, p 2.22

4. FUTURE DEMAND

4.1 Demand Drivers

Over recent years The City of Marion has upgraded assets to a much higher standard than what existed before. One example is the practice of upgrading playgrounds in response to community expectations for a higher level of service, being driven by the following objectives:

- Design of quality and accessible play spaces that meet both child and parent/ carer needs
- A hierarchy of play spaces based on the Open Space & Recreation Strategy 2006-2016
- Improving the play value in the various levels of play spaces
- An equitable distribution of play spaces throughout the Council area

Following the adoption of Council's Asset Management Policy in August 2014, such upgrades will require prioritisation and approval of Council, with full knowledge of the whole of life costs and subsequent impacts on Council's LTFP.

4.2 Demand Forecast

The present position and projections for demand drivers that may impact future service delivery and utilisation of the assets are identified and are documented in Table 4.3.

4.3 Demand Impact on Assets

The impact of demand drivers that may affect future service delivery and utilisation of Council assets are shown in Table 4.3.

4.4 Demand Management Plan

Demand for services may be managed through innovative renewal practices, non-asset solutions, insuring against risks and managing failures.

In accordance with Council's current asset management policy, no new or upgraded assets are included in this plan, apart from stormwater, minor building works and signage already approved by Council.

Opportunities identified to date for demand management are shown in Table 4.3. Further opportunities will be developed in future revisions of this AMP.

4.5 Asset Programs to meet Demand

In the preparation of this AMP it has been assumed that no new assets will be constructed or no substantial upgrades will be undertaken, other than stormwater, some immediate building works and signage already approved by Council. The cumulative value of upgrade / new asset construction over the 10 years of this plan is \$30.7 million. Any further upgrades or new asset construction will need to be prioritised by Council, with consideration of the whole of life costs and subsequent impacts on the LTFP.

In preparing the 2013 version of the Stormwater Asset Management Plan, \$35.375 million of drainage projects (2012 values) were identified to be constructed over 20 years. The LTFP budget projections provide sufficient funds each financial year for these works.

The new / upgrade assets relating to buildings include \$4.5 million in 2015 for the depot upgrade and \$700k between 2015 and 2017 for sustainability upgrades to buildings.

Table 4.3: Demand Drivers, Projections and Impact on Services

Demand drivers	Present position	Projection	Impact on services	Demand Management Plan
Population	<ul style="list-style-type: none"> The current population of Marion Council is estimated to be 85,398⁶ in 2013. 	<ul style="list-style-type: none"> It is estimated that the population will grow to 97,867⁷ by 2031. This equates to a growth of 693 people or 0.8% per year. 	<ul style="list-style-type: none"> Increased population will likely result in increased use of the asset which may result in higher maintenance costs. 	<ul style="list-style-type: none"> Prioritise maintenance activities
Seal: Expectation that roads will be sealed with 'hotmix' rather than any other treatment.	<ul style="list-style-type: none"> Approximately 99% of the network has a 'hotmix' seal with only a few segments having a spray seal treatment. 	<ul style="list-style-type: none"> Options for different treatments including rejuvenation may result in lower lifecycle network cost. 	<ul style="list-style-type: none"> If different treatments are considered then lower lifecycle costs may result. 	<ul style="list-style-type: none"> Monitor availability of treatments
Pavement: Increase in traffic loading	<ul style="list-style-type: none"> Over the last 50 years Councils road pavements have seen increased axle loadings from commercial vehicles 	<ul style="list-style-type: none"> It is likely that commercial vehicle loadings will continue to increase 	<ul style="list-style-type: none"> Accelerated deterioration of road pavements 	<ul style="list-style-type: none"> Communicate options and capacity to fund Transport Infrastructure with community. Monitor community expectations re service levels and communicate financial capacity to balance priorities with what the community is prepared to pay. Fund priority works. Continue to seek grant funding for identified projects. Improve understanding of costs and capacity to maintain current service levels. Continue to analyse cost of providing services and capacity to fund at current level of service.
Kerb:	<ul style="list-style-type: none"> Replacement of short 'failed' kerb sections proceeds the resealing of a road. 	<ul style="list-style-type: none"> If different resealing treatments are used there may not be the necessity to replace sections of kerb. 	<ul style="list-style-type: none"> Increased works programming opportunities may exist where kerb does not need to be replaced prior to reseal. 	
Footpath:	<ul style="list-style-type: none"> Councils footpaths are largely 1.2m wide 	<ul style="list-style-type: none"> Current Council standards require a width of 1.5m 	<ul style="list-style-type: none"> Increase in width of entire footpath network to meet standards comes at a substantial unfunded cost. 	
Footpath: New	<ul style="list-style-type: none"> There are still streets in Councils network that are not serviced by a footpath on either side of the road. 	<ul style="list-style-type: none"> Some residents demand footpaths on low traffic streets whilst property owners to the frontage to the path may not want it. 	<ul style="list-style-type: none"> Demand for footpath needs to be balanced against available funds, substantiated risks and resident requests. 	
Bus shelters: provision of shelters to bus stops not currently serviced by shelters	<ul style="list-style-type: none"> There are a number of bus stops not currently serviced by a shelter 	<ul style="list-style-type: none"> Council is required to complete DDA compliant bus shelters by December 2020 	<ul style="list-style-type: none"> Additional shelters require funding to establish and maintain Currently there is no provision for new shelters within Council LTFP and approval mechanisms 	
Traffic Control Devices	<ul style="list-style-type: none"> Councils installation of traffic control devices has growth in response to community requests and traffic investigations 	<ul style="list-style-type: none"> Further requests from the community may continue. 	<ul style="list-style-type: none"> Demand for the installation of traffic calming measures. 	

⁶ LGA Directory 2013

⁷ Estimate Based on <http://www.id.com.au/>

Demand drivers	Present position	Projection	Impact on services	Demand Management Plan
Stormwater: Development Trends - urban infill and regeneration	<ul style="list-style-type: none"> Dwelling growth historic trend is 4% over 5 years 36,941 dwellings in 2011 Allotment impervious area from 50% towards 90% 	<ul style="list-style-type: none"> 43,416 dwellings Increase urban infill and regeneration and TODs. Dramatic increase in allotment impervious area ie towards 90% - resulting in a significant increase in allotment stormwater runoff. 	<ul style="list-style-type: none"> Existing stormwater infrastructure has insufficient design capacity to cope with increase runoff from development – increase frequency of property flooding and damages. 	<ul style="list-style-type: none"> Implement strategies, actions and programs contained in Stormwater Management Plans. Design drainage works to ensure flooding is not increased downstream of the works. Developers required to treat and reduce peak flows and volume of water entering Council's drainage system. Stormwater inlets, outlets, trash racks, GPTs are to be regularly cleaned, repaired and emptied to ensure flows are not obstructed. Watercourses and channels are to be maintained to ensure flows are not obstructed. Develop WSUD schemes and guidelines. Rehabilitate and restore watercourses, improve biodiversity and rectify erosion problems as they occur. Develop and manage harvest/reuse schemes on Council buildings and land, encourage other property owners/users to harvest/reuse water.
Stormwater: Catchment Management	<ul style="list-style-type: none"> Direct stormwater discharge into river and marine environment with some pollution control measures and limited stormwater reuse. 	<ul style="list-style-type: none"> Regulated controls on quality of stormwater discharging into river and marine environment and stormwater reuse. 	<ul style="list-style-type: none"> Increase in infrastructure to control pollutants, capture and reuse stormwater. 	
Stormwater: Climate Change	<ul style="list-style-type: none"> Awareness that climate change is occurring and its impact on water supply and usage, increase sea levels, changes in rainfall intensities and storm events. 	<ul style="list-style-type: none"> Rising sea levels, decreasing water supply and increasing water demand. Onsite and catchment stormwater reuse and change to parks and gardens plantings due to water restrictions. 	<ul style="list-style-type: none"> Impacts on coastal environment, reduction in stormwater outfall capacity, stormwater capture and reuse infrastructure. 	
Open Space: Playspace (playground) upgrades	<ul style="list-style-type: none"> One third of Councils existing playgrounds have been upgraded to the higher standard originally proposed for all playgrounds in the playspace strategy 	<ul style="list-style-type: none"> Current proposal is replacement of playgrounds on a like for like basis, essentially duplicating the existing level of service 	<ul style="list-style-type: none"> Nil if current proposal is realised 	<ul style="list-style-type: none"> Further playspace upgrades to be prioritised by Council.
Open Space: Reserve irrigation	<ul style="list-style-type: none"> Irrigation systems in many reserves are currently not active following being 'turned off' during a recent drought 	<ul style="list-style-type: none"> Community demand for a higher level of amenity during summer months 	<ul style="list-style-type: none"> Renewal of irrigation systems required 	<ul style="list-style-type: none"> Fund priority works Stormwater harvested from Sturt River channel to be treated, stored and distributed for water specified open space areas.

Demand drivers	Present position	Projection	Impact on services	Demand Management Plan
Open Space: Ageing population	• Status Quo	• General aging of the population	• Demand for open spaces with appropriate amenities within walking distance of residences	<ul style="list-style-type: none"> • Prioritise maintenance of existing infrastructure. • New or upgrade work to be prioritised by Council.
Open Space: Increase living density	• Status Quo	• Urban consolidation through housing renewal	• Demand for increased environmental, recreational, cultural and environmental value of open spaces	
Open Space: Community expectation of open spaces	• Status Quo	• Higher level of service expected	• Demand for equitably distributed, accessible, safe, high quality and provide diverse settings to meet the needs of user groups	
Open Space: Awareness of natural environment	• Status Quo	• Community expecting to see action on behalf of Council	• Greater need to protect and enhance the natural environment	
Buildings: Sustainability and climate change	• The Strategic Plan lists issues that must be addressed for climate change and water and energy efficiency.	• Changes might be required in renewals to bring to minimum future standards, and new buildings might have to meet higher standards.	• Possible increases to initial/renewal costs of assets to meet minimum required standards.	<ul style="list-style-type: none"> • Develop building renewal plans to understand potential impacts.
Buildings: Legislation	<ul style="list-style-type: none"> • Any existing asbestos conditions will have to be managed and planned for. • Health and safety issues in e.g. aquatic centres being met. • Disabled access provisions at present might reflect standards when buildings were created. 	<ul style="list-style-type: none"> • Renewals might encounter complications if asbestos present. • Future requirements might increase Council obligations. • Renewals will have to address disability issues. 	<ul style="list-style-type: none"> • Planning required to manage any existing asbestos issues. • Possible increases future costs of services. • Possible programs requiring capital upgrades. Possible increased renewal costs. 	
Buildings: Technology	• Current community needs being met, though customer request are an indication of preferences.	• Community needs for wireless internet technology in libraries etc. likely to increase.	• Possible additional lifecycle costs for enhanced services.	

Demand drivers	Present position	Projection	Impact on services	Demand Management Plan
Coastal Walking Trail: Accessibility Requirements for disabled and elderly users	At present the walking trails contain large sections that are inappropriate for some trail users including: <ul style="list-style-type: none"> • Extensive sections of steps and landings that do not meet current Australian Design Standards for access. • Some sections of trail are excessively steep and inappropriate for wider community use. • Some sections of trail are experiencing significant erosion problems due to poor and dilapidated surface treatments and unsustainable trail grades. 	<ul style="list-style-type: none"> • Increased demand to provide services to broader group of users. 	<ul style="list-style-type: none"> • Requirement to upgrade assets to provide greater access. Swanbury Penglase Architects have identified 18 potential sites for upgrades. 	<ul style="list-style-type: none"> • Council to prioritise upgrades or, where possible, undertake improvements as part of planned maintenance/ renewal if budget allows.
Coastal Walking Trail: Improve the recreational value of the trail for walking, jogging sight seeing and cycling.	<ul style="list-style-type: none"> • Presently limited facilities for cyclists. 	<ul style="list-style-type: none"> • Increased demand for a “shared path” trail suitable for pedestrians and cyclists. 	<ul style="list-style-type: none"> • Potential demand to upgrade path assets to replace structures such as stairs (upgrades are presently unfunded in this plan in accordance with Councils asset management policy) 	
Coastal Walking Trail: Links to surrounding urban environment.	<ul style="list-style-type: none"> • Series of formal and informal links to the adjacent suburbs. 	<ul style="list-style-type: none"> • Increased demand to link trail in to surrounding suburbs. 	<ul style="list-style-type: none"> • Creation of additional links and formalising existing informal links. 	

5. LIFECYCLE MANAGEMENT PLAN

The lifecycle management plan details how the organisation plans to manage and operate the assets at the agreed levels of service while optimising life cycle costs.

This section considers risk management approaches, routine operation, maintenance and renewal strategies. The data sources used to inform this section are contained at Appendix B.

5.1 Asset capacity and performance

The organisation's services are generally provided to meet design standards where these are available.

Known deficiencies in service performance are summarised in Table 5.1. Where it is consistent with Council's Asset Management Policy, these service deficiencies will be addressed in operating, maintenance and renewal programs, however some would be considered upgrade or new works, therefore requiring prioritisation by Council, with consideration of the whole of life costs and subsequent impacts on the LTFP.

Table 5.1: Known Service Performance Deficiencies

Asset Portfolio	Location	Service Deficiency
Transport	Road Pavements	There are some road pavements in poor condition which require reconstruction rather than reseal as has previously been the practice of Council
Stormwater	Stormwater drainage network	Under capacity pipe and pit drainage, lack of drainage system and property flooding.
	Stormwater quality improvements	Not all stormwater outlets have pollution control devices. Limited use of WSUD devices
	Stormwater harvesting and reuse	Limited infrastructure installed
Open Space	Playgrounds	Restricted access e.g. no paths, physical barriers such as high concrete edges Limited parent/carer facilities such as seating Predominantly equipment based play provision and therefore limited creative or quiet play opportunities Many are poorly located in terms of casual surveillance and access Very limited natural elements such as sand, boulders, plantings etc. Limited diversity Limited graduated challenge – most play spaces only provide for one particular age group
Buildings	City wide	Adequately supplied in some areas; shortages in others. Refer to Draft Community Facility Strategy 2010. Environmental, asbestos and DDA concerns.
Coastal Walking Trail	Multiple locations	Environmental Defects – Erosion, vegetation encroachment, water ponding etc. Safety – trip hazards, slippery paths Structural – corroded steel, split timber

5.2 Infrastructure Risk Management Plan

An assessment of risks associated with service delivery from infrastructure assets has identified critical risks that will result in loss or reduction in service from infrastructure assets or a 'financial shock' to the organisation. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur, develops a risk rating, evaluates the risk and develops a risk treatment plan for non-acceptable risks.

Critical risks, being those assessed as 'Very High' - requiring immediate corrective action and 'High' – requiring prioritised corrective action identified in the Infrastructure Risk Management Plan, together with the estimated residual risk after the selected treatment plan is operational are summarised in Table 5.2.

Table 5.2: Critical Risks and Treatment Plans

Risk	Risk Cause/Source	Current Controls	Likelihood	Consequence	Risk Rating	Risk Treatment Plan	Likelihood	Consequence	Risk Rating
Major asset failure	<ul style="list-style-type: none"> • Lack of funding to operate, maintain and renew assets (buildings, playspaces, sporting facilities, roads, drainage, footpaths etc) • Inadequate asset management planning • Under estimated or unknown condition and life cycle performance of asset resulting in structural failure • Under design of asset • Changing environmental condition • Maintenance level below Technical Level of Service/Standard 	<ul style="list-style-type: none"> • Asset Management Policy • AMP • Planned maintenance • Condition audits • Review and updating of asset related information • Stormwater master plan prepared for the Glenelg to Marion catchment and the Hallett Creek catchment • Insurance coverage for some assets only • Capital Works Plan 	L	Ma	High	<ul style="list-style-type: none"> • Rigorously apply Asset Management Policy, eg "maintain before renew and renew before new" • Review the lease/licence methodology and maintenance of community of assets • Work has commenced on the Marion / Mitcham stormwater master plan • CCTV inspection and condition rating of stormwater assets. • Further integration of the AMP into LTFP 	U	Ma	Medium
Loss of opportunity to address required transport asset upgrades i.e. bus shelters, kerb ramps and new footpaths	<ul style="list-style-type: none"> • Failure to budget appropriately for the required asset upgrades 	<ul style="list-style-type: none"> • Annual Business Plan and Budget 	AC	Mo	High	<ul style="list-style-type: none"> • Transport asset upgrades to be prioritised by Council • Works undertaken 	R	Mo	Low

Risk	Risk Cause/Source	Current Controls	Likelihood	Consequence	Risk Rating	Risk Treatment Plan	Likelihood	Consequence	Risk Rating
Asset service is below Technical Level of Service/Community expectations	<ul style="list-style-type: none"> Design of assets does not meet demand/capacity Insufficient funding to operate, maintain and renew assets Deficient routine/cyclic maintenance and renewal of assets 	<ul style="list-style-type: none"> Asset Management Policy AMP & LTFP Planned maintenance Condition audits Review and updating of asset related information in relation to demand and capacity of our networks 	L	Ma	High	<ul style="list-style-type: none"> Rigorously apply Asset Management Policy, eg “maintain before renew and renew before new” Further integration of the AMP into LTFP 	U	Ma	Medium
Excessive service cuts and/or excessive rates rises to meet asset commitments	<ul style="list-style-type: none"> Inappropriate decisions made on services/assets operations, maintenance or renewal which leave an unmanageable legacy in the future 	<ul style="list-style-type: none"> Asset Management Policy AMP & LTFP Planned maintenance Condition audits Continual improvement in understanding the lifecycle and whole of life costs by decision makers 	L	Ma	High	<ul style="list-style-type: none"> Rigorously apply Asset Management Policy, eg “maintain before renew and renew before new” Further integration of the AMP into LTFP Review the lease/licence methodology and maintenance of community of assets Development of documented Maintenance Plans 	U	Ma	Medium

5.3 Routine Operations and Maintenance Plan

Operations include regular activities to provide services such as cleaning, provision of utilities, etc.

Maintenance includes all actions necessary for retaining an asset as near as practicable to an appropriate service condition including regular ongoing day-to-day work necessary to keep assets operating, e.g. replacement of corroded fasteners, isolated 'topping up' of gravel but excluding rehabilitation or renewal. Maintenance may be classified into reactive, planned and specific maintenance work activities.

Reactive maintenance is unplanned repair work carried out in response to service requests and management/supervisory directions.

Planned maintenance is repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown experience, prioritising, scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

Specific maintenance is replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting etc. This work falls below the capital/maintenance threshold but may require a specific budget allocation.

Actual past maintenance expenditure is shown in Tables 5.3.

Table 5.3: Maintenance Expenditure Trends

Asset type	2012/13	2013/14	2014/15
Seal	480,761	517,410	513,807
Pavement	139,555	141,608	143,560
Kerb	445,799	683,993	560,926
Footpath	657,412	1,163,422	1,201,326
Traffic Control Device	3,037	3,433	3,937
Signs	268,966	220,404	252,769
Bus Shelters	433	166,939	181,123
Bridges	1,324	5,470	4,457
Stormwater – Planned and specific	597,600	596,400	661,367
Stormwater – Unplanned	398,400	397,500	342,317
Coastal Walking Trail	72,775	25,530	221,250
Open Space	2,938,430	3,030,728	3,074,616
Buildings – Planned and specific	N/A	N/A	N/A
Buildings - Unplanned	N/A	N/A	1,138,601

Council will operate and maintain assets to provide the defined level of service to approved budgets in the most cost-efficient manner. The operation and maintenance activities aim to include:

- Scheduling operations activities to deliver the defined level of service in the most efficient manner,
- Undertaking maintenance activities through a planned maintenance system to reduce maintenance costs and improve maintenance outcomes. Undertake cost-benefit analysis to determine the most cost-effective split between planned and unplanned maintenance activities (50 – 70% planned desirable as measured by cost),
- Review current and required skills base and implement workforce training and development to meet required operations and maintenance needs,
- Maintain a current hierarchy of critical assets and required operations and maintenance activities,
- Develop and regularly review appropriate emergency response capability,
- Review operations and maintenance activities to ensure Council is obtaining best value for resources used.

5.3.1 Critical Assets

Critical assets are those assets which have a high consequence of failure but not necessarily a high likelihood of failure. By identifying critical assets and critical failure modes, Council can target and refine investigative activities, maintenance plans and capital expenditure plans at the appropriate time.

Operations and maintenance activities may be targeted to mitigate critical asset failure and maintain service levels. These activities may include increased inspection frequency, higher maintenance intervention levels, etc. Critical asset failure modes and required operations and maintenance activities are detailed in Table 5.3.1.

Table 5.3.1: Critical Assets and Service Level Objectives

Asset Portfolio	Critical Assets	Critical Failure Mode	Operations & Maintenance Activities
Transport	Road Pavements	Reconstruction required	Undertake reseals only on roads with a sound pavement base Identify roads requiring reconstruction at project planning phase Develop proactive deep lift patching maintenance program to treat 'pavement failures' on roads not requiring a reseal.
	Footpaths	Injury to walking public	Develop proactive costed program of maintenance / renewal works
Stormwater	Side entry pits, drain inlets and outlets	Blockage cause localised street and property flooding. Scouring downstream of drain outlets – erosion and watercourse bank collapse.	Regular cleaning of pits, inlets and outlets. More frequent cleaning of known 'hot spots' Regular street sweeping to minimise amount of pollutants entering the drainage system.
	Box Culverts and pipes	Collapse of asset	CCTV monitoring of drain lines. Repair/replace high risk defects.
	Gross Pollutant Traps (GPTs) and Trash Racks	Asset blocked by excessive pollutants causing localised flooding.	Regular cleaning and monitor and additional clean prior to heavy rain event.
Open Space	Playgrounds	Poor maintenance practices may lead to injury of users	Regular proactive inspection of playground assets
Buildings	High profile buildings offering services in demand with whole community, e.g. administration offices, libraries, depot .	Services cannot be provided because of failure of mechanical services such as air conditioners or filtration plant.	Regular inspection and servicing of plant and equipment.
Coastal Walking Trail	Bridges and Elevated Walkways	Component failure	Periodic inspection to locate and treat areas of timber rot or metal corrosion.
	Balustrade	Component failure	Periodic Inspection
	Path	Trip Hazards and uneven surface	Periodic inspections and replacement of gravel

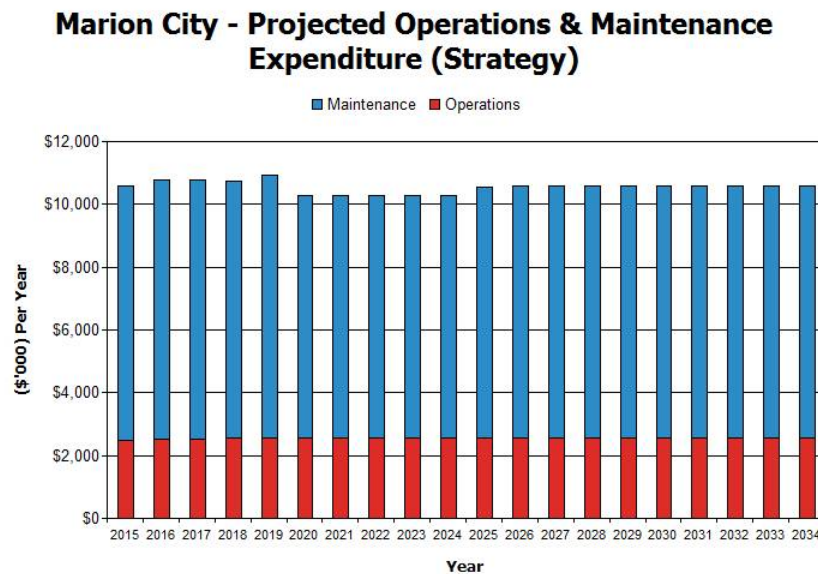
5.3.2 Standards and specifications

Maintenance work for Infrastructure contained within this plan is generally carried out by Council Staff using practices developed over many years, and in accordance with the legislative requirements, standards, rules and codes set out in 3.3 of this plan.

5.3.3 Summary of future operations and maintenance expenditures

Future operations and maintenance expenditure is forecast to trend as demonstrated in Figure 5.3.3 in line with the value of the asset stock. Note that all costs are shown in current 2014/2015 dollar values (i.e. real values).

Figure 5.3.3: Projected Operations and Maintenance Expenditure



Maintenance is funded from the operating budget where available.

5.4 Renewal/Replacement Plan

Renewal and replacement expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original or lesser required service potential. Work over and above restoring an asset to original service potential is upgrade/expansion or new works expenditure.

5.4.1 Renewal plan

Assets requiring renewal/replacement are identified using asset register data to project the renewal costs using acquisition year and useful life to determine the renewal year.

Useful lives of assets are detailed in the annual valuation documents prepared by independent valuers and are reviewed by the Finance Department on an annual basis.

5.4.2 Renewal and Replacement Strategies

The City of Marion aims to plan capital renewal and replacement projects to meet level of service objectives and minimise infrastructure service risks by:

- Planning and scheduling renewal projects to deliver the defined level of service in the most efficient manner,
- Undertaking project scoping for all capital renewal and replacement projects to identify:
 - the service delivery 'deficiency', present risk and optimum time for renewal/replacement,
 - the project objectives to rectify the deficiency,
 - the range of options, estimated capital and life cycle costs for each options that could address the service deficiency,
 - and evaluate the options against evaluation criteria adopted by Council, and
 - select the best option to be included in capital renewal programs,
- Using 'low cost' renewal methods (cost of renewal is less than replacement) wherever possible,
- Review current and required skills base and implement workforce training and development to meet required construction and renewal needs,
- Maintain a current hierarchy of critical assets and capital renewal treatments and timings required ,
- Review management of capital renewal and replacement activities to ensure Council is obtaining best value for resources used.

5.4.3 Renewal ranking criteria

As part of its Asset Management Policy (2014), the City of Marion has adopted a Strategic Asset Management Decision Making Matrix that guides the process by which decisions are made as to whether an asset is maintained, renewed or upgraded.

5.4.4 Renewal and replacement standards

Renewal work is carried out in accordance with the legislative requirements, standards, rules and codes set out in 3.3 of this plan. In addition, reference is made to the following:

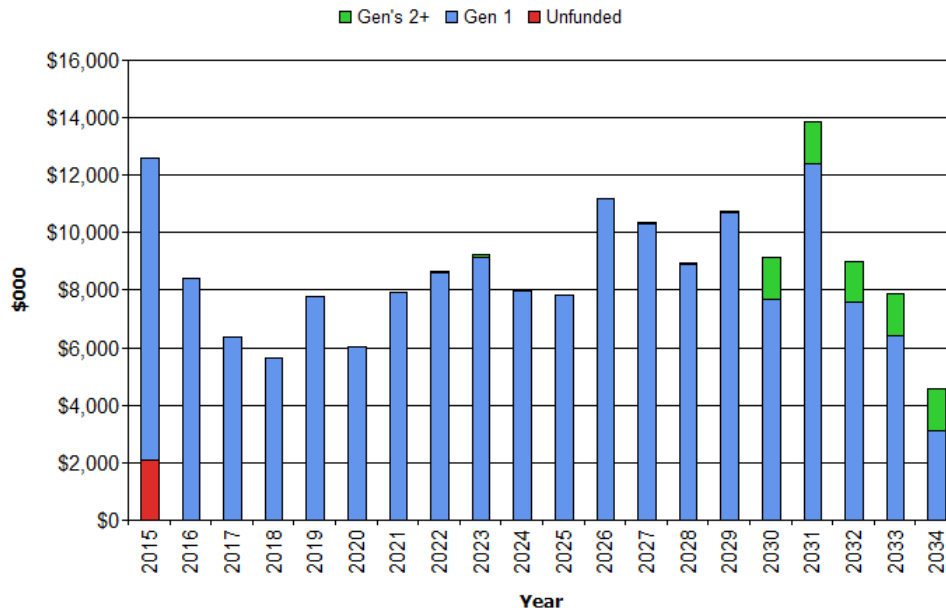
- Annual contracts & associated specifications for resealing, footpath paving and kerb laying
- Australian Rainfall and Runoff, Institution of Engineers Australia
- Australian Runoff Quality, Engineers Australia, 2006
- Australian Standards
- Council environmental and sustainability policies
- Council policies
- Council Standards and Specifications for works (developed on a project basis specific to capital asset being renewed)
- Council Standards and Specifications for works.
- Relevant AUSTROADS publications
- Special one off contracts for bridge construction and pavement reconstruction

5.4.5 Summary of future renewal and replacement expenditure

Projected future renewal and replacement expenditures are forecast to increase over time as the asset stock ages. The expenditure is summarised in Figure 5.4.5. Note that all amounts are shown in real values.

Figure 5.4.5: Projected Capital Renewal and Replacement Expenditure

Marion City - Projected Capital Renewal Expenditure (Strategy)



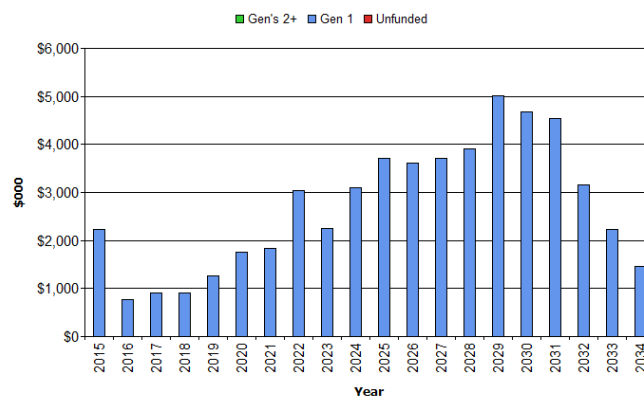
Gen 2+ renewals indicate assets that are being renewed for the second time (or more) over the 20 year forecast period. These will be assets with short useful lives such as gravel paths.

Renewals and replacement expenditure in the organisation's capital works program will be accommodated in the LTFFP.

The following graphs indicate the renewal expenditure required to support sub categories of assets within the portfolio that make up the total in Figure 5.4.5.

Seals

Marion City - Projected Capital Renewal Expenditure (Seals 2015 V1_S1_V1)



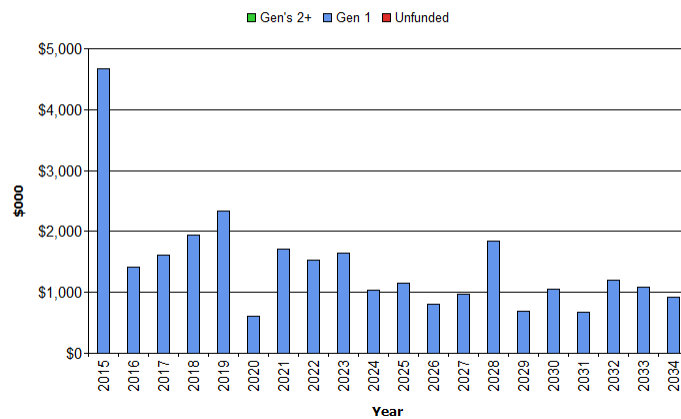
The analysis of seals undertaken in the preparation of this plan indicates that there is an opportunity to reduce existing expenditure (currently \$4.3 million) through a more rigorous prioritisation of works including:

- Implementation of a rejuvenation program
- For local roads (>80% of Councils network) delay of a reseal until environmental conditions (aging of the binder) dictate a reseal is required.
- Less emphasis given to cracking in determination of the remaining life
- Not undertaking a reseal on a road that requires pavement reconstruction
- Prioritisation given to roads that have programmed for resealing via the analysis conducted under this plan
- Implementation of a regime of rigorous onsite inspections and verification prior to a treatment being programmed

An average annual capital renewal of \$1.8 million pa is required over 10 years (2015/16 – 2024/25) and \$2.7 million over 20 years (2015/16 – 2034/35) to support the defined levels of service of the assets.

Pavements

Marion City - Projected Capital Renewal Expenditure (Pavements 2015 V1_S1_V1)



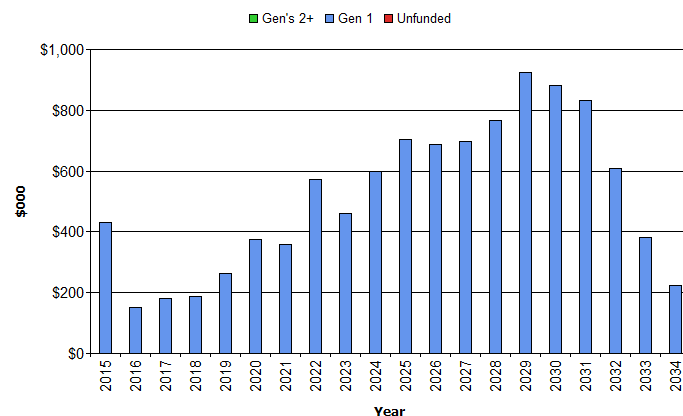
For a period of more than 10 years Council has not had a defined pavement reconstruction program. Instead, in many cases, roads have been resealed often with little rehabilitative pavement works. This has resulted in some cases in premature failure of the seal.

The analysis of pavements undertaken in the preparation of this plan indicates that pavement reconstruction is required and it will be necessary for Council to adopt a pavement reconstruction program. The graph above has been developed from a preliminary project planning perspective. It should be noted that where the required funding is shown as being high in 2015 actual projects can be delayed several years pending further detailed investigations.

An average annual capital renewal of \$1.8 million pa is required over 10 years (2015/16 – 2024/25) and \$1.4 million over 20 years (2015/16 – 2034/35) to support the defined levels of service of the assets. It is considered that the 20 year figure may be conservative since during the next 5-10 years it is expected that more pavements may show signs of structural failure due to the recent resealing practices.

Kerb

Marion City - Projected Capital Renewal Expenditure (Kerb 2015 V1_S1_V1)

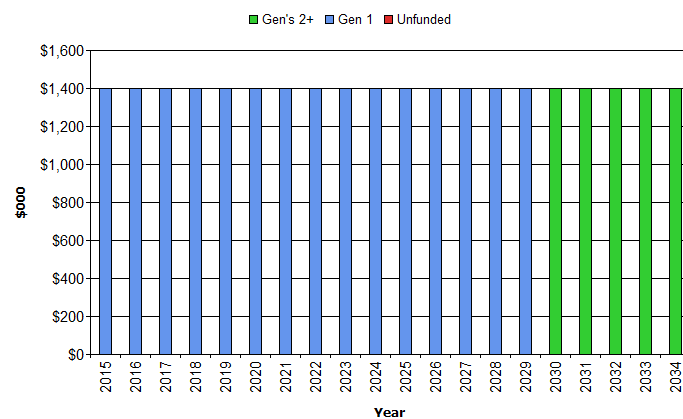


The projected renewals for kerbs can be seen to trend in line with the Seal graph. This is a result of the renewals being developed for the assumption that 5% of the kerb will be replaced on each segment of road before it is resealed.

An average annual capital renewal of \$357k pa is required over 10 years (2015/16 – 2024/25) and \$514k over 20 years (2015/16- 2034/35) to support the defined levels of service of the assets.

Footpaths

Marion City - Projected Capital Renewal Expenditure (Footpaths 2015 V1_S1_V1)

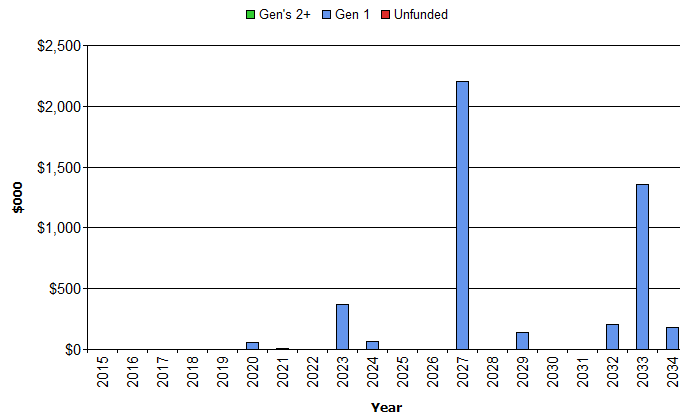


The footpath projected renewal expenditure has been derived from lifting the current service level of defect repair over the entire network from an estimated 18 years to 15 years.

An average annual capital renewal of \$1.4 million pa is required over 10 years (2015/16 – 2024/25) and 20 years (2015/16 – 2034/35) to support the defined levels of service of the assets.

Traffic Control Devices

Marion City - Projected Capital Renewal Expenditure (TCD 2015 V1_S1_V1)

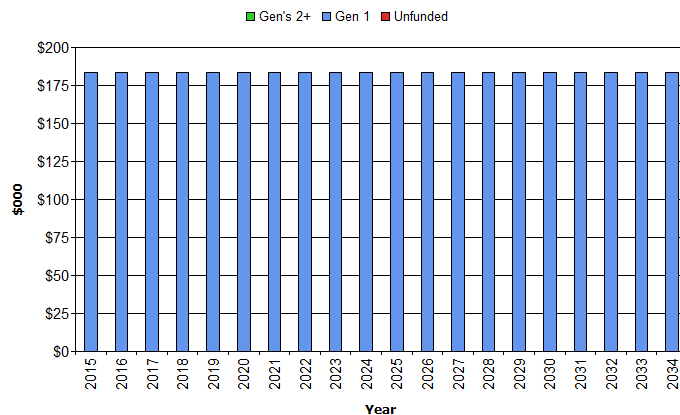


The traffic control device renewals have been estimated from valuation data.

An average annual capital renewal of \$49.6k pa is required over 10 years (2015/16 – 2024/25) and \$229.3k (2015/16 – 2034/35) over 20 years to support the defined levels of service of the assets.

Signs

Marion City - Projected Capital Renewal Expenditure (Signs 2015 V1_S1_V1)

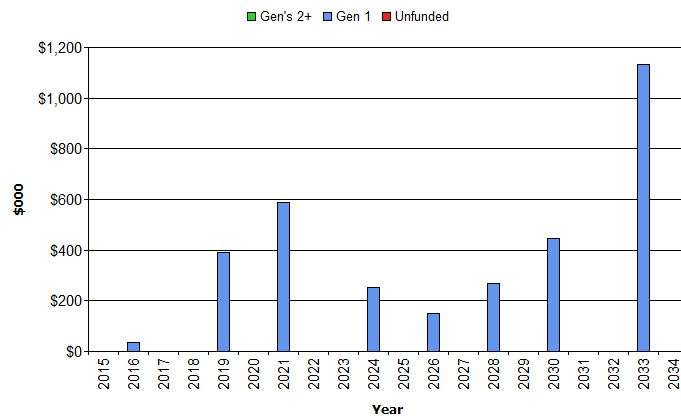


The signage renewals have been estimated from valuation data using an annual depreciation figure calculated without residuals and using straight line depreciation. This is considered satisfactory for renewal planning purposes since Council has many thousand signs all in different condition (and age) states.

An average annual capital renewal of \$184k pa is required over 10 years (2015/16 – 2024/25) and 20 years (2015/16 – 2034/35) to support the defined levels of service of the assets.

Bus Shelters

**Marion City - Projected Capital Renewal Expenditure (Bus Shelters
2015 V1_S1_V1)**

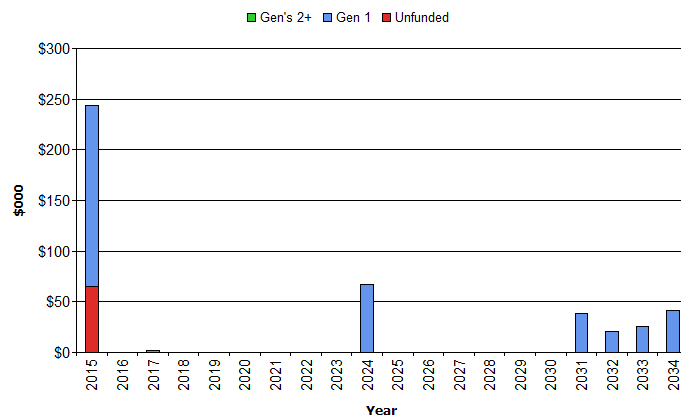


The bus shelter renewals have been estimated from valuation data.

An average annual capital renewal of \$127k pa is required over 10 years (2015/16 – 2024/25) and \$163k pa over 20 years (2015/16 – 2034/35) to support the defined levels of service of the assets.

Bridges

**Marion City - Projected Capital Renewal Expenditure (Bridges
2015 V1_S1_V1)**



The data used to generate the renewal profile for bridges has been drawn for valuations and a condition audit undertaken by the state road authority.

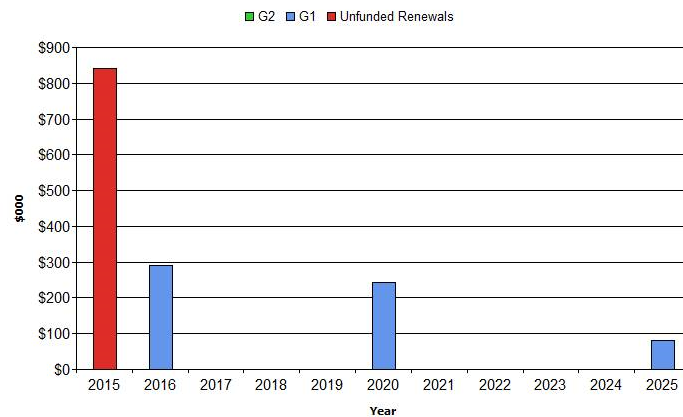
An average annual capital renewal of \$31k pa is required over 10 years (2015/16 – 2024/25) and \$22k pa over 20 years (2015/16 – 2034/35).

Stormwater assets

Due to the long life nature of the stormwater assets no renewals are predicted over the 20 year term of this plan (2015/16 – 2034/35).

Irrigation

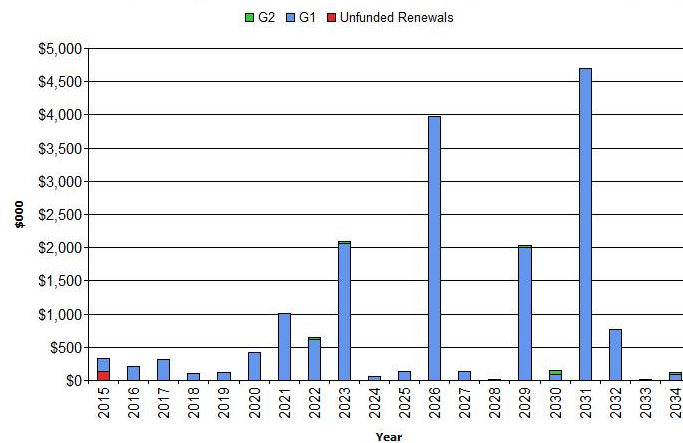
Marion City - (Open Space 2015 V10 Hub_S1_V8 - IPOS Irrigation)



Irrigation relates to optimised irrigation renewals (not including Oaklands ASR reserves) i.e. only portions of existing irrigated areas will be renewed. Only systems that are currently active are included for renewals.

Ancillary assets

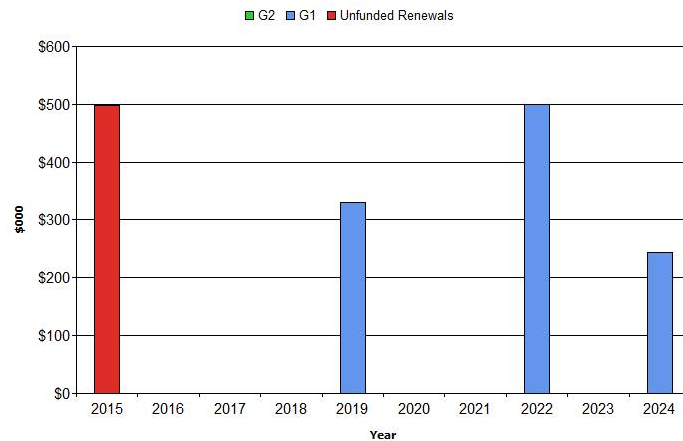
Marion City - (Open Space 2015 V10 Hub_S1_V8 - Maloney All)



The 'Maloney All' asset group relates to ancillary assets on reserves such as BBQ's, fences and seats.

Oaklands Irrigation

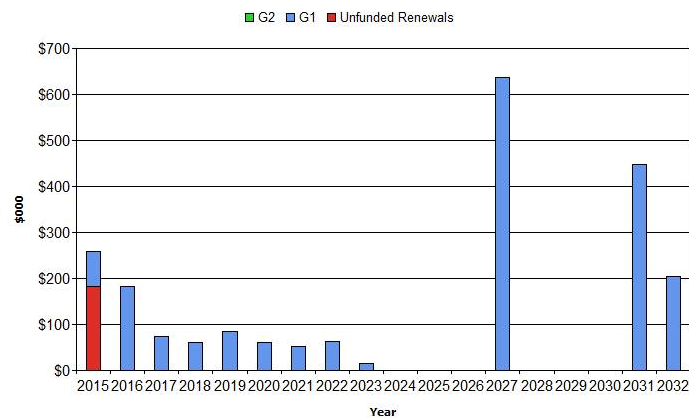
Marion City - (Open Space 2015 V10 Hub_S1_V8 - Oak IPOS Irr)



This asset group references optimised irrigation renewals on reserves proposed to be irrigated through the Oaklands Wetlands ASR scheme.

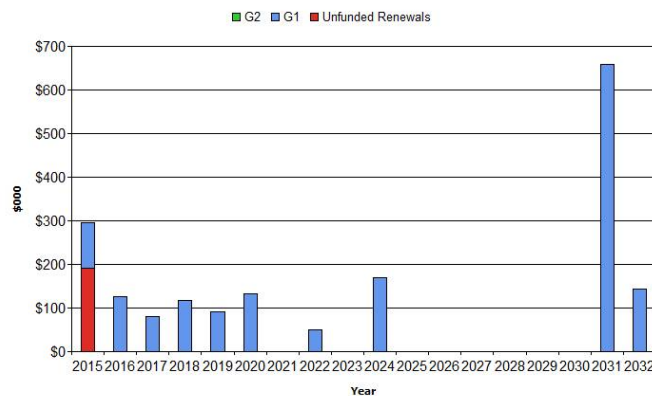
Playspace local

Marion City - (Open Space 2015 V10 Hub_S1_V8 - Playspace Local)



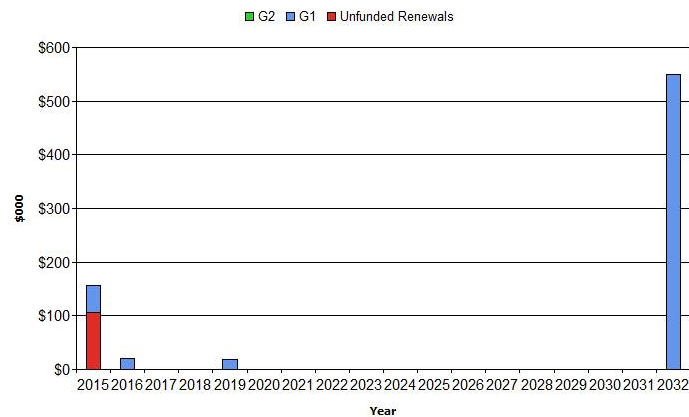
Playspace neighbourhood

Marion City - (Open Space 2015 V10 Hub_S1_V8 - Playspace Nhood)



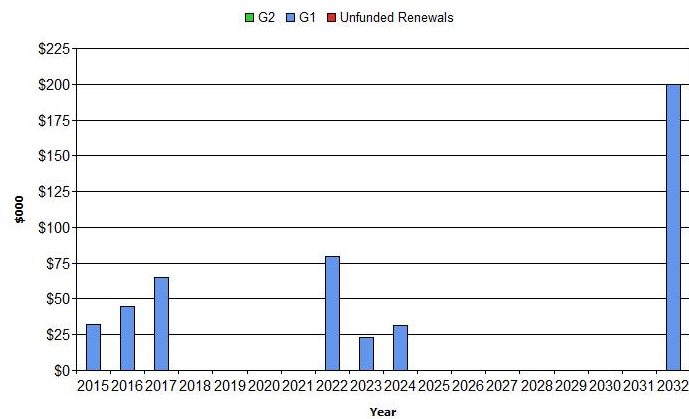
Playspace precinct

Marion City - (Open Space 2015 V10 Hub_S1_V8 - Playspace Precinct)



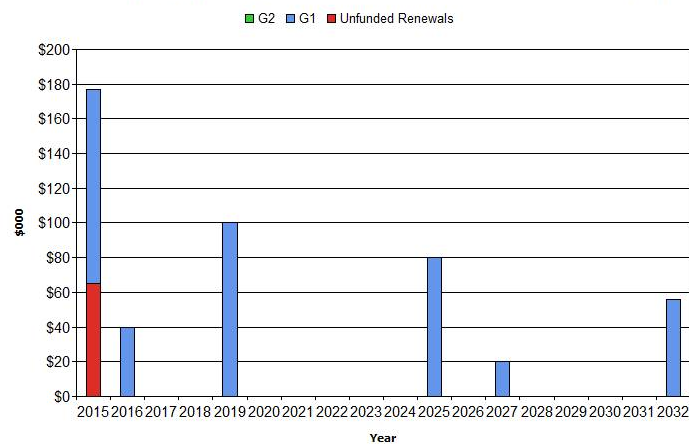
Playspace regional

Marion City - (Open Space 2015 V10 Hub_S1_V8 - Playspace Regional)



Tennis court AC surface

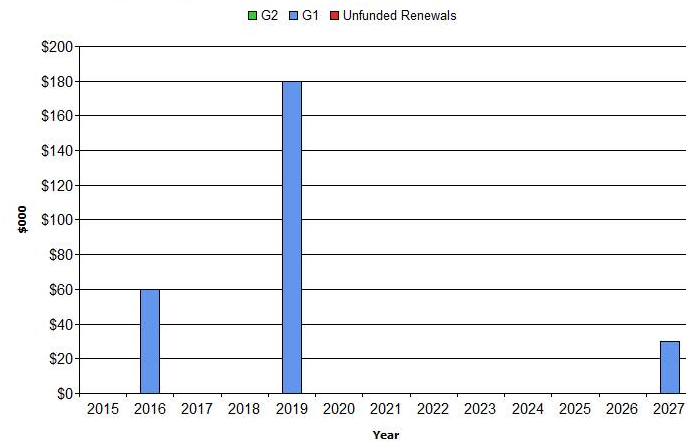
Marion City - (Open Space 2015 V10 Hub_S1_V8 - T Court AC)



This graph refers to the asphaltic concrete component of a tennis court asset.

Tennis court base

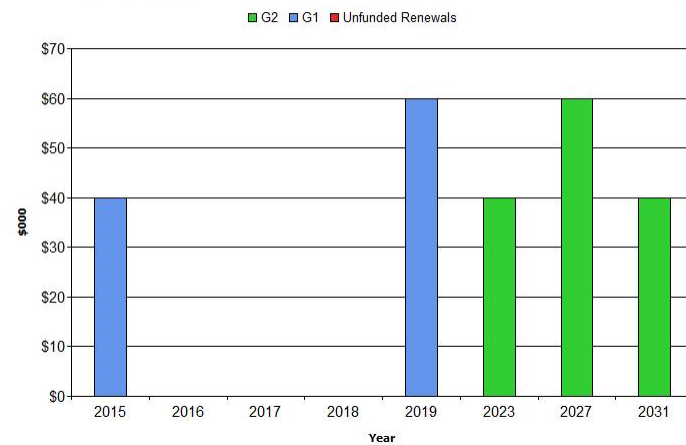
Marion City - (Open Space 2015 V10 Hub_S1_V8 - T Court Base)



This graph refers to the crushed rock base component of a tennis court asset.

Tennis court acrylic surface

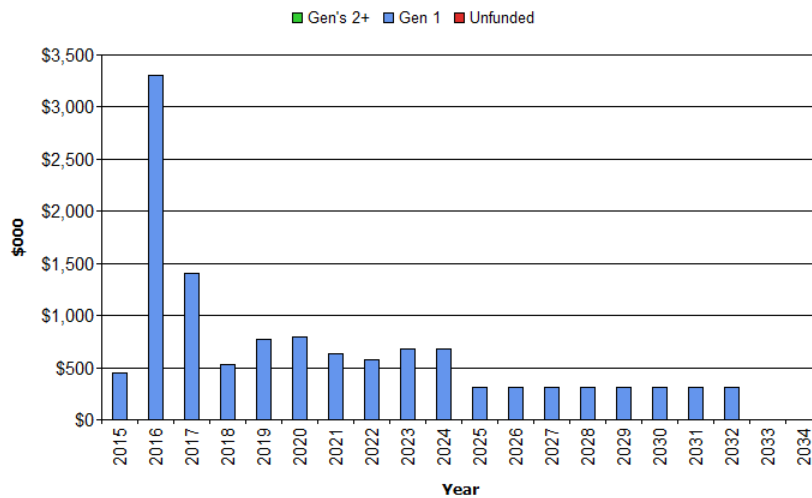
Marion City - (Open Space 2015 V10 Hub_S1_V8 - T Crt Acr Surf)



This graph refers to the coloured acrylic surfacing component of the tennis court where applicable.

Building assets

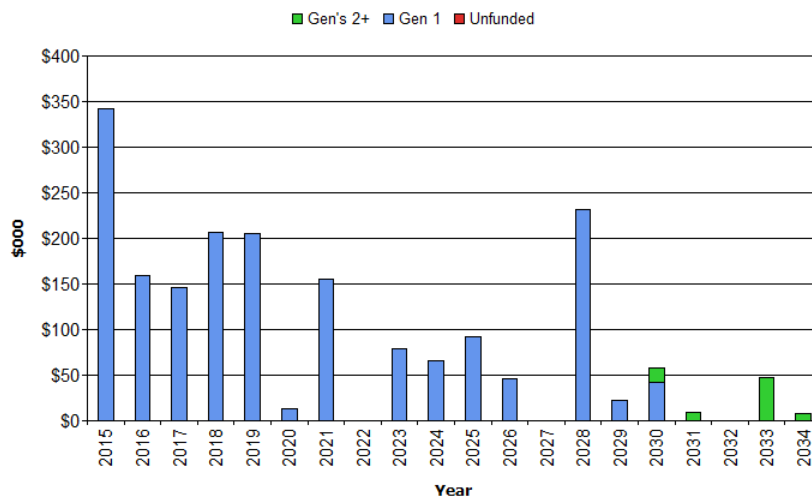
Marion City - Projected Capital Renewal Expenditure (Buildings 2015 V3_S1_V3)



Note that building renewal plans are to be developed over the coming 2 years which will more accurately inform forecast building renewal costs.

Coastal Walking Trail

Marion City - Projected Capital Renewal Expenditure (Coastal Walking Trail_S1_V5)



5.5 Creation/Acquisition/Upgrade Plan

New works are those works that create a new asset that did not previously exist, or works which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social or environmental needs. Assets may also be acquired at no cost to the organisation from land development.

5.5.1 Selection criteria

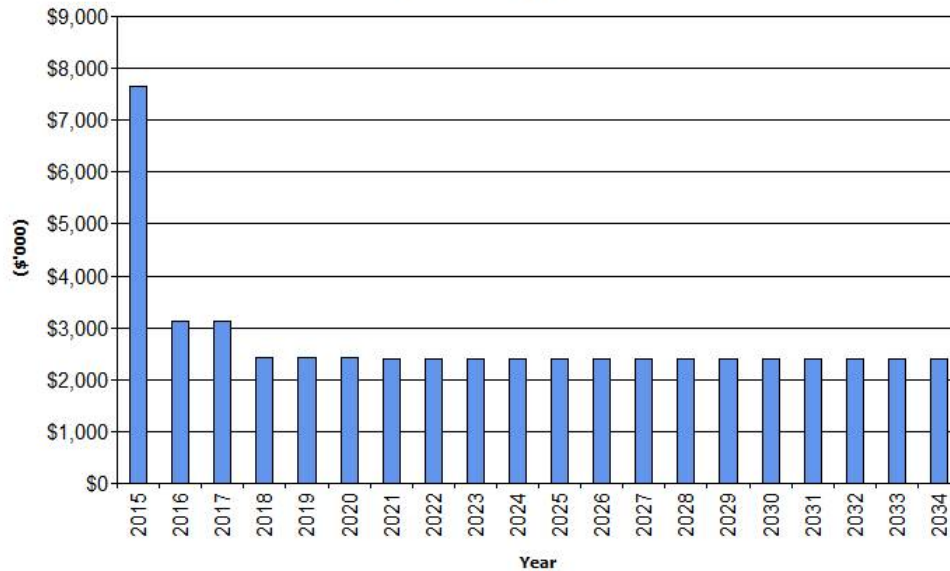
This AMP has been prepared in accordance with Council's Asset Management Policy, essentially requiring new or upgrade works to gain Council approval, having regard to whole of life costs and subsequent impacts on the LTFFP.

5.5.2 Summary of future upgrade/new assets expenditure

In accordance with the Strategic Asset Management Decision Making Matrix no new assets are proposed other than Council approved stormwater, buildings and signage as detailed in Figure 5.5.2.

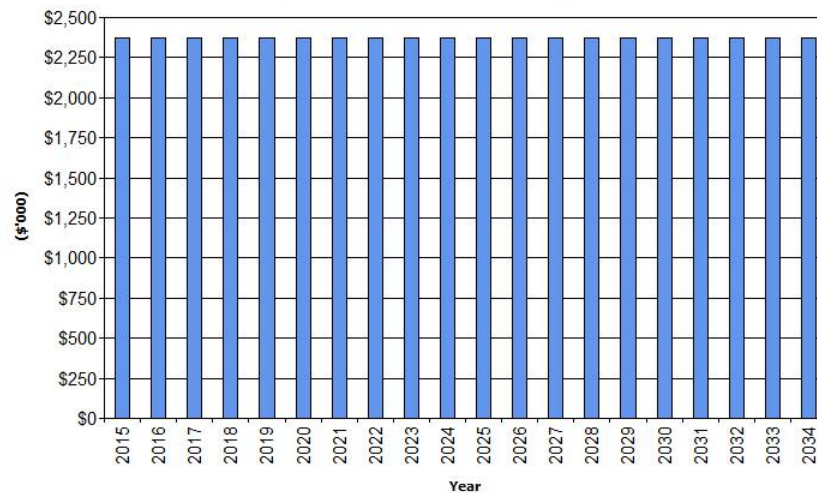
Figure 5.5.2: Projected Capital Upgrade/New Asset Expenditure

Marion City - Projected Capital Upgrade/New Expenditure (Strategy)



Stormwater assets

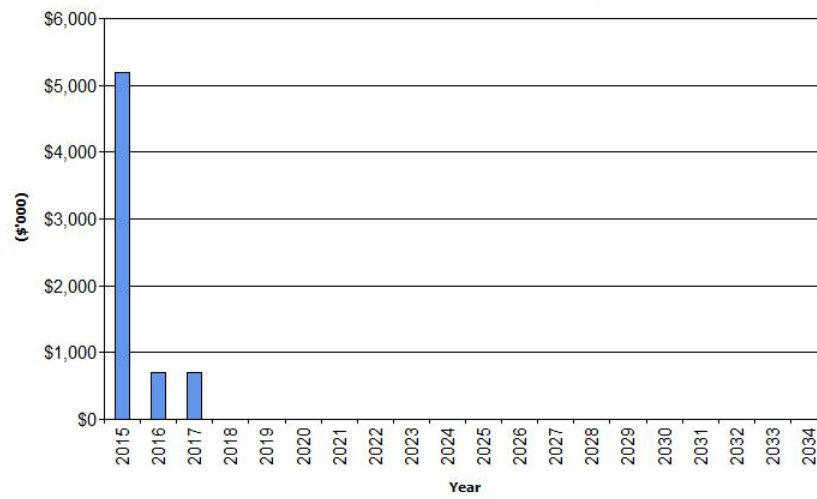
Marion City - Projected Capital Upgrade/New Expenditure (Stormwater_S1_V1)



In preparing the 2013 version of the Stormwater Asset Management Plan \$35.375 million of drainage projects (2012 values) were identified to be constructed over 20 years. The LTFP budget projections provide sufficient funds each financial year for these works.

Building assets

**Marion City - Projected Capital Upgrade/New Expenditure
(Buildings 2015 V3_S1_V3)**



The new / upgrade assets relating to buildings include \$4.5 million in 2015 for the depot upgrade and \$700k between 2015 and 2017 for sustainability upgrades to buildings.

5.6 Disposal Plan

Disposal includes any activity associated with disposal of a decommissioned asset including sale, demolition or relocation. Assets identified for possible decommissioning and disposal are shown in Table 5.6. Once decommissioning has occurred, the renewal forecasts in the AMP and LTFP will be adjusted accordingly.

Playground assets have been identified for disposal as part of the investigation conducted in preparation of the City of Marion Playspace Strategy.

Table 5.6: Assets Identified for Disposal

Playground Asset	Suburb	Reason for Disposal	Renewal Cost (\$)
Ben Pethick Reserve	Marion	Surplus as identified in playspace review	18,000
Cohen Court Reserve	Clovelly Park	Surplus as identified in playspace review	21,600
Cowra Crescent Reserve	Park Holme	Surplus as identified in playspace review	25,200
Everest Avenue Reserve	Morphettville	Surplus as identified in playspace review	30,000
Everest Avenue Reserve	Morphettville	Surplus as identified in playspace review	30,000
French Court Reserve	Trott Park	Surplus as identified in playspace review	16,800
Glandore CC - Childcare	Glandore	Surplus as identified in playspace review	20,000
Lapwing Street Reserve	Hallett Cove	Surplus as identified in playspace review	9,600
Louise Avenue Reserve	Warradale	Surplus as identified in playspace review	19,800
Luke Court Reserve	O'Halloran Hill	Surplus as identified in playspace review	19,200
Mitchell Park Oval East	Mitchell Park	Surplus as identified in playspace review	26,300
Myers Road Reserve (Travers)	Sturt	Surplus as identified in playspace review	19,200
Oliphant Avenue Reserve (Small)	Oaklands Park	Surplus as identified in playspace review	25,400
Parsons Grove Reserve	Park Holme	Surplus as identified in playspace review	32,400
Ranger Street	Hallett Cove	Surplus as identified in playspace review	12,000
Waratah Square Reserve	Seacombe Gardens	Surplus as identified in playspace review	59,760
Totals			480,660

This table includes only those assets that Council has resolved to dispose of. Other assets may be identified for disposal and included in future iterations of this plan as resolved by Council.

Note that the assets identified for disposal are playspace assets only, due to their age and condition and investment in nearby facilities. Council has not resolved to dispose of the land outlined.

6. FINANCIAL SUMMARY

The preparation of this plan allows for alignment of operating, maintenance and renewal funding requirements in the LTFP to support necessary works.

This section contains the financial requirements resulting from all the information presented in the previous sections of this AMP.

Once adopted, this AMP will inform the next iteration of the LTFP. When compared to the adopted Draft 2015/16 LTFP, available funds for asset operating, maintenance and renewal amount to \$255.4 million while this plan identifies a resource requirement of \$216.6 million, resulting in a surplus of \$38.8 million 2015/16 – 2024/25), before any provision is made for major building renewal. A range of measures have been identified, including :

- A detailed review has been undertaken of the Councils road resealing / reconstruction practices which has found significant potential savings provided that an alternative philosophy and program of works is adopted.
- In accordance with Councils current Asset Management Policy upgrades of transport, open space, buildings and coastal walking trail assets have not been included in the plan unless there is a specific Council resolution to do so. Any new or upgrade works not contained in this plan will require prioritisation and approval by Council, having regard to whole of life costs and subsequent impacts on the LTFP.
- Other than some new stormwater, building and signage assets which Council has resolved to undertake, construction of new assets has not been considered.

It has been recommended that Council provision \$49million for building renewal, being equivalent to accumulated depreciation on buildings as at 30 June 2014. This would result in a net \$10.2 million deficit in renewal expenditure over the life of the LTFP.

In the following sections of the plan a comparison is made between depreciation (calculated using the valuation depreciable amount) and renewal expenditure (driven by the renewal cost), however depreciation is unlikely to reflect actual renewal costs and therefore should not be used as a method to reliably inform required renewal expenditure.

In the absence of a current AMP, the LTFP has been based on depreciation. The purpose of this iteration of the AMP is to highlight areas for improved alignment of available funding in future iterations of the LTFP, based on more current information than previous versions. Therefore, the most relevant consideration for Council is the total forecast funding available for operating, maintenance and renewal of assets (plus approved new and upgrade works) compared to the total forecast requirement. This is outlined below:

Draft 2015/16 LTFP Projections for operations, maintenance & renewal	\$231.3 million
Draft 2015/16 LTFP Projections for approved new stormwater works	\$24.1 million
Less Draft AMP forecasts for Operations, Maintenance & Renewal (excluding building renewals) + new stormwater works	(\$216.6 million)
Less proposed provision for Building Renewals	(\$49.0 million)
Projected funding shortfall based on currently adopted LTFP & draft AMP, including provision for building renewals	(\$10.2 million)

Current financial ratios are contained in Council's LTFP and will be updated following the adoption of this AMP and subsequent alignment of works budgets.

6.1 Financial Statements and Projections

The financial projections are shown in Figure 6.1 for projected operating (operations and maintenance) and capital expenditure (renewal). Note that all costs are shown in real values.

Figure 6.1: Projected Operating and Capital Expenditure

Marion City - Projected Operating and Capital Expenditure ()

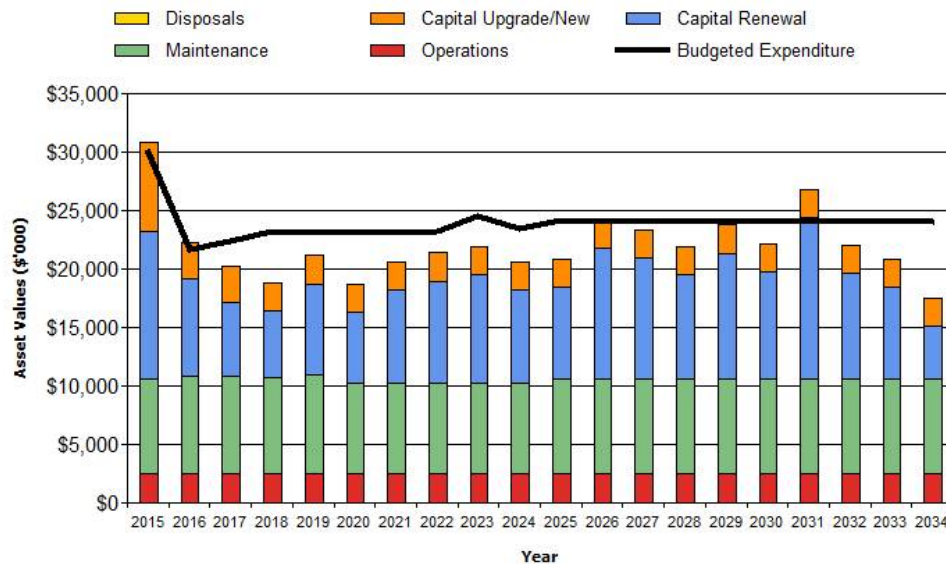


Figure 6.1.1a: Projected and LTFP Budgeted Renewal Expenditure

Marion City - Projected & LTFP Budgeted Renewal Expenditure (Strategy)

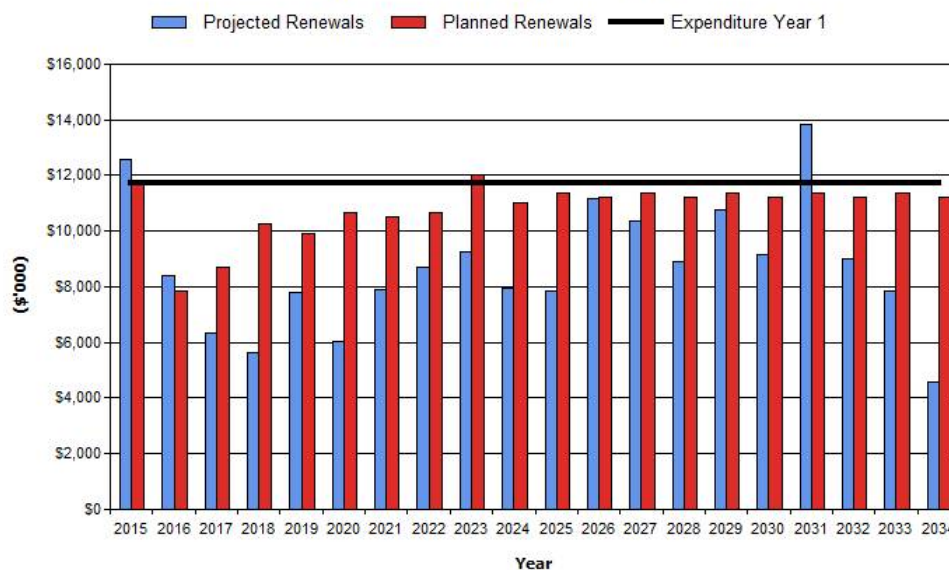


Table 6.1.1 shows the shortfall between projected renewal and replacement expenditures and expenditure accommodated in the LTFP. This does not include provision for major building renewals.

Table 6.1.1: Projected and LTFP Budgeted Renewals and Financing Shortfall

Year	Projected Renewals (\$000)	2015/16 LTFP Renewal Budget (\$000)	Renewal Financing Shortfall (\$000) (-ve Gap, +ve Surplus)	Cumulative Shortfall (\$000) (-ve Gap, +ve Surplus)
2015/16	\$12,587	\$11,747	-\$839	-\$839
2016/17	\$8,390	\$7,834	-\$556	-\$1,395
2017/18	\$6,356	\$8,681	\$2,325	\$929
2018/19	\$5,637	\$10,276	\$4,639	\$5,568
2019/20	\$7,800	\$9,918	\$2,118	\$7,686
2020/21	\$6,045	\$10,687	\$4,642	\$12,328
2021/22	\$7,921	\$10,534	\$2,613	\$14,940
2022/23	\$8,689	\$10,658	\$1,969	\$16,909
2023/24	\$9,245	\$12,012	\$2,767	\$19,676
2024/25	\$7,955	\$10,998	\$3,043	\$22,719
2025/26	\$7,848	\$11,347	\$3,499	\$26,218
2026/27	\$11,170	\$11,231	\$61	\$26,279
2027/28	\$10,369	\$11,347	\$978	\$27,257
2028/29	\$8,928	\$11,231	\$2,303	\$29,560
2029/30	\$10,789	\$11,347	\$558	\$30,118
2030/31	\$9,157	\$11,231	\$2,074	\$32,192
2031/32	\$13,837	\$11,347	-\$2,490	\$29,702
2032/33	\$9,008	\$11,231	\$2,224	\$31,925
2033/34	\$7,861	\$11,347	\$3,486	\$35,411
2034/35	\$4,554	\$11,231	\$6,677	\$42,088

Note: A negative shortfall indicates a financing gap, a positive shortfall indicates a surplus for that year.

Providing services in a sustainable manner will require matching of projected asset renewal and replacement expenditure to meet agreed service levels with **the corresponding** capital works program accommodated in the LTFP.

6.1.2 Projected expenditures for long term financial plan

Table 6.1.2 shows the projected expenditures for the 10 year LTFP.

Expenditure projections are in 2015/16 real values, and exclude provision for building renewals.

Table 6.1.2: Projected Expenditures for Long Term Financial Plan (\$000)

Year	Operations (\$000)	Maintenance (\$000)	Projected Capital Renewal (\$000)	Capital Upgrade/ New (\$000)	Disposals (\$000)
2015/16	\$2,468	\$8,120	\$12,587	\$7,645	\$0
2016/17	\$2,528	\$8,260	\$8,390	\$3,113	\$0
2017/18	\$2,536	\$8,242	\$6,356	\$3,113	\$0
2018/19	\$2,545	\$8,198	\$5,637	\$2,413	\$0
2019/20	\$2,545	\$8,392	\$7,800	\$2,413	\$0
2020/21	\$2,545	\$7,736	\$6,045	\$2,413	\$0
2021/22	\$2,545	\$7,740	\$7,921	\$2,402	\$0
2022/23	\$2,545	\$7,742	\$8,689	\$2,402	\$0
2023/24	\$2,545	\$7,745	\$9,245	\$2,402	\$0
2024/25	\$2,545	\$7,748	\$7,955	\$2,402	\$0

Table 6.1.2 is broken down into renewals by asset portfolio Figure 6.1.3 and Capital Upgrade / New by asset portfolio in Figure 6.1.4.

Table 6.1.3: Projected Capital Renewal Expenditure by Asset Portfolio for Long Term Financial Plan (\$000)

Year	Transport	Stormwater	Open Space	Buildings	Coastal Walking Trail	Projected Capital Renewal (\$000)
2015/16	9,168	0	2,630	446	342	12,587
2016/17	3,950	0	975	3,305	159	8,390
2017/18	4,277	0	530	1,402	146	6,356
2018/19	4,616	0	284	531	205	5,637
2019/20	5,839	0	980	775	205	7,800
2020/21	4,387	0	855	790	13	6,045
2021/22	6,076	0	1,060	630	155	7,921
2022/23	6,726	0	1,391	570	0	8,689
2023/24	6,307	0	2,176	683	79	9,245
2024/25	6,710	0	504	676	65	7,955

Table 6.1.4: Capital Upgrade/ New Expenditure by Asset Portfolio for Long Term Financial Plan (\$000)

Year	Transport	Stormwater	Open Space	Buildings	Coastal Walking Trail	Capital Upgrade/ New (\$000)
2015/16	74	2,371	0	5,200	0	7,645
2016/17	42	2,371	0	700	0	3,113
2017/18	42	2,371	0	700	0	3,113
2018/19	42	2,371	0	0	0	2,413
2019/20	42	2,371	0	0	0	2,413
2020/21	42	2,371	0	0	0	2,413
2021/22	31	2,371	0	0	0	2,402
2022/23	31	2,371	0	0	0	2,402
2023/24	31	2,371	0	0	0	2,402
2024/25	31	2,371	0	0	0	2,402

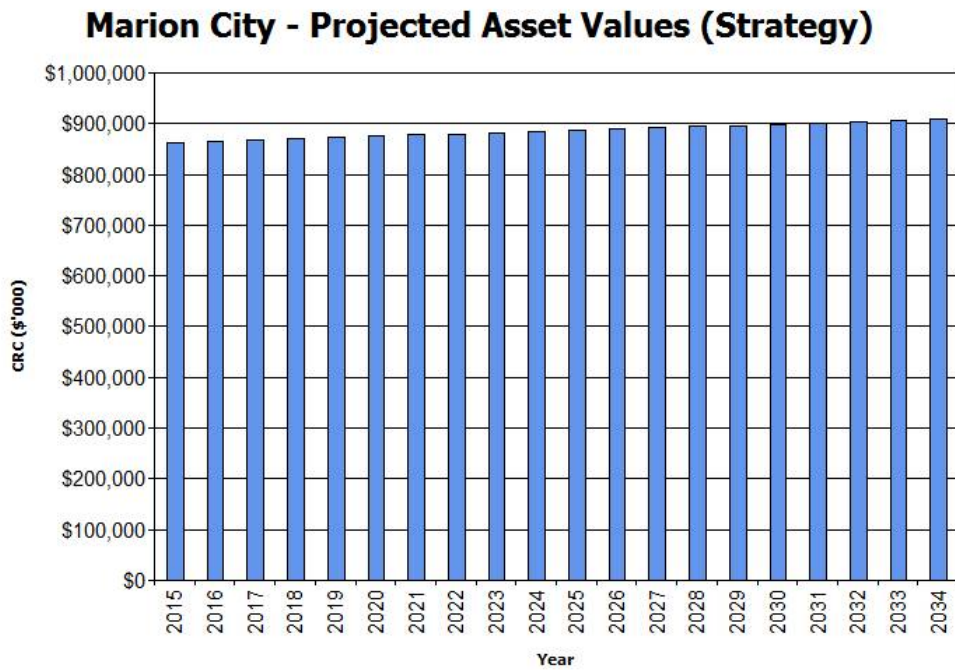
6.2 Funding Strategy

After reviewing service levels, as appropriate to ensure ongoing financial sustainability projected expenditures identified in Section 6.1.2 will be accommodated in the Council's 10 year LTFP.

6.3 Valuation Forecasts

Asset values are forecast to increase as additional assets are added to the asset stock. Figure 6.3 shows the projected replacement cost asset values over the planning period in real values. The figure shows constant values due to new / upgrades not being considered in the preparation of this plan.

Figure 6.3: Projected Asset Values



Depreciation expense values are forecast in line with asset values as shown in Figure 6.3a.

Figure 6.3a: Projected Depreciation Expense

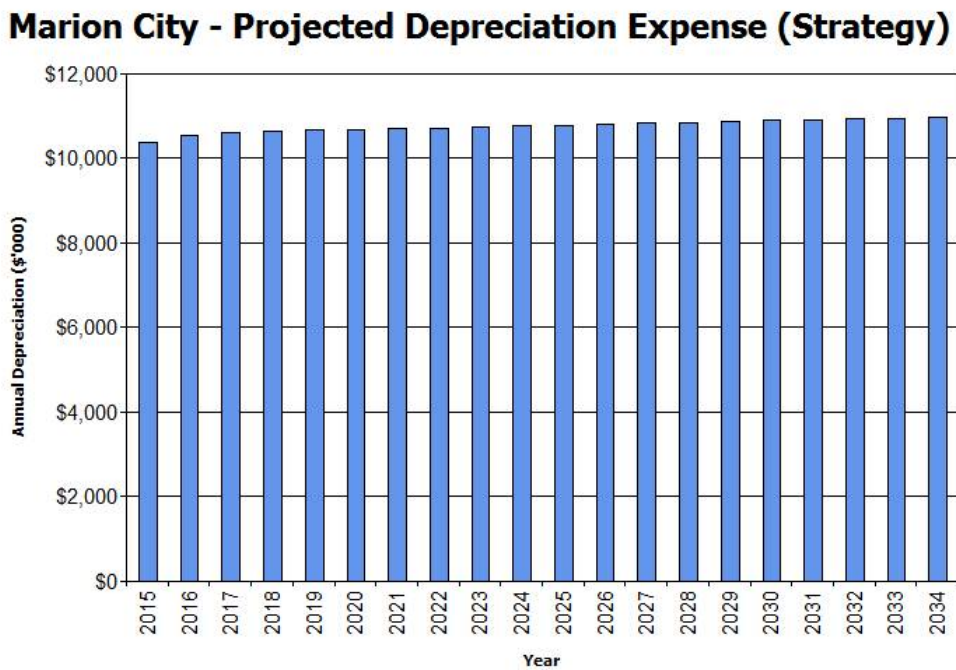
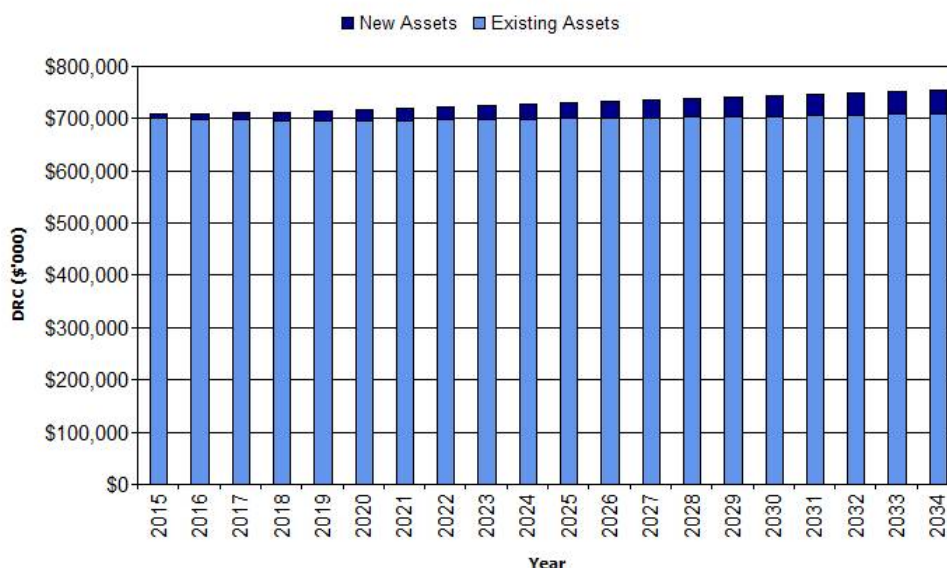


Figure 6.3b: Projected Depreciated Replacement Cost

Marion City - Projected Depreciated Replacement Cost (Strategy)



The marked increase in the depreciated replacement cost is an anomaly associated with low calculation of the CRC and hence DRC (Direct Replacement Cost) through valuations as previously noted. The DRC therefore increases as renewals associated with the higher actual renewal costs are undertaken.

6.4 Key Assumptions made in Financial Forecasts

This section details the key assumptions made in presenting the information contained in this AMP and in preparing forecasts of required operating and capital expenditure and asset values, depreciation expense and carrying amount estimates. It is presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key assumptions made in this AMP and risks that these may change are shown in Table 6.4

Table 6.4: Key Assumptions made in AMP and Risks of Change

Key Assumptions	Risks of Change to Assumptions
Resealing program developed as part of this plan will be followed	The renewal forecast has been developed around an analysis of data that produces a more sustainable program of works without changes to existing service levels. This program of works will require change to be facilitated by Council in the processes that are currently adopted
Pavement reconstruction program developed as part of this plan will be followed	Analysis of data has shown that Council should develop a program of pavement reconstruction and detailed investigation. Currently in some cases roads are being resealed rather than reconstructed resulting in a short seal life and high lifecycle costs.
Kerb renewal assumptions are correct	It has been assumed that approximately 5% of the kerb length in a street will require renewal at the time of a reseal. This is based on a survey of kerb condition undertaken in 2010. Another survey of kerb condition is planned which will improve estimates on a segment by segment basis.
Assumed unit rates are correct	Unit rates in some cases have been based on valuations and in other cases have been compiled from first principles without reference to actual Council costs. In most cases however it is expected that unit rates will be reasonably accurate, particularly for the large asset groups of seals, pavements, kerb and footpaths. Where valuations have been used as a proxy for unit rates used in establishing renewal costs i.e. stormwater and open space (in some cases) the figures will be less reliable.

Key Assumptions	Risks of Change to Assumptions
Drainage network overall condition is fair to good based on remaining life derived from age profile and current CCTV information (assume 100 year useful life)	If poorer condition drain lines are identified by future CCTV this will change the service life and introduce a renewal program
No significant changes to legislation	WSUD mandatory – changes capital works program
Urban growth has a similar pattern to previous years	Increase growth changes capital works program priorities
Maintenance funds can retain existing levels of service	Additional funds required to meet desirable level of service and community expectations
Actual major storm event does not occur in the next 4 years	Extensive clean up changes maintenance and capital works priorities. Additional funds would be required for storm damage and clean up.
Design and operations staffing needs are adequately resourced staff	Unable to resource planned asset management activities
Unclear open space capitalisation threshold may mean that some renewals are being undertaken using maintenance expenditure	Estimated funds required for renewal may already be met through the maintenance budget
Assumption of 'like for like' replacement of open space assets has been made in the development of this plan, whereas historically significant upgrades have taken place	Underestimation of required budget
The desktop exercise to identify the required <u>minor</u> building renewals was comprehensive and adequate.	It is virtually certain that the desktop exercise undervalued the required renewals, which are estimated to be higher by a simple lifecycle calculation, and which should be modelled from conditions and useful lives of components, based on site inspections which take defects into account.
Existing valuations do not accurately reflect the renewable assets contained within the Coastal Walking Trail corridor that are under the control of Council. Hence sustainability ratios calculated within this plan cannot be considered reasonable.	The sustainability ratios will become more accurate following revaluations undertaken by Council.

6.5 Forecast Reliability and Confidence

The expenditure and valuations projections in this AM Plan are based on best available data. Currency and accuracy of data is critical to effective asset and financial management. Data confidence is classified on a 5 level scale⁸ in accordance with Table 6.5.

Table 6.5: Data Confidence Grading System

Confidence Grade	Description
A Highly reliable	Data based on sound records, procedures, investigations and analysis, documented properly and recognised as the best method of assessment. Dataset is complete and estimated to be accurate $\pm 2\%$
B Reliable	Data based on sound records, procedures, investigations and analysis, documented properly but has minor shortcomings, for example some of the data is old, some documentation is missing and/or reliance is placed on unconfirmed reports or some extrapolation. Dataset is complete and estimated to be accurate $\pm 10\%$
C Uncertain	Data based on sound records, procedures, investigations and analysis which is incomplete or unsupported, or extrapolated from a limited sample for which grade A or B data are available. Dataset is substantially complete but up to 50% is extrapolated data and accuracy estimated $\pm 25\%$
D Very Uncertain	Data is based on unconfirmed verbal reports and/or cursory inspections and analysis. Dataset may not be fully complete and most data is estimated or extrapolated. Accuracy $\pm 40\%$
E Unknown	None or very little data held.

The estimated confidence level for and reliability of data used in this AM Plan is shown in Tables 6.5.1. – 6.5.5

⁸ IPWEA, 2011, IIMM, Table 2.4.6, p 2|59.

Table 6.5.1: Data Confidence Assessment for Data used in AMP - Transport

Data	Confidence Assessment	Comment
Demand drivers	C	Upgrade / new expenditure has been based on Council's recently adopted Asset Management Policy. If Council resolves to increase upgrade/ new expenditure amendments to future funding will be required.
Growth projections	B	Much of the Council has already been developed and a large amount of future growth is not predicted
Operations expenditures	E	Operations expenditure has not been directly considered in this plan but has been included within maintenance expenditure
Maintenance expenditures	A	Based on Council's actual costs
Projected Renewal exps. - Asset values	B	Asset values are generally based on costs to renew the asset
- Asset residual values	C	Residual values have been ignored in renewal planning costs, since they will not be realised
- Asset useful lives	B	Established useful lives have been used
- Condition modelling	B	For seals and pavements a great deal of work has been done on modelling existing condition data, although in some cases the data has been shown to be inaccurate
- Network renewals	B	Network renewals have been used for signage and kerbing
- Defect repairs	N/A	N/A
Upgrade/New expenditures	B - C	Generally no upgrade / new expenditure has been assumed. This will be the subject of future resolutions of Council
Disposal expenditures	N/A	N/A

Table 6.5.2: Data Confidence Assessment for Data used in AMP- Stormwater

Data	Confidence Assessment	Comment
Demand drivers	B	The two Stormwater Management Plans have provided reliable information on demand drivers.
Growth projections	B	Growth projections are based development potential from Housing id Report (2011), Jensen Planning SWMP Report (2011) and 30 year plan for greater Adelaide.
Operations expenditures	C	Work orders have not been implemented for these activities.
Maintenance expenditures	C	Work orders have not been implemented for these activities.
Projected Renewal exps. - Asset values	B	Unit rates are used which are based on current contract rates and Rawlinson handbook.
- Asset residual values	B	Low salvage/reuse value.
- Asset useful lives	D	Insufficient research and testing in useful life predictions.
- Condition modelling	E	Insufficient research and testing on the correlation between useful life and condition of asset.
- Network renewals	C	Condition assessment is based on sample CCTV survey. Further condition inspections are required to improve predictions.
- Defect repairs	C	Work orders have not been implemented for these activities.
Upgrade/New expenditures	B	Decision to upgrade is based on SWMP projects, CCTV assessments, drainage capacity analysis and known flooding and pipe capacity problems.
Disposal expenditures	B	Unit rates for disposal are based on contract rates.

Table 6.5.3: Data Confidence Assessment for Data used in AMP – Open Space

Data	Confidence Assessment	Comment
Demand drivers	A	Open space planning documents detail community demand via consultation mechanisms
Growth projections	B	Growth is based on demand for new assets
Operations expenditures	C	Based on existing budget, growth predicted though increased asset base through upgrades
Maintenance expenditures	C	Based on existing budget, growth predicted though increased asset base through upgrades
Projected Renewal exps. - Asset values	C	Based on valuation data rather than condition based renewals
- Asset residual values	A	No residuals have been assumed
- Asset useful lives	C	Lives will not play a significant role in the assets requiring renewal during the course of the plan
- Condition modelling	C	Based on valuation data
- Network renewals	C	Based on valuation data
- Defect repairs	D	Defect repairs not considered
Upgrade/New expenditures	C	Asset upgrades as appearing in other open space planning documents is not considered in the development of this version of the AMP
Disposal expenditures	C	Disposal of existing playgrounds where they are not renewed is unknown

Table 6.5.4: Data Confidence Assessment for Data used in AM Plan - Buildings

Data	Confidence Assessment	Comment
Demand drivers	C	The recommendations of Councils draft facility review plan have not been allowed for in the development of this plan
Growth projections	B	The assumption of 0% growth is close to the actual situation.
Operations expenditures	B	
Maintenance expenditures	B	
Projected Renewal exps. - Asset values	D	Projected building renewal are not included in this plan. Building renewal plans are to be developed over the next 2 years.
- Asset residual values	NA	Residual values provided by external valuers.
- Asset useful lives	NA	Aged building nearing the end of their useful lives..
- Condition modelling	NA	See comments above.
- Network renewals	NA	See comments above.
- Defect repairs	D	Based on desktop identification.
Upgrade/New expenditures	B	Based on preliminary cost estimates
Disposal expenditures	B	

Table 6.5.5: Data Confidence Assessment for Data used in AM Plan – Coastal Walking Trail

Data	Confidence Assessment	Comment
Demand drivers	B	
Growth projections	A	Data based on historical records and professional opinions
Operations expenditures	A	No operations costs are considered in preparation of the plan
Maintenance expenditures	A	Proactive maintenance program has been developed
Projected Renewal exps. - Asset values	B	Renewal projections based on up to date register of assets
- Asset residual values	D	Valuations based on out of date register
- Asset useful lives	A	No residual value is expected.
- Condition modelling	B	Harsh coastal environment creates uncertainty
- Network renewals	B	Full visual condition audit has been undertaken.
- Defect repairs	E	No network assets currently considered
Upgrade/New expenditures	D	No specific data available
Disposal expenditures	A	No new or upgraded assets unless approved by Council
	A	None considered

7. PLAN IMPROVEMENT AND MONITORING

7.1 Status of Asset Management Practices

7.1.1 Accounting and financial systems

The finance system used by the City of Marion is Authority, a product of Civica Pty Ltd. The financial modules within Authority include the following:

- General Ledger
- Receipting
- Payroll
- Rate Debtors/Property Management
- Purchasing
- Accounts Receivable/Accounts Payable
- Inventory
- Bank Reconciliation
- Estimates
- Contracts
- Loans
- Plant
- Work Orders
- Capital Value Register (CVR)

Within the Work Orders module, there are links to the General Ledger, the Plant Module and the AIM system.

Within the Capital Value Register, the following functions/programs are available:

- Asset capitalisation
- Asset disposal
- Depreciation
- Revaluation

All of the above programs perform automatic updates to the General Ledger via Control Accounts created for each Asset Record.

Depreciation charges are processed monthly according to the useful life (taking into consideration residual values) recorded against each Asset Record.

Infrastructure Assets are comprehensively revalued every 3-5 years and also have annual “desktop” valuations.

The Capital Value Register incorporates the following Asset Classifications:

- Land
- Buildings
- Plant & equipment
- Furniture & fittings
- Other
- Other infrastructure
- Intangibles

Infrastructure Assets including Roads, Drains, Kerb, Footpaths, Bridges and Traffic Devices are held on systems external to Authority, e.g. Pavement Management System, Spreadsheets. External Valuers use this data as a basis for providing valuations which are added to the Balance Sheet Control Accounts via a general journal.

Accountabilities for financial systems

The responsibility for the integrity of the finance system is assigned to the Finance Manager and senior Accounting staff.

Accounting standards and regulations

The accounting standards and guidelines that must be complied with are as follows:

- *Local Government Act 1999*
- Local Government General Regulations 1999
- Local Government (Financial Management) Regulations 2022
- State and Federal Legislation (e.g. taxes)
- Australian Accounting Standards set by the Australian Accounting Standards Board (AASB)
- City of Marion financial policies and procedures

Capital/maintenance threshold

Assets should have a useful life of greater than one year in order for the expenditure to be capitalised and have a value above the Materiality Thresholds described below.

Any expenditure considered to be Capital must also pass a materiality test. Materiality levels are set so as not to misstate Financial Statements and to provide a guide whether it is practical from an Administrative perspective that expenditure is capitalised.

Table 7.1: Materiality Levels

Asset Group	New/Replacement
Infrastructure	\$5,000
Land	\$5,000
Buildings	\$5,000
Furniture & Fittings	\$3,000
Equipment	\$3,000
Other	\$3,000

Networked/Aggregate Assets - Expenditure can still be capitalised on items that fall below materiality thresholds individually but operate together as a cohesive whole to form a substantial/significant total value. Examples are the Computer Network, Library Books, and Reserve Furniture.

7.1.2 Asset management system

An asset management system is a combination of processes, data and software applied to provide the essential outputs for effective AM such as reduced risk and optimum infrastructure investment.

Council utilises a number of asset management systems which contribute to the overall management of the long term planning of infrastructure. These include Stormwater Management Database in the MapInfo Exponare and MapInfo Professional GIS linked to Microsoft spreadsheets, IBM Lotus Notes Customer Request System and Authority financial and asset modules.

The current systems are being reviewed with the aim of integrating asset information into the corporate AM system.

Asset registers

A database of data collected in the field was used to compile this AMP.

Linkage from asset management to financial system

Further integration of the asset management systems and processes and the LTFP are being developed.

Accountabilities for asset management system and data maintenance

The responsibility of asset management planning system and data maintenance is assigned to the Manager Strategic Assets and Strategic Asset Services staff.

Required changes to asset management system arising from this AM Plan

Reviews and improvements to asset management systems are ongoing and part of the organisation process towards best practice. Improvements are implemented as required.

7.2 Improvement Program

The asset management improvement plan generated from this AMP is shown in Table 7.2.

Table 7.2: Improvement Plan

Task No	Task	Responsibility	Resources Required	Timeline
1	Undertake condition assessment of assets	Mgr. Strategic Assets	Recurrent	December 16
2	Develop an optimised program of infrastructure repair / renewal	Mgr. Strategic Assets & Mgr. Infrastructure	Recurrent	December 16
3	Develop a program of bus shelter renewal and compliance upgrade	Mgr. Strategic Assets & Mgr. Infrastructure	\$1.2m	2020
4	Prepare a service level and community consultation plan for assets linking with the Council Plan, LTFP and AMPs	Mgr. Strategic Assets & Mgr. Infrastructure	\$30,000	December 15
5	Implement the two adopted Stormwater Management Plans	Infrastructure	Consultancy and Infrastructure and Strategic Assets staff	2034
6	Prepare Stormwater Management Plans for the remaining catchments in the city ie east of Sturt River and urban area abutting Field River	Infrastructure	Consultancy and Infrastructure and Strategic Assets staff	2016
7	Prepare Operations and Maintenance Management Plan for infrastructure. The plan to include service levels, inspection frequency , maintenance activities and response times	Infrastructure	Infrastructure staff	2016
8	Review asset management and procedural frame work for inter-departmental/work group areas, update asset register, condition rating etc	Strategic Assets	Strategic Assets staff	2016
9	Continue annual CCTV surveys to inspect and assess the performance and condition of the stormwater assets to determine remaining life	Infrastructure and Strategic Assets	Infrastructure and Strategic Assets staff	Annual program

Task No	Task	Responsibility	Resources Required	Timeline
10	Integrate asset and financial systems	Strategic Assets	Strategic Assets staff	2016
11	Prepared long term projection of depreciation expenses on assets based on consumption.	Strategic Assets	Strategic Assets staff	2016
12	Undertake annual review and update the SAM Plan and integrate with LTFP. The capital works selection criteria and decision making process is to be included in the review	Infrastructure and Strategic Assets	Infrastructure and Strategic Assets staff	Annual program
13	Develop a reserve name and numbering system linked to GIS and Asset Management System	Strategic Assets & Open Space	Strategic Assets & Open Space Staff	2018
14	Develop condition rating methodologies for open space assets that will allow informed decision making for asset renewal	Strategic Assets & Open Space	Strategic Assets & Open Space Staff	2016
15	Undertake further research on actual renewal costs of open space assets and develop realistic unit rates for same	Strategic Assets & Open Space	Strategic Assets & Open Space Staff	2016
16	Develop unit rates for open space assets	Strategic Assets & Open Space	Strategic Assets & Open Space Staff	2016
17	Review the LTFP against proposed renewals for assets with a view to matching the funds required or altering the service levels to match sustainable funds available through the LTFP	Strategic Assets & Finance	Strategic Assets & Finance staff	Ongoing post AMP endorsement
18	Review the method of determining required renewals. Adopt forward modelling based on component replacement values, component conditions, and useful lives.	Strategic Assets & Finance	Strategic Assets & Finance Staff	2017
19	Improve asset and financial systems	Strategic Assets & Finance	Strategic Assets & Finance staff	Ongoing
20	Undertake annual review and update the Buildings AM Plan and integrate with LTFP. The capital works selection criteria and decision making process is to be included in the review.	Infrastructure and Strategic Assets	Strategic Assets & Finance staff	Annual program

7.3 Monitoring and Review Procedures

This AMP will be reviewed and updated during annual budget planning processes and amended to recognise any material changes in service levels and/or resources available to provide those services as a result of budget decisions.

The AMP has a life of 4 years, and is due for complete revision within 24 months of each Council election (November 2016) to ensure it represents the current service level, asset values, projected operations, maintenance, capital renewal and replacement, capital upgrade/new and asset disposal expenditures and projected expenditure values incorporated into the Council's LTFP.

7.4 Performance Measures

The effectiveness of the AMP can be measured in the following ways:

- The degree to which the required projected expenditures identified in this AMP are incorporated into the organisation's long term financial plan,
- The degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the 'global' works program trends provided by the AMP,
- The degree to which the existing and projected service levels and service consequences (what we cannot do), risks and residual risks are incorporated into the organisation's Strategic Plan and associated plans,

- Council's Asset Renewal Funding Ratio achieving the target of 1.0.

8. REFERENCES

IPWEA, 2006, 'International Infrastructure Management Manual', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/IIMM

IPWEA, 2008, 'NAMS.PLUS Asset Management', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/namsplus.

IPWEA, 2009, 'Australian Infrastructure Financial Management Guidelines', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/AIFMG.

IPWEA, 2011, 'International Infrastructure Management Manual', Institute of Public Works Engineering Australia, Sydney, www.ipwea.org.au/IIMM

City of Marion, 2015 'Asset Management Policy',

City of Marion, 'Annual Plan and Budget'.

Asset Engineering Pty Ltd, 2013, 'Remaining life of road seals and comparison against Councils 14/15 Works Program

Asset Engineering Pty Ltd, 2013, 'DTIMS Works Program Review'

Asset Engineering Pty Ltd, 2014, 'Seal and Pavement, Determination of Remaining Life' (DRAFT)

9. APPENDICES

Appendix A Current and Desired Service Levels

Appendix B Data Sources and assumptions

Appendix A Current and Desired Service Levels

Current and Desired Service Levels - Transport

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
COMMUNITY LEVELS OF SERVICE				
Quality	<u>Seals & pavements</u> Provide a smooth road with no potholes	Customer service requests	293 requests under 'roads, maintenance'	To be reviewed
	<u>Kerb</u> Provide kerb & water table of a standard to provide the transfer of stormwater along a road with minimal pooling.	Customer service requests	94 requests under 'general enquires / inspection required	To be reviewed
	<u>Traffic Control Devices</u> Provide an effective network of traffic control devices	Customer service requests	51 requests under 'traffic control devices'	To be reviewed
	<u>Bus shelters</u> Provide a functional network of bus shelters at key locations	Customer service requests	34 requests under 'bus shelters'	To be reviewed
Safety	<u>Bridges</u> Provide a safe network of vehicular & pedestrian bridges.	Customer service requests	3 requests under 'bridge'	To be reviewed
	<u>Footpath</u> Provide a safe network of pedestrian paths.	Customer service requests	1252 requests under 'footpaths'	To be reviewed
	<u>Signs</u> Provide an effective, safe network of traffic signs	Customer service requests	355 requests under signs: road traffic, advisory, directional, street names, traffic / school	To be reviewed
TECHNICAL LEVELS OF SERVICE				
Renewal	Seal	Adherence to revised works program	Single treatment only used for renewal (AC10) based on rudimentary intervention levels.	To be reviewed
		Budget	\$44.0m (10 years)	
	Pavement		Council has not undertaken an extensive reconstruction program for some years.	To be reviewed and validated
			\$0	\$18.5m (10 years)

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
	Kerb		LTFP kerb program based on increasing expenditure over that in place at the moment	Revised and optimised our works program
		Budget	\$23.7m (10 years)	\$3.6m (10 years), maintaining kerb replacement at current (2015) levels.
	Footpath	Enhanced renewals	Current defect repair over entire network (2014 budget of \$1.2m) will take approximately 18 years.	Review the defect repair time
		Budget	\$16.6m (10 years of LTFP)	\$14 million (10 years)
	Traffic Control Devices	Enhanced renewals	Provisions within LTFP are not based on detailed analysis	Maintain traffic control devices to meet community needs related to consultation through local area traffic management studies.
		Budget	\$721,000 (10 years of LTFP)	\$496,000 (10 years)
	Signs	Enhanced renewals	Budget for signage is based on historic practice.	Proposed budget is based on matching straight line depreciation calculations
		Budget	\$590k (10 years of LTFP)	\$1,840k (10 years)
	Bus shelters	Enhanced renewals	Budget for bus shelters is based on historic practice	To be reviewed. DDA compliance by 2020
		Budget	\$504k (10 years of LTFP)	\$1,271k (10 years)
	Bridges	Enhanced renewals	Budget for bridges is based on historic practice	Renewals based on replacing some footbridges and significant defect repair
		Budget	\$584k (10 years)	\$313k (10 years)
Upgrade	All apart from signage	No upgrades	Upgrades take place	Impact of upgrades / new assets not modelled in this AMP

Current and Desired Service Levels - Stormwater

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
COMMUNITY LEVELS OF SERVICE				
Quality	Provide an efficient method of collection and environmentally friendly disposal of stormwater runoff	Community forum feedback. Number of customer complaints.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Function	Provide a safe and effective stormwater drainage network	Frequency of property flooding.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Capacity/ Utilisation	Ensure stormwater drainage network meets capacity requirements	Number of customer requests relating to property/street flooding and pollution discharges into waterways.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
TECHNICAL LEVELS OF SERVICE				
Operations & Maintenance	Programmed maintenance to clean drain and pit, street sweeping and emptying GPTs .	Number of customer requests/complaints.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
		Planned maintenance activities are completed to schedule.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Renewal	Activities that review the existing condition and capacity of the drainage network	Structural assessment of poor condition drains from the annual CCTV condition and defects inspection.	Risk based approach to replace assets identified as being in poor structural condition.	Risk based approach to replace assets identified as being in poor structural condition.
Upgrade/New	Activities that improve/upgrade the existing drainage network to meet 1 in 5 ARI storm design requirements and to reduce hazardous flooding from 1 in 100 ARI storm.	Stormwater Management Plan and Flood Plain Mapping to identify drainage network deficiencies.	Implement capital works program based on Drainage Priority Matrix.	Implement capital works program based on Drainage Priority Matrix.

Current and Desired Service Levels – Open Space

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
COMMUNITY LEVELS OF SERVICE				
Quality	Well maintained and suitable Open Space	Customer service requests	Under review	<1,000 requests per annum for trees <500 requests for park infrastructure
Accessibility	Open Space assets will be accessible during normal operating business hours	Customer service requests relating to availability.	Under review	95% compliance. In this instance where an Open Space is closed to users for reasons such as maintenance, upgrading, renewal or a Council related public event or non-Council events, then appropriate notification shall be given to relevant users in accordance with Council's Public Consultation Policy and the requirements of Council's Community Land Management Plans.
Function	Open Space assets meet community need	To be defined	Under review	>60% customer survey satisfaction
Responsiveness	Response time to customer requests	Review of closure times for Customer Service Requests	Under review	>90% of all requests adequately responded to within target
TECHNICAL LEVELS OF SERVICE				
Condition	Condition assessment of Open Space network every 3 years	Assessment of condition data collected for valuation purposes.	Under review	Open Space condition index to be no worse than an average 3 out of a possible 5
Accessibility	Provide all weather access to category 1, 2 and 3 reserves.	Customer service requests relating to access	Under review	<20 requests / complaints relating to access of Open Space (within category 1-3)
Cost Effectiveness	Provide services in cost effective manner	Maintenance / Operational costs in line with industry standards	Under review	To be assessed
Safety	Undertake risk based inspection of Open Space network every three years	Audit of all Open Space undertaken in line with relevant standards	Under review	Reactive and proactive maintenance programs optimised against risk profiling.

Table 3.4.4: Current and Desired Service Levels - Buildings

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
COMMUNITY LEVELS OF SERVICE				
Quality	Ensuring that buildings are safe, clean, efficient, and accessible.	Community forum feedback. Number of customer complaints.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Function	Ensuring that the services offered by buildings are relevant and efficient.	Community forum feedback. Number of customer complaints/requests.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Capacity/ Utilisation	Ensuring that the buildings provide a useful and viable service to the community.	Community forum feedback. Number of customer complaints/requests	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
TECHNICAL LEVELS OF SERVICE				
Operations and maintenance.	Programmed maintenance to continue the level of services.	Number of customer requests/complaints. Planned maintenance activities are completed to schedule.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Renewal	Renewal of components at end of life to continue the level of service.	Required works identified by staff in desktop exercise are achieved.	Risk based approach to replace assets identified as being in poor structural condition.	Risk based approach to replace assets identified as being in poor structural condition.
Upgrade/New	Provide new facilities or levels of service as required.	Building Management Plan to identify future needs.	Implement capital works program based on Priority Matrix.	Implement capital works program based on Priority Matrix.

Table 3.4.5: Current and Desired Service Levels – Coastal Walking Trail

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
COMMUNITY LEVELS OF SERVICE				
Quality	Customer satisfaction	Customer Survey	Unknown	To be determined
Function	Meets user requirements	Customer Service Requests	10 Customer Service Requests were logged in the last year.	To be determined
Safety	Does not cause user hazard	Insurance Claims	Unknown	Nil Insurance Claims
TECHNICAL LEVELS OF SERVICE				
Condition	Average Condition of Assets (Average Weighted by CRC of assets)	Condition scores (1, good – 5, bad) at periodic inspections. (% consumption)	1.87, average all assets inspected (47%)	Maintain at current level
Condition	Assets not providing acceptable level of service	Assets past expiry	6 Assets requiring replacements	Nil Assets requiring replacements
Condition	Assets requiring immediate repair/maintenance	Defects recorded at periodic inspections	200 defects recorded at last inspection: <ul style="list-style-type: none"> • Environmental Defects – Erosion, vegetation encroachment, water ponding etc. 74 Locations • Safety Defects – Trip hazard, slippery path 65 Locations • Structural Defects – Corroded steel, split timber etc. 61 Locations 	To be determined

Appendix B Data Sources and assumptions

The following data sources and assumptions have been used in the compilation of this report:

TRANSPORT ASSET PORTFOLIO

Road Seal & Pavement

In 2012 ARRB collected road condition attribute data across the Council network, including:

- Visual data populated via interrogation of images i.e. cracking surface defects etc.
- Surface texture
- Roughness
- Rutting

This data was subsequently analysed to produce a program of works and estimated remaining life of each seal and pavement, in part initially by ARRB and later by Asset Engineering Pty Ltd. Renewal costs have been calculated with reference to council's actual costs in undertaking works, council contracts and Rawlinsons Australian Construction Cost Guide.

Kerbing

In 2010 Council undertook an extensive condition audit of its kerb network, which found approximately 5% of Councils kerb network was below level of service standards mainly due to sections of kerb that were cracked and lifted by trees mostly. Council's kerb replacement program is predominantly developed around the road resealing program with small sections of kerb being replaced prior to a reseal.

For the preparation of the AMP it has been assumed that 5% of the adjacent kerb is replaced in each street prior to a reseal taking place. Renewal costs have been calculated with reference to council's actual costs in undertaking works, council contracts and Rawlinsons Australian Construction Cost Guide.

Footpaths

Council currently (and for some time) has not undertaken renewal of footpaths on a complete segment basis, but rather continually 'repairs' defects (trip steps / cracked slabs) on footpaths through replacement of small sections of path.

Council's 2014/15 budget had a figure of \$1,191k for such works and based on the network coverage undertaken each year, the entire network would likely be expected to be completed over a period of 18 years. This AMP has been based on increasing this funding to \$1.4m per year which will enable Council to complete the entire network over a period of approximately 15 years.

On average over the last 6 years there has been \$211k pa (up to 2014/15) allocated to the construction of new footpaths. It should be noted that this AMP has not included new footpath construction.

Traffic Control Devices

The traffic control device data compiled by APV Valuers (from Council data) has been used in the development of this AMP. The remaining life documented by APV has been used in the development of the projected renewals.

Renewal Costs have been estimated from Councils valuation CRC with no allowance for a residual i.e. renewal cost = depreciable amount + residual. This was found to reflect estimated actual renewal costs.

Signage

The sign data compiled by APV Valuers (from Council data) has been used in the development of this AMP.

An annual renewal cost has been estimated from the valuation register by recalculating the annual depreciation figure assuming no residual value and straight line depreciation. Since there are many thousands of signs, all in varying condition states it is considered that this method establishes a reasonable sustainable renewal estimate.

Bus Shelters

Data relating to bus shelters has been taken from 2014 valuation information and a condition assessment undertaken by Maloney Field Services. A renewal cost of \$9,000 has been defined through the preparation of this AMP to reflect a replacement of existing shelter infrastructure to current service levels and Council construction techniques.

Bridges

The renewal year of bridges has been derived from a 2011 survey of the bridge network undertaken by DPTI's Transport Services. Bridges are classified as either footbridges or road bridges and it is noted that no road bridges are due for complete renewal within the term of the AMP whereas there are several footbridges due for renewal within the term of this AMP.

Also included in the renewal costs is a list of capital partial renewal works identified by DPTI during the 2011 survey. Renewal Costs have been estimated from Councils valuation CRC with no allowance for a residual i.e. renewal cost = depreciable amount + residual. This was found to reflect estimated actual renewal costs.

STORMWATER ASSET PORTFOLIO

Closed circuit television video (CCTV) is the method of inspecting the structural condition and deterioration of underground drainage.

To date 9.3% of the total drainage network has been reviewed by the CCTV survey which represents 49.6% of the replacement value of the total drainage network. Based on this review and that the drainage network has a remaining life greater than 40 years, it is assumed that the majority of the drainage network is in fair to good condition. Further CCTV inspection of drains will be undertaken to validate this assumption and included in the next review of this AM plan.

Stormwater Management Plans have also been developed for Hallett Cove Creeks and Marion-Holdfast which have informed the preparation of this plan and the LTFP.

OPEN SPACE ASSET PORTFOLIO

Playgrounds / Playspace

Consulting Coordination Pty Ltd audit of playgrounds was conducted in 2012 has been used to define the priority (year) for renewal of playgrounds and the cost of that renewal where available.

Maloney Valuations 2011 have been used to define the renewal costs of existing playgrounds where the Consulting Coordination Pty Ltd information was not available.

Tennis Courts

"Marion Tennis Facilities, March 2013" (Tennis SA) has been used as the basis for determining the renewal cost and date for all Council Courts not coming under the jurisdiction of clubs. In addition, courts were broken down into components (acrylic surface, asphalt, and base) and individual unit rates used to predict a renewal program.

It should be noted that tennis courts occupied exclusively by clubs and not available for public use have been removed from this version of the AMP since these are the responsibility of the clubs to maintain and renew under existing lease arrangements.

Irrigation:

This AMP has been developed using an investigation and report entitled "Landscape Irrigation Management Plan", prepared by IPOS Consulting in June 2013. This report has assumed that in line with Council's adopted Irrigation Management Plan, whereby only portions of reserves where activity is centred will be irrigated.

In addition it has assumed that reserves with an irrigation system that is currently inactive will remain that way i.e. no allowance has been made for renewal of the asset. The exception to this is where the reserve is where the reserve is one of the reserves proposed to be irrigated from the Oaklands Park Aquifer Storage and Recovery Scheme.

Ancillary Assets:

Maloney Valuations 2011: The Maloney infrastructure valuations have been used to define the renewal costs and dates of all the other assets contained within the open space asset portfolio such as sports courts, lighting, carparks, artwork, structures, fences, bins, paths etc.

BUILDING PORTFOLIO

At present, the City estimates required renewals by in desktop exercises. A recommendation is that regular condition assessments should be undertaken (e.g. every 3 years) to monitor the deterioration of the asset stock and to provide accurate information for renewal modelling. A recommendation has been included in the Improvements Plan.

COASTAL WALKING TRAIL PORTFOLIO

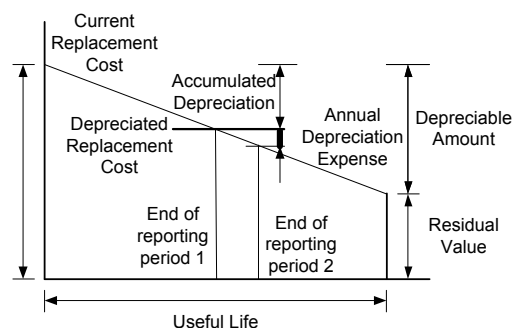
Condition was monitored by undertaking a visual inspection of every asset and logging condition attributes:

- Structural Condition – A score of 1-5 was assigned based on apparent structural adequacy of the section/item in question, identified only via a visual assessment.
- Age – A score of 1 to 5 was determined based on the apparent age of the asset as a proportion of its useful life.
- Visual – A score of 1-5 was assigned based on the visual appearance of an asset. An asset that is visually as new was assigned a 1 with assets subject to graffiti, staining etc given higher scores.

ASSET VALUATIONS

The value of assets as appearing in Councils audited financial statements as 30 June 2014 are shown below.

Current Replacement Cost	\$884.2 m
Depreciable Amount	\$609.5 m
Depreciated Replacement Cost ⁹	\$699.9 m
Annual Depreciation Expense	\$10.4 m



⁹ Also reported as Written Down Current Replacement Cost (WDCRC).

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
15 DECEMBER 2015**

Originating Officer: Sherie Walczak, Unit Manager Risk

Manager: Kate McKenzie, Corporate Governance

General Manager: Vincent Mifsud, Corporate Services

Subject: Risk Management Policy and Framework Review

Reference No: AC151215R7.5

REPORT OBJECTIVE

The purpose of this report is to provide the Finance and Audit Committee with a revised Risk Management Policy and supporting Risk Management Framework, ("the Framework") for consideration and feedback.

EXECUTIVE SUMMARY

The current version of the City of Marion Risk Management Policy was last reviewed and endorsed by Council in February 2013, and scheduled for review in 2015.

Part of this review included a joint forum with Elected Members and the Finance and Audit Committee on Tuesday, 18th August 2015 to establish a common understanding of risk tolerance and define the levels of risk acceptance in each area of risk.

Following this, a full review of the Policy and Framework has occurred with minor editorial and improvements suggested.

RECOMMENDATIONS (1)

DUE DATES

That the Finance and Audit Committee review and provide feedback on the Risk Management Policy and Framework and with the inclusion of any amendments, recommend to Council that the Policy and Framework be adopted.

15 December 15

BACKGROUND:

The City of Marion first adopted a Risk Management Policy and Framework in 2007. Since this time, the Policy and Framework have been reviewed on a number of occasions as the risk management maturity has progressed across the organisation. This report provides an overview of the proposed amendments for both the Policy and Framework.

DISCUSSION:

Risk Management Policy (Appendix 1)

It is proposed that two primary changes be considered regarding the Risk Management Policy which includes:

- Updating the Policy to align with the current Community Plan by including the aspirational goal of “wellbeing”, and
- Providing an increased emphasis on the defined objectives in alignment with the International Risk Management Standards ISO 31000:2009. These objectives include encompassing a risk management culture, consistency of process across Council, defined responsibilities and the provision of proactive risk management strategies across all levels of Council business.

The proposed changes to the Risk Management Policy are a reflection of the maturity of risk management systems and readiness for closer integration of risk management objectives across the organisation in alignment with the annual work area planning process.

Risk Management Framework (Appendix 2)

The purpose of the Risk Management Framework is to provide guidance for the integration of Risk Management into work programs, define roles and responsibilities, outline the framework to guide the City of Marion’s risk programs and provide a process for risk management including the provision of risk management tools.

The current version of the Risk Management Framework has been amended by:

- re-ordering components of the Framework arranged for a systematic flow
- revising the introduction to align with the Community Plan
- updating the diagrams to reflect current organisational processes
- further defining roles and responsibilities
- adding additional definitions as required
- revising the risk matrix, resulting in the risk rating of a ‘Rare’ likelihood & ‘Severe’ consequence being ‘Medium’ rather than ‘High’ to ensure consistency with the WHS risk matrix and alignment with comparable organisations using ISO 31000, with the addition of a tolerance line as a result of the EM workshop feedback.
- providing the following Risk Management Tools:
 - Strategic Risk Register Template
 - Operational Risk Register Template
 - Risk Assessment and Treatment Plan Template
 - Risk Assessment for Events held on Council Land Template

FEEDBACK FROM THE JOINT WORKSHOP WITH ELECTED MEMBERS AND FINANCE & AUDIT COMMITTEE MEMBERS

The Elected Member Forum held on 18th August 2015, provided an opportunity for Council to discuss in more detail the risk tolerance for the organisation. In general, it was expressed that Council had a lower tolerance for financial and people related risks. The dot points below provide a summary of the feedback collated:

- *Reputation and Public Administration* - there is a medium appetite for issues that adversely affect the reputation and public administration of the City of Marion;
- *Financial* - there is low appetite for decisions and processes that have a negative impact on Council's long term financial sustainability;
- *Social/Cultural* - there is medium appetite with regard to risks associated with programs and projects aimed at achieving Council's Social/Cultural objectives of optimising 'Liveability' within the City of Marion;
- *Environmental* - there is medium appetite with regard to risks relating to partnerships and initiatives aimed at optimising the Council's Environmental objective of enhancing 'Biophilia' within the City of Marion;
- *People/WHs* - there is low-medium appetite for decisions that adversely impact on Council's people or their safety and wellbeing, whilst working for the City of Marion;
- *Business Continuity/Organisational* - there is medium appetite relating to Business Continuity and Organisational effectiveness, however Council expects effective internal controls in place to manage uncertainties as they arise;
- There is considerable appetite for any improved efficiencies across Council operations that may enhance service delivery and benefit the community of the City of Marion.

This feedback has been incorporated in both the Policy and Framework to reflect the current views of the Council.

CONCLUSION

The Risk Management Policy and Framework are high level documents formalising the City of Marion's commitment to the integration of risk management across all Council operations.

The proposed enhancements are intended to enable a closer link between risk management objectives and the achievement of the directions outlined in the Community Plan.

The next stage of risk management implementation at the City of Marion is the embedding of key objectives through training in the Policy, Framework and tools across all business units.

APPENDICES

Risk Management Policy (Appendix 1)

Risk Management Framework(Appendix 2)

1. Policy Statement

The City of Marion ('the Council') is committed to excellence in governance. Risk management is an integral contributor to good governance and fosters effective decision making to achieve of the Council's Vision and strategic ~~themes and~~ objectives, which focus on the community's ~~best interests~~ aspirational goal of Wellbeing.

~~As Risk is inherent in all aspects of the Council's activities. Council needs to take risks to achieve its Vision and Strategic objectives. T,~~ this Policy is ~~not intended to restrict the pursuit of~~ aimed at supporting the maximisation of all viable opportunities.

~~The integration of whilst promoting~~ a structured and consistent approach to ~~managing minimising~~ risk exposure into the Council's systems and functions. This represents good management practice and results in improved decision making, improved productivity and efficiencies, minimising business interruptions and enhancing outcomes for the community.

The purpose of this Policy is to formalise the Council's commitment to risk management and to establish responsibilities for the application of risk management within Council operations.

2. Policy Scope

This risk management policy applies to all operations and functions of the Council including operational, project and strategic.

3. Definitions

Risk – The effect of uncertainty on objectives

Risk Management – The coordinated activities to direct and control an organisation with regards to risk

Risk Management Framework – A set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation

Risk Management Policy – A statement of the overall intentions and direction of an organisation related to risk management

4. ~~Principles~~ Objectives

To achieve Council's risk management ~~principles objectives~~, the City of Marion Risk Management Framework ('the Framework') has been established and refined in accordance with the International Standard ISO 31000:2009 Risk Management – Principles and ~~g~~ Guidelines. The aim of the Framework is to provide guidance for ~~dealing with maximising~~ opportunities ~~and whilst minimising~~ risks that may impact on achievement of Council's Vision.

The following ~~principles objectives~~ underpin the City of Marion's approach to addressing uncertainty:

- Introduce and embed a risk culture and high level of risk awareness throughout all levels of CoM to support achievements aligned to our vision, strategies, services and actions.
- Implement consistent risk management processes to manage risk and opportunities throughout CoM's

organisational systems and functions including planning, resource allocation priorities, internal audit and control processes, in line with risk management standards including AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines

- To clarify the responsibilities within the risk management framework to enable the consistent and systematic application of our risk management approach within all Council operations.
- ~~To guide a risk management approach to strategic, operational and strategic-project decision making to ensure proactive management strategies are implemented to mitigate against events occurring and ensure robust contingency plans to lessen the impact of events if they were to materialise. aimed at enhancing achievement of the City of Marion Vision, strategies and actions and focus on the community's best interests.~~
- ~~To proactively manage risks that could impact on achievement of the City of Marion Vision, strategies and actions in a structured and consistent manner.~~
- ~~To integrate a consistent risk management approach to organisational systems and functions including planning, resource allocation priorities, internal audit and control processes.~~
- ~~To embed risk management in the City of Marion culture and values.~~
- To strengthen the risk management program by implementing a Business Continuity Management (BCM) Framework to minimise the impact of business disruptions on the Council's critical community services.
- To protect public funds, assets and the integrity, security and reputation of the CoM by implementing a Fraud Policy which will prevent, identify, minimise and control fraudulent and/or corrupt activity.
- To provide adequate response to emergencies on behalf of the CoM residents and the community by implementing a Community Emergency Response Policy outlining our commitment to our community.
- To continually align the risk management program with the Business Excellence Framework.

5. Roles and Responsibilities

Council is responsible for setting the organisation's risk appetite, oversight of the organisation's systems for managing risk including approving and reviewing the City of Marion's Risk Management Policy and Framework.

To assist Council in discharging its responsibility in relation to risk management, the Council will seek the views of its [Finance & Audit Committee](#). The responsibilities of the Committee are contained in the Committee's Policy and Terms of Reference.

Council has also delegated various powers and functions to the Chief Executive Officer to enable the setting of the policy and procedures to assist with the management of the City of Marion risk profile.

The Chief Executive Officer has overall accountability for an effective risk management program.

Note: The Framework provides further information on the risk management roles and responsibilities.

6. References

CORPORATE PLAN:

KRA1 – Objective 1.5

EXCELLENCE IN GOVERNANCE:

~~PROCEDURE REFERENCE:~~

~~COUNCIL AGENDA REFERENCE:~~

~~OTHER RELATED REFERENCES:~~

City of Marion Risk Management Framework

~~City of Marion OHS Policy #1—Occupational Health, Safety & Welfare and Injury Management Policy~~

~~City of Marion General Environmental Policy—GP-1~~

City of Marion Business Continuity Policy

City of Marion Fraud Policy

City of Marion Business Excellence Framework

City of Marion Finance & Audit Committee Policy and Terms of Reference

AS/NZS ISO 31000:2009 Risk Management Principles and Guidelines



Risk Management Framework

| VERSION ~~6~~7

| Endorsed by Council

| ~~March 2013~~ Yet to be endorsed

Framework

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Introduction

The City of Marion is committed to ~~excellence in governance.~~ Risk management is an ~~integral contributor to good governance and fosters~~ a risk management framework that ~~ensures both good governance and~~ effective decision making to ~~ensure the~~ achievement ~~ment~~

of the Council's Vision and strategic objectives, which focus on the community's best interests.

~~The risk management program supports Council's:~~

~~Community and Corporate Vision:~~

~~A leader in the delivery of the Community Vision—'broad horizons bright future'~~

~~An Organisation of Excellence~~

~~Excellence in governance~~

~~Service quality~~

~~Employer of choice, and~~

~~Commitment to the Excellence in Local Government Framework (EiLGF).~~

The risk management framework supports the Community Plan's aspiration of Wellbeing by optimising the following themes:

- Liveability
- Biophilic
- Innovative
- Prosperous
- Connected
- Engaged
- Organisation of Excellence

Risk is defined as the 'effect of uncertainty on objectives'. Risk is inherent in all our activities at both corporate and community levels, and in the delivery of all our programs and services, projects, processes and decisions.

This document sets out the framework for risk management across the City of Marion and is aligned to the International Standard ISO 31000:2009 on risk management. The document is intended to be a plain language, easy to read overview of the City of Marion's risk management program. An explanation of formal risk management definitions sourced from ISO 31000:2009 appears in Appendix 1.

The Risk Management Framework ('the Framework') should be read in conjunction with the Risk Management Policy ~~(Appendix 2)~~. The Policy outlines Council's commitment to risk management and the principles for objectives for the risk management program.

Integration of Risk Management across Operations

Integration of the fundamental risk principles into all activities across CoM provides a standardised approach and integrates feedback across our activities to ensure shared learnings and continual improvement resulting in many benefits to the management of our risk exposure, see Diagram 1.

CoM's risk management is a key mechanism for the continuous improvement of activities underpinning the principles documented in the Risk Management Policy. Regular reporting on risk management activities is presented to the Risk Working Group by the Risk Management Unit. This process improves risk management capabilities across all business areas, continuously raising overall awareness and enhancing service delivery.

Risk Management

Framework



Framework

Diagram 1: Integration of Risk Management

Diagram 2: CoM's Integrated Work Programs

Risk Principles

- value creation
- integration into organisational processes
- contribute to decision making
- explicitly address uncertainties
- systematic, structured and timely
- pertinent , accurate and relevant
- accounting for human and cultural factors
- transparent and inclusive
- dynamic, iterative and responsive to change
- enhances the organisation
- provides continuous improvement

Activities

- Strategic & Operational Decision Making
- Strategic & Annual Business Planning
- Management System Integration (Work Safety/Environmental)
- Financial Management (Annual Budget/LTFP/New Initiatives/ Business Cases)
- Asset Management /Services Standards
- Project Management
- Emergency Management & Business Continuity
- Insurance
- Assurance Programme (Core Assurance Reviews)
- Feedback processes (Audit reports/ Inspections/Complaints/ Hazards/Incidents)

Benefits

- Minimise losses
- Increased likelihood of achieving objectives
- Improved learning and resilience
- Improved financial reporting & compliance
- Improved governance and stakeholder confidence
- Effective use and allocation of risk management resources
- Improved controls and operational effectiveness & efficiencies
- Enhanced health & safety performance, loss prevention and incident management
- Encourage proactive management
- Improved identification of opportunities and threats

The deployment and review of the Risk Management Framework incorporates the Business Excellence Framework and Excellence in Local Government principles.

Framework

Strategic and Operational Decisions

A risk based approach to strategic and operational decision making leads to better informed decision making. This helps managers to understand risks associated with all options being considered, including the decision to 'do nothing'. Risk management capability building activities foster improved decision outcomes.

Strategic and Annual Business Planning

The Strategic and Organisational Excellence (S&OE) Unit oversees the strategic and business planning process. The Risk Management Unit collaborates with the S&OE Unit to align the timing and nature of operational and strategic risk management activities to minimise duplication of effort and resources.

Financial Management

The Long Term Financial Plan and Annual Budget process enable Council to plan for the long term financial sustainability of the organisation. They translate the objectives and strategies of the Strategic Plan and Asset Management Plans into financial terms. The process to create and regularly update the Long Term Financial Plan and Annual Budget process will be reviewed to identify ways of integrating the risk management process to improve long term funding allocation outcomes.

Asset Management & Service Standards

Asset Management Plans identify and plan for the acquisition, operation, maintenance and renewal or disposal at the end of the asset's useful life. The plans are required to be reviewed every four years. The plans also identify the maintenance and capital budgets required to ensure the asset continues to provide the level of service required. The Asset Management Plans inform the Council's Long Term Financial Plan. Asset Management Plans manage financial, social, environmental and public liability risks and are an integral part of risk management.

Project Management

Project Managers and Coordinators implement project risk management in line with Council's risk management framework.

Work Health & Safety Program & Environmental Management Systems

Council's work health and safety program (Think Safe Live Well) fosters a proactive approach to safety and wellbeing and also meet its legislative obligations for a safe workplace. The assessment of safety risks is aligned to the Risk Management Framework. The Risk Management Unit oversees the Think Safe Live Well program.

Environmental Management System

Council's environmental management system (EMS) is an ISO 14001 certified system that fosters a proactive approach to environmental safety and performance. The assessment of environmental risks is aligned to the Risk Management Framework. The Environmental Sustainability Unit oversees the environmental management system.

Emergency Management & Business Continuity

Council undertakes emergency management planning and exercises so it is prepared to respond effectively to requests from State Government when it is responding to

community level emergencies. The Risk Management Unit oversees the emergency management program.

Business Continuity Management

Council undertakes business continuity management so it is prepared to respond effectively and quickly to an event that may disrupt or has disrupted Council's operations. The assessment of disruption risks is aligned to the Risk Management Framework. The Risk Management Unit oversees the business continuity management program.

Insurance

Management of the full range of Council's insurance requirements is undertaken by the Risk Management Unit. Local Government Risk Services acts as a broker to Council in the provision of the Local Government Association's insurance schemes. Council's membership of the schemes is contingent on proactively managing risk exposures. The schemes also operate an annual risk review process to verify our risk management activities and benchmark them against other Councils.

Assurance Program

Council's assurance program is delivered by an independent service provider. A risk based approach is used to identify priorities for audit to check the effectiveness of key controls for our processes that carry potentially high risk. More information about the assurance program can be found in the Governance Framework.

Feedback Processes

Feedback mechanisms such as audit and inspection reports, complaints, hazards and incidents provide valuable information to Council about sources of risk and risks having been realised. A review of individual feedback mechanisms will be undertaken to identify how integrating the risk management process can enhance our response and improve prioritisation of feedback corrective actions.

Our Approach to Risk Management

Structure Roles and Responsibilities

The Risk Management Policy ~~(Appendix 2)~~ provides a high level explanation of risk management responsibilities. The information below provides an overview of the risk management roles and responsibilities. It does not contain the broader responsibilities for the respective entity or position type. This additional information can be obtained from relevant Terms of Reference or Position Descriptions.

Framework

Diagram 22: Roles and Responsibilities



Council

Council is responsible for adopting and reviewing the City of Marion Risk Management Policy and Framework. This ensures a risk management process across the City of Marion that reflects the risk appetite set by Council. The effectiveness of the risk management program is monitored through the review of reports from the [Audit & Finance & Audit Committee](#) and the Chief Executive Officer. Reports include the timely reporting of major and significant emerging risks.

[Audit & Finance & Audit Committee](#)

As part of its advisory and assurance role to Council, the [Audit & Finance & Audit Committee](#) reviews the risk profile annually, monitors the risk exposure of Council, risk management processes and management information systems. The Committee provides guidance, support and advice to the Council on the reports received, including its opinion on whether the risk management program is effective and aligned to Council's risk appetite. Refer to the [Audit & Finance & Audit Committee Policy and Terms of Reference](#).

Chief Executive Officer

Council has delegated various powers and functions to the Chief Executive Officer to enable the setting of policy and procedures to assist with the management of the City of Marion risk profile.

Framework

With overall accountability for the risk management program, the Chief Executive Officer provides leadership and ensures appropriate resourcing and delegations are in place for an effective risk management program that delegates decision making down to the appropriate level. The risk management program supports an effective and comprehensive assurance program (internal audit) by independent service providers.

The Chief Executive Officer has a role to ensure the timely reporting of risk issues to Council to support a culture of 'no surprises' by keeping Council informed as much as possible.

Risk Working Group

With membership including the Executive ~~Management Group~~Leadership Team, the Risk Working Group oversees the risk management program on a quarterly basis and confirms the risk reports to be provided to the ~~Audit & Finance~~Finance & Audit Committee. Refer to the Terms of Reference for full membership, purpose and reporting responsibilities.

DirectorsGeneral Managers

DirectorsGeneral Managers and the Chief Executive Officer, as individual risk owners, oversee strategic risks and have high level oversight of operational (work area) risks across their portfolio and escalate risks for monitoring by the Risk Working Group as necessary. DirectorsGeneral Managers model and encourage risk management behaviour to foster integration of a risk management culture. Ensure participation of units within their portfolio in risk management activities.

Corporate ManagersSenior Leadership Team

As individual operational (work area) risk owners, managers oversee operational risk and implement the risk management process across the span of their responsibility. This includes determining risk management accountability at an operational level and whether risk ownership is delegated down to a Unit Manager level.

People ManagersLeadership Team

Contribute to the management of operational risk and where delegated by a CMGSLT member, implement the risk management process across the span of their responsibility.

Project Managers/Coordinators

Implement the risk management process for respective projects and escalate risks and issues through the project structure.

All Staff

Contribute to the risk management process, including recognising, reporting and responding to new, changing or anticipated risks.

Risk Management Resources

Council has experienced risk management staff within the Risk Management Unit to facilitate the risk management program and act as document and system owners. In particular, the Unit Manager Risk and Risk Coordinator provide guidance, training, information and document resources, coordinate risk reporting and integrate feedback and learning into the continuous improvement of the risk management program. A key focus is to build risk management capability across Council to improve decision making outcomes.

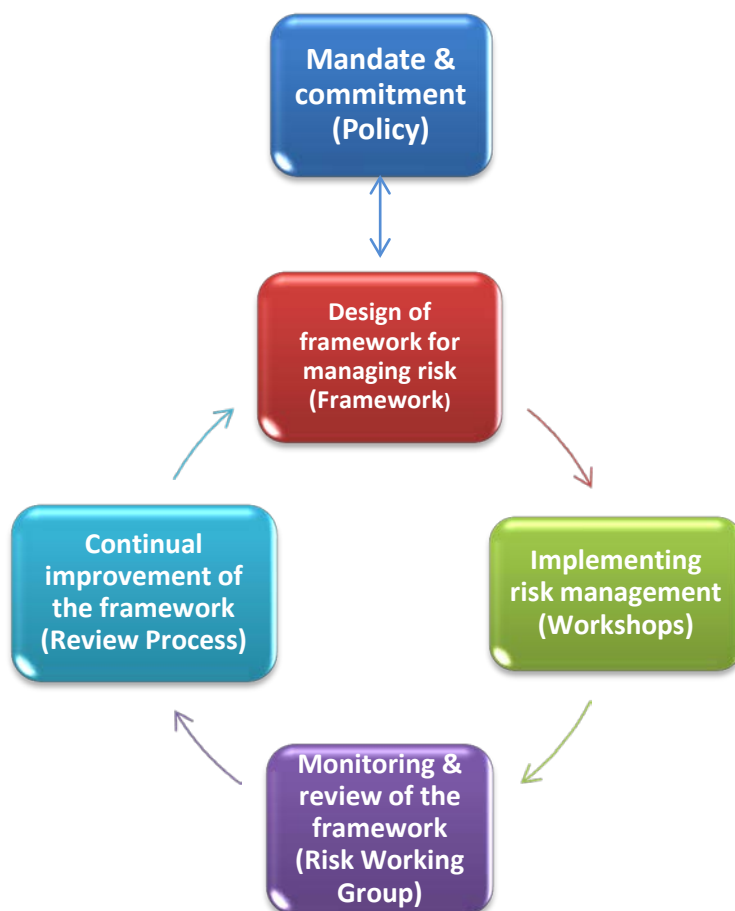
Framework

Risk Management Framework

The purpose of the Framework is to achieve Council's risk management principles by ensuring Council has a:

- Consistent and good practice approach to risk management, aligned to ISO 31000:2009, tailored to the City of Marion that creates value through improved decision making;
- A process for assessing, evaluating, controlling, monitoring, communicating and managing risks, aided by tailored guiding information and tools; and
- Fosters an integrated risk management approach with Council's culture, values and operations.

Diagram 3.4-3 Risk Management Framework



Guiding Information Tools and other Resources

Resource tools to aid risk identification include SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis and PESTLE (Political, Environmental, Social, Technological, Legal and Economic) analysis templates. The analysis information generated during the annual service Work Area ~~planning~~ process may minimise the need for separate analysis or act as a starting point for discussion.

The Risk Management Unit develops and continually improves guiding information and tailored resource tools for use by Council when undertaking risk management activities and for recording and reporting purposes.

Tailored resources available ~~or projects are also available from the~~ support Risk Management Unit. ~~Other tools include:~~
~~checklists of risk categories help make sure significant risks have not been missed.~~

Appendix 1 - Definitions

Appendix 2 - The Risk Reference Chart ~~(contains all the risk criteria used for risk assessment)~~

Template 1 - Strategic A Risk Register ~~is used to record the risk information of individual work areas, projects and the strategic risk register. The Risk Registers are updated when the risks are reviewed bi-annually.~~

Template 2 - Operational Risk Register

Template 3 - Risk Assessment & Treatment Plan

Template 4 - Risk Assessment for Events Held on Council Land

Template 5 - Risk Assessment for Procurement/Contract Management

Implementation Plan

~~Council's Risk Management Implementation Plan outlines the activities being undertaken to enable Council to meet the risk management principles documented in the Risk Management Policy. The implementation plan is a key mechanism for documenting the continuous improvement activities for the risk management program.~~

~~Reports on implementation plan activities are provided to the Risk Working Group by the Risk Management Unit. The implementation plan is a separate document that outlines the activities to improve risk management capabilities, integration and continuously improve the program.~~

Risk Management Process

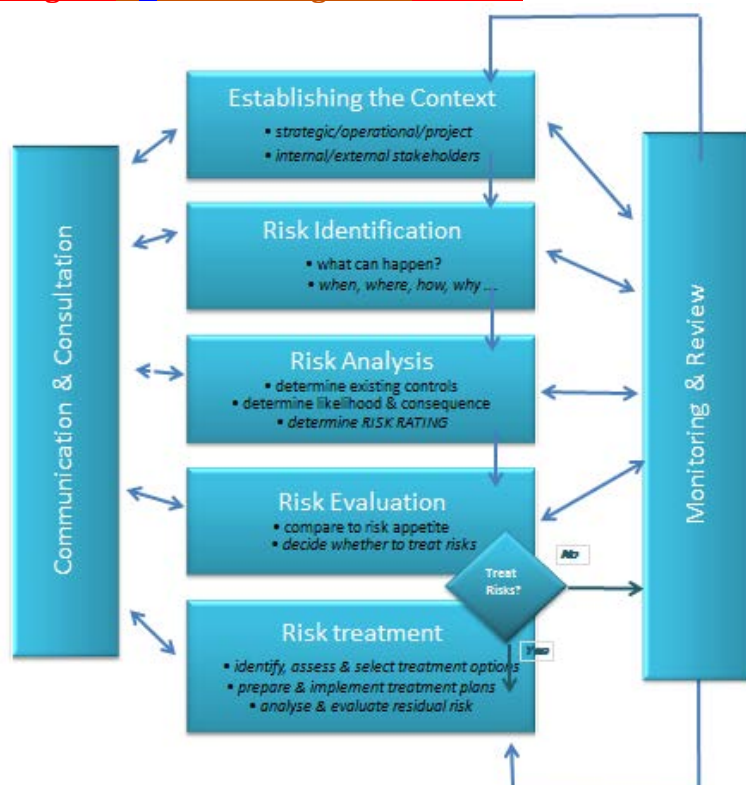
The risk management process described in ISO 31000:2009 comprises seven key steps, as shown in the diagram below:

The diagram's arrows indicate the process is iterative; repeated again and again, based on results from the previous step.

Framework

A summary description of the steps within the risk management process follows. A separate Risk Assessment Procedure will contain further details including guidance on recording information in a risk register.

Diagram 54: Risk Management Process



Communication & Consultation

Communication and consultation are important elements throughout the risk management process. Participation of relevant people will ensure their expertise, knowledge and perceptions contribute to informed decision making throughout the process. People with vested interests, such as being responsible for implementing tasks arising from risk assessments will benefit from communication, to understand how and why the risk management decisions were made.

Establish the Context

The Council's objectives and internal and external environments are important background issues for the risk management program overall. This context information also helps to define the scope of individual risk assessment activities.

Elected Members are consulted on changes to the Risk Framework and given the opportunity to convey their attitude to risk. This feedback establishes the attitude to risk

and contributes to the development of the risk criteria, which is tailored to Council's context and used to determine the magnitude of risks. The risk criteria appear in the Risk Reference Chart (Appendix 2).

Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation (described below). Risk assessment results in an understanding of the nature and magnitude of risks and the decision whether further action (risk treatment) is necessary to manage risks effectively.

Risk Identification

Risk identification, the first step of risk assessment, is the process of finding, recognising and describing risks. There are many methods used to identify risks, with brainstorming in a group format being the most common.

Identification should include risks whether or not they are under the control of Council.

A number of questions should be asked when attempting to identify risks that may prevent, degrade, delay or enhance the achievement of objectives. These include:

- What can happen?
 - Where could it happen?
 - When could it happen?
 - Why would it happen?
 - How can it happen?
 - Who or what might be impacted by the risk?
- { To identify risks, incidents or accidents that might happen
 { To provide possible causes and scenarios
 { To clarify the nature and extent of the consequence of the risk

When identifying risks it is important to consider the causes of each risk, as this will be a focus for identifying relevant controls in the next step 'Risk Analysis'.

Risk Analysis

Risk analysis involves developing an understanding of the risk. Risk analysis enables us to distinguish between minor, acceptable risks and major risks that require further action (risk treatment) and possibly monitoring by a ~~Director~~[General Manager](#). The main purpose of analysing risk is to establish priorities for action in line with Council's limited resources.

- **Identifying Existing Controls**

This step involves considering the controls already in place that modify the risk (some examples include policies, procedures, training, technical and legal measures, contracts, partnerships, continuity plans, governance practices etc). After the existing controls have been documented, their overall effectiveness is

rated against the Control Effectiveness criteria on the second page of the Risk Reference Chart (Appendix 2).

- ***Identifying Existing Controls***

The Level of Risk is determined by consideration of two factors:

Consequence – What is the size of the impact if the event occurs?

Likelihood - How likely or often is the event expected to occur?

The selection of the likelihood rating has no direct relationship to the selected consequence rating and the reverse also applies.

The Risk Reference Chart (Appendix 2) contains the consequence (ratings are 'insignificant' to 'severe') and likelihood (ratings are 'rare' to 'almost certain') criteria. The Risk Assessment Matrix combines the range of consequence and likelihood ratings to determine the Level of Risk. The four levels of risk are Low, Moderate, High and Extreme.

- ***Inherent Risk***

To assist auditors working on Council's assurance program, the Council has adopted the concept of Inherent Risk. In practical application of this concept, the current risk is assessed first and then consideration of the absence of the existing controls aids the selection of the inherent likelihood and consequence ratings which determine the Inherent Level of Risk.

At the end of this step we should know:

- The nature of the risks, how they are caused and how the consequences can develop and affect it.
- The current risk ratings, taking into account the existing controls that modify the likelihood and/or consequence for each risk that has been identified.
- How effective and reliable the current controls are in modifying the risks.
- The key controls that we are reliant on.
- The inherent risk ratings for each risk, for reference by the auditors conducting the Council's assurance program

Risk Evaluation

The purpose of risk evaluation is to determine, based on the outcomes of the risk analysis, which risks need further action (risk treatment) and the priority for implementation (based on level of risk ratings and where a number of risks have the same level of risk ratings, the consequence ratings).

A risk judged as tolerable (acceptable) is not normally further controlled (via risk treatment) unless this is cost beneficial.

The risk evaluation criteria are influenced by the Council's approach to risk and the risk criteria that have been established.

The Level of Risk rating will be considered, along with the overall Control Effectiveness rating to determine required actions. Reference will be made to the 'Risk Evaluation - Required Actions for the Level of Risk' criteria table on the second page of the Risk Reference Chart (Appendix 2).

Risk Treatment

Risk treatment involves selecting one or more options for modifying risks, and implementing those options. Once implemented, treatments provide or modify the controls.

Selecting the most appropriate risk treatment option involves balancing the costs of implementing each option against the anticipated benefits. Direct and indirect costs and benefits should be considered, whether tangible or intangible.

Risk treatment plans may involve selecting one or more from a range of options (controls) directed to:

- Avoiding the risk by deciding not to proceed with the activity likely to create risk (where this is practicable)
- Taking or increasing the risk in order to pursue an opportunity (if benefits exceed risk)
- Removing the risk source (cause)
- Changing the likelihood of occurrence
- Changing the consequences of the risk
- Sharing the risk with another party or parties (including contracts) (**in line with Council's insurance scheme membership obligations*)
- Retaining the risk by informed decision (and making appropriate provisions for dealing with the consequences should they arise)

The objective is to ensure the risk is reduced to a tolerable level in a cost effective and timely manner.

Risk treatment plans should be integrated into the relevant service work area plans within Council and a 'Treatment Owner' and proposed completion date nominated.

Risk treatment itself can introduce risks, including secondary risks. A significant risk can be the failure or ineffectiveness of the risk treatment actions. Monitoring needs to be an integral part of the risk treatment plan to give assurance the controls remain effective.

Consideration of the risk treatment will include how it modifies the risk by reducing the likelihood of the risk occurring or reducing the impact of the risk should it occur. Where a number of risk treatments are proposed for a risk it is possible that both the likelihood and consequence ratings may be modified.

After the selected risk treatment/s have been documented a final risk analysis action is undertaken to determine the (forecast) residual risk ratings. These ratings take into account the predicted (forecast) result of implementing the selected risk treatments and assumes they will be effective. This activity can be useful to justify the cost of risk

treatments by showing the anticipated benefit to be realised by modifying the risk to an acceptable level.

Framework

Monitoring & Review

Risk has a dynamic context resulting from the constantly changing external and internal environments of Council.

Identified risks are allocated to named individuals and referred to as 'risk owners'.

Council has determined that strategic and operational (work area) risks will be reviewed on an ~~bi~~-annual basis by risk owners. The timing of one of the reviews each year will coincide with the annual ~~service~~ Work Area ~~p~~Planning process.

Risk Owners will monitor on an ongoing basis and report escalated risk to the relevant Director-General Manager who will report it through to the Risk Working Group on a quarterly basis.

Project risks are monitored on a day to day basis by the respective project manager/coordinator, with issues reported or escalated through the project structure.

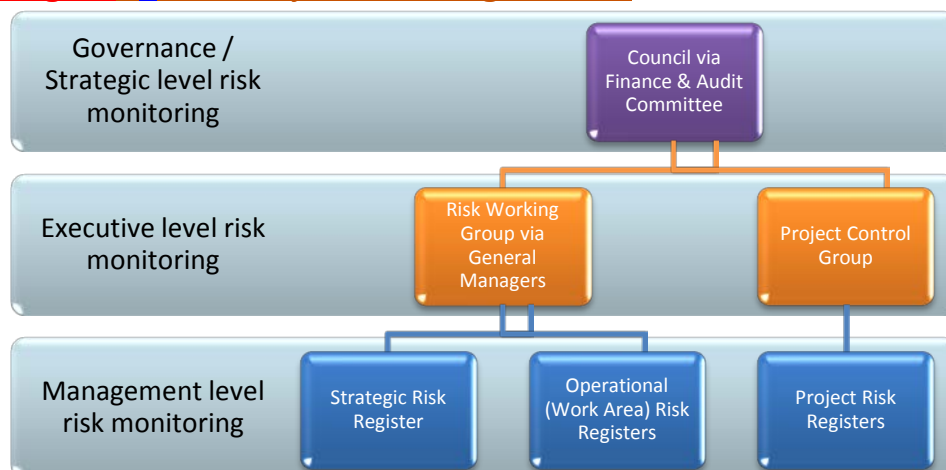
DirectorsGeneral Managers undertake high level monitoring of work area risk management activities and monitor allocated strategic risks. The Risk Working Group receives activity reports from the Risk Management Unit, feedback from DirectorsGeneral Managers and confirms the risk information to be provided to the Audit & FinanceFinance & Audit Committee on an annual basis

Risk information is provided to the independent service provider for Council's assurance program as needed. Reports generated through the core assurance program are reviewed by the Executive Management GroupLeadership Team and Audit & FinanceFinance & Audit Committee to ascertain the effectiveness of the risk management program.

The following diagram shows a summary of the various roles in the monitoring and review process.

The hierarchy of monitoring and review from an organisational perspective is outlined in Diagram 6 and shows a summary of the various roles in the process.

Diagram 65: Hierarchy of Monitoring & Review



Bi-annual Risk Management Process

The diagram below shows the current approach to updating risk information across Council and aligned to the strategic planning process. A further update will be made when the strategic planning framework is finalised.

Diagram 7: Annual Risk Management Process Overview

Appendix 1 - Definitions

Term	Meaning (*as per AS/NZS ISO 31000:2009 Risk Management)
Communication and consultation	A continual and iterative processes that an organisation conducts to provide, share or obtain information and to engage in dialogue with stakeholders regarding the management of risk
Consequence	*Outcome of an event affecting objectives Note 1: An event can lead to a range of consequences Note 2: Consequences can be certain or uncertain and can have positive or negative effects on objectives Note 3: Initial consequences can escalate through knock-on effects
Contingency Plan	Implementing a risk contingency plan is designing a strategy that will reduce the inherent rating of a risk by diminishing the impact if the risk were to materialise
Control	Measure that is modifying risk Note 1: Controls include any process, policy, device, practice or other actions which modify risk Note 2: Controls may not always exert the intended or assumed modifying effect
Current Risk	Risk rating after taking into consideration the existing controls
Establishing the context	Defining the external and internal parameters to be taken into account when managing risk, and setting the scope and risk criteria for the risk management policy
Event	Event occurrence or change of a particular set of circumstances Note 1: An event can be one or more occurrences, and can have several causes Note 2: An event can consist of something not happening Note 3: An event can sometimes be referred to as an "incident" or "accident" Note 4: An event without consequences can also be referred to as a "near miss", "incident", "near hit" or "close call"
Inherent Risk	Overall risk rating prior to consideration of existing controls
Level of Risk	Magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood
Likelihood	*Chance of something happening
Mitigation Strategy	Implementing a risk mitigation strategy is applying risk controls that have the ability to reduce the inherent rating of a risk by lessening the likelihood of the risk occurring
Monitoring	Continual checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected Note: Monitoring can be applied to a risk management framework, risk management process, risk or control.
Residual Risk	Risk remaining after further identified risk treatments to be actioned Note 1: Residual risk can contain unidentified risk Note 2: Residual risk can also be known as 'retained risk'
Review	Activity undertaken to determine the suitability, adequacy and effectiveness of the subject matter to achieve established objectives Note: Review can be applied to a risk management framework, risk management process, risk or control.
Risk	*The effect of uncertainty on objectives. Note 1: An effect is a deviation from the expected (positive or negative). Note 2: Objectives can have different aspects (such as financial, health and safety, environmental) and can apply at different levels (such as strategic, organisation-wide, project, product and process) Note 3: Risk is often characterised by reference to potential events and consequences or a combination of these. Note 4: Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence. Note 5: Uncertainty is a state, even partial, of deficiency of information related to, understanding or knowledge of an event, its consequence, or likelihood.
Risk Analysis	The process to comprehend the nature of the risk and to determine the level of the risk.
Risk Appetite	Risk is analysed in the context of CoM's objectives, but ultimately, in accordance with Council's risk appetite. The risk appetite represents Council's tolerance level for accepting risk.
Risk Assessment	The overall process of risk identification, risk analysis and risk evaluation

Appendix 1 - Definitions

Term	Meaning (*as per AS/NZS ISO 31000:2009 Risk Management)
Risk Assessment Matrix	The tool for rating risks by utilising the criteria for likelihood and consequences
Risk Attitude	Organisation's approach to assess and eventually pursue, retain, take or turn away from risk
Risk Criteria	Terms of reference by which the significance of the risk is evaluated (likelihood, consequence)
Risk Evaluation	The process of comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable Note: Risk evaluation assists in the decision about risk treatment
Risk Management Framework	*A set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation
Risk Identification	*The process of finding, recognizing and describing risks Note 1: Risk identification involves the identification of risk sources, events, their causes and their potential consequences. Note 2: Risk identification can involve historical data, theoretical analysis, informed and expert opinions and stakeholder's needs.
Risk Management	*The coordinated activities to direct and control an organisation with regard to risk
Risk Management Framework	A set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
Risk Management Plan	Scheme within the risk management framework specifying the approach, the management components and resources applied to the management of risk
Risk Management Policy	Statement of the overall intentions and direction of an organisation related to risk management
Risk Management Process	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluation, treating, monitoring and reviewing risk.
Risk Owner	*The person or entity with the accountability and authority to manage a risk
Risk Reduction	actions taken to lessen the likelihood, negative consequences or both, associated with a risk
Risk Register	A list of identified risks detailing the risk owner, risk ratings, controls and further actions
Risk Retention	Acceptance of the burden of loss, or benefit of gain, from a particular risk Note 1: Risk retention includes the acceptance of risks that have not been identified Note 2: The level of risk retained may depend on the risk criteria
Risk Source	Element which alone or in combination has the intrinsic potential to give rise to risk Note: A risk source can be tangible or intangible.
Risk Treatment	*The process to modify risk (implementing mitigation strategies and/or contingency plans) Note 1: Risk treatment can involve: <ul style="list-style-type: none"> - Avoiding the risk by deciding not to start or continue with the activity giving rise to the risk; - Taking or increasing risk in order to pursue an opportunity; - Removing the risk source; - Changing the likelihood; - Changing the consequence; - Sharing the risk with another party or parties (including contracts and risk financing); and - Retaining the risk by informed decision. Note 2: Risk treatments that deal with negative consequences are sometimes referred to as 'risk mitigation', 'risk elimination', 'risk prevention' and 'risk reduction'. Note 3: Risk treatment can create new risks or modify existing risks.
Stakeholders	Those people and organisations who may affect, be affected by, or perceive themselves to be affected by a decision, activity or risk Note: A decision maker can be a stakeholder.

Appendix 2 – Risk Criteria & Matrix



Consequence Criteria

	People / OHS	Social/Cultural	Financial*	Environmental	Business Continuity / Organisational	Reputation & Public Administration
Insignificant	Physical or other injury requiring First Aid. No impact on wellbeing*. Minor local workforce disruption. Loss of continuity of staff knowledge.	Resident (household) experiences minor wellbeing* impact, disempowered, inconvenience or disadvantage. Household impact <\$50.	CoM – Financial impact, loss and/or penalty up to \$10,000. Project – up to 5% of original project budget.*	Minor adverse environmental impacts that are short term and/or reversible.	Insignificant impact on Council's ability to achieve strategic outcomes. Minor impact on local Business Unit plan. Project – Nil impact on achievement of key project objectives or project duration extended up to 10% of original project timeframe.	A slight but manageable increase in the number of adverse resident/ stakeholder complaints. No media enquiry.
Minor	Physical or other injury resulting in time lost (1 day) or requiring medical attention. Minor temporary impact on wellbeing*. Local and temporary poor morale. Temporary loss of some staff of an individual Unit's workforce. Loss of staff continuity requiring recruitment.	A group of residents within a suburb or identified cultural or community group experiences ongoing minor wellbeing* impact or are disempowered, inconvenienced or disadvantaged. Household financial impact <\$200.	CoM – Financial impact, loss and/or penalty between \$10,000 - \$100,000. Project – between 5-10% of original project budget.*	Isolated instances of environmental damage requiring minor effort to reverse / remediate.	Minor impact on a small number of Business Unit plans. Some impact on strategic initiatives but only minor aspects impacted. Overall strategic intent still achievable. Project – Some impact on isolated key project objectives. Additional minor effort required to ensure all objectives are met. Project duration extended by 10-20% of original project timeframe.	An increase in the number of resident/stakeholder complaints requiring direct effort to resolve / attend to. Media enquiry, isolated media mention (social or mainstream media). Elected Member dissatisfied, complaint.
Moderate	Physical or other injury resulting in brief hospitalization / medical treatment (1 day). Significant/medium term wellbeing* impact or a whole CoM worksite affected. Widespread morale issues. Temporary loss of staff across a number of Units. Loss of key staff with specific knowledge and skills. Impact on recruitment capacity as an Employer of Choice.	A number of neighbourhoods (up to 25% of residents) or cultural groups experience wellbeing* impact, are disempowered, inconvenienced or disadvantaged. Household financial impact <\$1,000.	CoM – Financial impact, loss and/or penalty between \$100,001 - \$1M. Project – between 10-20% of original project budget.*	Isolated but significant instances of environmental damage / implications requiring concentrated effort to reverse / remediate.	Some key components of the strategic plan could not be achieved as a result of risk event. Additional funding / resources required to rectify. Project – Impacts numerous key project objectives. Considerable effort required including some change in project scope to achieve required outcomes. Project duration extended by 21-35% of original project timeframe.	Campaign of adverse social media coverage supported by Local mainstream media agency for a period up to 3 days. A high volume of resident / stakeholder complaints. Majority of Elected Members dissatisfied, Council motion affecting CEO/Administration. CoM under severe pressure on numerous fronts. Ombudsman or Office of Public Integrity involvement. Complaint from partner organization resolved within portfolio.
Major	Serious injury requiring hospitalisation (2 days or more or re-admission)/ extensive rehabilitation. Long term wellbeing* impact or more than one CoM worksite affected. Entrenched severe morale problems. Inability to recruit with necessary skills. High employee turnover.	Up to 50% of residents are disadvantaged, inconvenienced, disempowered or may experience wellbeing* harm. Cultural group or community offended, unable to practice recognised traditions. Household financial impact <\$10,000.	CoM – Financial impact, loss and/or penalty between \$1M and \$4M. Project – between 20-35% of original project budget.*	Severe and/or widespread environmental damage and / or loss of environmental aspect. Extensive effort and support required to reverse / remediate. Danger of continuing environmental damage / losses.	Council unable to deliver on numerous key strategic initiatives without additional funding / resources. Major review of strategic plan required. Project – Significant portion of key project objectives impacted. Major changes to project scope and work necessary to achieve required outcomes. Project duration extended by 36-50% of original project timeframe.	Campaign of adverse social and mainstream media coverage at State and Local level for a period of up to one week. Publicised adverse resident comments and/or complaints. Forced resignation of General Manager/s. Ombudsman or Office of Public Integrity involvement. Relationship with partner organization harmed, requiring CEO involvement.
Severe	Death or critical injury. Wellbeing* of majority of workforce affected. Loss of a majority of the workforce. Inability to replace critical services.	Majority of CoM residents are disadvantaged, inconvenienced, disempowered or may experience wellbeing* harm. Household financial impact >\$10,000.	CoM – Financial impact, loss and / or penalty in excess of \$4M or higher impact on sustainability. Project - >35% of original project budget.*	Major widespread loss of environmental aspect and progressive irrecoverable environmental damage.	Majority of initiatives and / or key initiative within the Council's strategic plan unattainable. Project – Failure of project to meet all required objectives. Project duration extended by >50% of original project timeframe.	National / State campaign of adverse media coverage for a period greater than 1 week. Widely publicized adverse resident / stakeholder comments and / or complaints. Forced resignation of CEO / Mayor. Council stood down. Minister intervention required.

*Wellbeing – defined here as physical, mental and spiritual health and wellbeing

* Projects will adopt the higher of the CoM or Project ratings

Likelihood Criteria

Rating	Likelihood of Occurrence *For Projects – Likelihood of occurrence during the Project period only
Rare	The event will only occur in exceptional circumstances. (Probability close to 0)
Unlikely	The event is unlikely to occur. (Probability 1 - < 25%)
Possible	The event may possibly occur. (Probability 25 - < 50%)
Likely	The event is likely to occur. (Probability 50- <75%)
Almost Certain	The event is occurring now or is almost certain to occur. (Probability >75%)

Risk Assessment Matrix

LIKELIHOOD RATING	CONSEQUENCE RATING				
	Insignificant	Minor	Moderate	Major	Severe
Almost Certain	MEDIUM	HIGH	HIGH	EXTREME	EXTREME
Likely	LOW	MEDIUM	HIGH	HIGH	EXTREME
Possible	LOW	MEDIUM	MEDIUM	HIGH	HIGH
Unlikely	LOW	LOW	MEDIUM	MEDIUM	HIGH
Rare	LOW	LOW	LOW	MEDIUM	MEDIUM

Risk Tolerance

Control Effectiveness

Ineffective	Absence of existing controls to address the risk cause/source or to reduce the impact of the risk if it occurred. No reliable controls are in place or available.
Undecided	The controls have been subject to major change or are in the process of being implemented and effectiveness cannot be confirmed.
Requires Improvement	The controls work in most instances with regard to managing the risk, however additional improvements are required to improve the effectiveness. Some controls are not well designed, as they do not treat the risk cause/source or there is too great a reliance on reactive (Detective/Corrective) controls.
Good	The control works well. Some improvement opportunities have been identified but not yet actioned.
Effective	Risk is being managed effectively. The controls are well designed and address the risk cause/source. The controls are regularly monitored and reviewed to verify their effectiveness.

Risk Evaluation – Required Actions based on Level of Risk Rating

Extreme Risk	Detailed risk treatment plan to be implemented and risk ownership to be assigned to Senior Leadership Team (SLT) member to monitor progress in consultation with the Risk Unit and relevant Senior Leader. Reported to Finance & Audit Committee and Risk Working Group. Control effectiveness to be closely monitored at work area level on an ongoing basis, in consultation with the Risk Unit.
High Risk	Risk treatment to be implemented by risk owner in consultation with Risk Unit. Relevant General Manager to determine appropriate risk owner and report risk to the Risk Working Group. Reported to Finance & Audit Committee. Control effectiveness to be closely monitored at work area level on an ongoing basis.
Medium Risk	Risk treatment to be assigned if controls are not 'Effective'. Risk owner assigned at Unit Manager or Senior Leader level. Risk reviewed quarterly by risk owner and reported to relevant General Manager.
Low Risk	Managed by Unit Manager at work area level via standard operating procedures and reviewed on an annual basis and reported to relevant General Manager.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
15 DECEMBER 2015**

Originating Officer: Sherie Walczak, Risk Unit Manager

Manager: Kate McKenzie, Corporate Governance

General Manager: Vincent Mifsud, Corporate Services

Subject: Local Government Association Mutual Liability Scheme
Annual Risk Review 2015

Reference No: AC151215R7.6

REPORT OBJECTIVE

The Local Government Association Mutual Liability Scheme ("the Scheme") undertakes an annual appraisal of Council's risk management systems and strategies to minimise liability exposures. This report provides details of the outcomes of the review and the financial bonus achieved by Council.

EXECUTIVE SUMMARY

The key points covered within the report are:

- Council received an overall rating of 90.3% which represents a slight reduction when compared to the past average (93.3%), however, the criteria assessed differs from past years. A bonus of \$41,359 was achieved, resulting in a net contribution to the Scheme of \$187,466 which equates to a 2.3% (\$14,215) increase on last year's contribution.
- Council have provided actions in response to the recommendations for improvement outlined in the Scheme's 2015 LGAMLS Risk Profile.
- The Scheme's new approach to categorising, reviewing and measuring a Council's Risk Management practices from 2016 onwards.
- The City of Marion's liability claims experience continues to align with the overall Local Government profile.

RECOMMENDATIONS (2)

DUE DATES

That the Audit Committee:

- | | |
|---|---------------------|
| 1. Notes the financial outcomes of the Local Government Association Mutual Liability Scheme's 2015 Risk Management Review. | 15 December
15 |
| 2. Provides feedback on the adequacy of the proposed actions in response to the risk management considerations for improvement. | 15 December
2015 |

BACKGROUND

The Scheme affords civil liability (professional indemnity and public liability) coverage to Council pursuant to the Scheme Rules. As a self-managed fund, the Scheme provides risk management services to Council principally via an annual review of Council's system for managing liability risk.

The Review process is dynamic and the format and questions are reviewed and updated each year to reflect the evolving nature of liability and sophistication of a growing Council. Accordingly, Council may not be able to accurately compare their performance in the Review on a year by year basis.

The scoring is based on benchmarked scores from all Councils. A bonus allocation is calculated based on the City of Marion scores in relation to the average of all other Metropolitan Councils.

Risk categories for the 2015 Review were:

- Governance, Finance & People
- Environment/Vegetation/Trees
- Road Management
- Third Party Use of Facilities & Land
- Statutory Responsibilities/Provision of Information
- Volunteers/Vulnerable Groups/Committees
- Recreation/Leisure Services – Community Land
- Procurement & Contract management System

DISCUSSION

Risk Review Results 2015

The LGA have undertaken a major review of the risk review process in preparation for the major scoring methodology change in 2016. Councils were not provided a score; however the City of Marion requested a score based on the Risk Review completed in May 2015.

The overall score for 2015 is 90.8% which represents a slight decrease on the 5 year average of 93.3% however, as mentioned above, the criteria assessed this year differs from past years. Scores have only been provided to those Council's whom have formally requested them and scores have not been provided outlining the results of other councils for comparison purposes.

A bonus of \$41,359 was achieved resulting in a net contribution to the Scheme of \$187,466 which equates to a 2.3% increase (\$4,125) on last year's contribution of \$183,251.

Risk Profile Response/Continuous Improvement Actions

Appendix 1 provides details of high level improvements suggested by the Scheme and the Administration's corresponding response in terms of actions which have been developed in consultation with key staff from the area which has accountability for the category item. These actions will be incorporated into Work Area Planning in line with our Strategic Management Framework.

Following the endorsement of the revised Risk Management Policy and Framework by Council in early 2016, the results of the comprehensive operational risk assessments which have been undertaken across all business areas of Council will be collated and reported to the Audit Committee in March 2016. These will then be reviewed quarterly as part of the Work Area Planning process and reported through to the Risk Working Group on a bi-monthly basis which will work toward improving the risk management monitoring and reporting processes across the City of Marion.

Risk Review Process 2016

In 2016 the Scheme's method by which scores are calculated against different categories will change. This will provide a more accurate method of assessing a Council's, and ultimately the sector's, maturing business risk profile. In accordance with the revised

method of assessment, the categories are more aligned to a Council's strategic Plan and Goals.

The Profile Review for 2016 will be represented in the following 10 functions:

Governance/Finance/People

- Reputation & Integrity
- Strategic Risk & Governance
- Procurement, Contract Management Systems
- Volunteers/Vulnerable Groups/Committees
- Workers Health & Safety

Operations/Services/Functions

- Environment/Vegetation/Trees
- Emergency Management
- Community Land Recreation/Leisure Services
- Road & Footpath Management
- Use by other parties - facilities/land

These changes will have a significant effect on the scoring process which cannot be compared to previous years. This change in methodology needs to be understood so there is no false perception that Councils Risk Management has taken a serious downturn. With the new scoring methodology in 2016, The LGA MLS has advised that Council should consider scores above 50% as the overall benchmark figure which, with Councils claims performance over a 7 year period, will provide the overall profile and bonus allocation. This new scoring system will allow Councils to view their improvements compared to the results in the Risk Review and claims data.

Council Claims Experience 2015

Claims Reports provided by the Scheme are developed from our claim history over the broad timeframe of 2008-2015. Data outlining the City of Marion's Claims Cause is provided in **Appendix 2** and Claims Cost in **Appendix 3**.

Council's civil liability profile in terms of "Cause" of claims demonstrates similarity in trend to Local Government as a whole however City of Marion have experienced slightly more claims than the Metro average caused by Administrative processes, Environment/Reserve issues but slightly less caused by Footpath/Naturestrip, Leisure and Road issues.

Council's civil liability profile in terms of "Cost" of claims demonstrates some significant differences in trend to Local Government as a whole as City of Marion's claims have cost more than the Metro average for Administrative processes due to a couple of unsuccessful but significant Development Assessment claims. However the result is that the percentage of claim costs is lower for Building/Property, Environment/Reserve, Leisure and Road issues.

Claims continue to be proactively managed with response via immediate remediation in addition to ongoing work programs that minimise liability exposure.

CONCLUSION

The Scheme has undertaken a review of Council's risk systems which has resulted in a slightly reduced overall score being achieved from last year (2015: 90.3% v 5 year average 93.3%)

Areas highlighted for attention by the Scheme are incorporated into planned improvements to our overall risk management systems, which are continuing to mature.

The Risk Working Group performs a key risk monitoring role and will assist in tracking progress which will provide a significant improvement to our risk management systems.

City of MARION – 2015 LGAMLS Risk Profile – Action Plan

Cat	QUESTION	RECOMMENDATION	Implemented by March 16	Partially Implemented	Will not Implement	RESPONSE
Governance, Finance and People						
1.1	Provide elements/details of Council's Risk Management framework and/or procedure to assess & manage core/strategic risks.	Risk Management Framework should be reviewed in line with Strategic Plan and overall objectives.	√			Risk Management Policy and Framework has been reviewed and will be submitted to Audit Committee December 2015.
1.2	Provide details of the process undertaken to review the current framework.	Risk Management Framework should be reviewed in line with Strategic Plan and overall objectives. The Council should implement a review process to ensure all stakeholders have input.	√			Risk Management Policy and Framework were reviewed and key stakeholders who had input were the Elected Members via the August risk tolerance EM Forum and the Executive Leadership Team plus key Senior Leadership Team members via the Risk Working Group.
1.3	Provide details on how Council provides induction/training of the framework/procedure to relevant Staff, Elected Members and Volunteers.	Training provided. Council should ensure that any training provided is linked to the review process.	√			Risk Management training is provided to both EMs and staff during their induction. Risk Management training was provided during a Leadership team forum and also two sessions held for all staff.
1.4	Provide details of Council's Business Continuity Plan, in the event of business interruption to critical functions or services.	Partial implementation at this point. Should undertake a maintenance check to understand current capabilities. Council should consider as a crucial matter.	√			The BCP is currently under review by the Risk Coordinator who has been provided formal study module to assist. Analysis has been undertaken during several events which will be incorporated.
1.5	Has Council developed and implemented a process to manage requests from Emergency Control Agents (SAPol, CFS, SES, etc) for use of defined Council plant/staff in the event of an emergency.	Council should consider its role in providing support and/or resources for a request – in an emergency situation. Refer to the i-Responda Framework provided by the LGA. LGAMLS is able to provide assistance in relation to risk management requirements		√		A Community Emergency Plan is currently under development, in which i-Responda will be incorporated, and an internal Workgroup of key staff has been formed to drive its development. The plan will outline Preparedness, Prevention, Response and Resilience to ensure a comprehensive approach.
Statutory Responsibilities/Provision of Information						
2.8	Has Council conducted an assessment of its risk exposure (e.g. provision of advice) in relation to internal planning and development processes and procedures?	Should form part of the overall risk assessment process to ensure that procedures are relevant and effective.	√			Operational risk assessment undertaken in November 2015.
2.9	Provide Council's process to ensure that it fulfils s122 of the Local Government Act in relation to asset management requirements.	Should form part of the overall risk assessment process to ensure that procedures are relevant and effective.		√		Council has adopted an overarching Asset Management Policy and a suite of Strategic Asset Management Plans for all its major asset classes. The Asset Management Plans inform the

City of MARION – 2015 LGAMLS Risk Profile – Action Plan

Cat	QUESTION	RECOMMENDATION	Implemented by March 16	Partially Implemented	Will not Implement	RESPONSE
						Long Term Financial Plan to ensure budgets are aligned to the programming of asset maintenance and renewal. There is a current focus on facilities management including the development of a framework to better manage facilities into the future.
Procurement and Contract Management System						
3.11	Provide Council's Procurement Framework for the purchasing of goods and services.	Council must consider risk assessment process in line with Procurement activities across Council	√			Operational risk assessment undertaken in November 2015.
3.14	Provide Council's formalised process to consider a Limitation of Liability request.	Must have formal recognition across all procurement activities. A limitation of liability request should be analysed using the risk assessment process.	√			The current review of the Procurement and Contract Management Policy and its underpinning documents will capture our default position in how we respond to requests by contractors to Limit Liability in formal contracts. Our current approach is to seek to negotiate away such requests. If this is not successful, each request will be considered on its merits (Council's negotiating strength, risk associated with the works etc) and a final position approved by the Manager Contracts.
Volunteers/Vulnerable Groups/Committees						
4.19	Does Council have a process for dealing with enquiries relevant to vulnerable groups?	Council should have a review process regarding its procedures. Protocols should be reviewed in line with Council's Risk Management Framework.	√			The Safe Environment for Children and Other Vulnerable People Policy was formally and comprehensively review, endorsed and implemented in June 2015 including all underpinning procedures and roll out of training requirements.
4.20	S41 Committee / functions and services are assessed against Council's risk management frameworks.	Council should review and monitor the functions of all Council Section 41 Committee in line with deliverables and established Charter.				Kate McKenzie
Environment/Vegetation/Trees						
5.24	Council has reviewed its tree management strategy in line with climate variation & extreme weather patterns/climate impacts. Provide details in relation to the Council's assessment.	Impacts to Tree Management should be considered in line with Climate Variation and future planting and maintenance programmes.	√			A Resilient South Regional Climate Change Adaptation Plan was endorsed by all four partner Councils (Marion, Mitcham, Holdfast Bay, Onkaparinga) in August 2014; the Plan includes consideration of natural landscapes and open space & public realm and identifies

City of MARION – 2015 LGAMLS Risk Profile – Action Plan

Cat	QUESTION	RECOMMENDATION	Implemented by March 16	Partially Implemented	Will not Implement	RESPONSE
						requirements for tree management to mitigate urban heat islands as a priority. More detailed work is also underway that will help us to prioritise tree planting activities to hot spots in the council area to help mitigate the urban heat island effect and also to improve amenity and liveability for our residents and ratepayers.
Recreational / Leisure Services - Community Land						
6.27	Provide Council's strategy to manage and meet the revised Australian Standards for playground equipment placed on community land.	Must be a holistic process. Whilst the Australian Standards are an essential element in the assessment process, Council must also give consideration to risk issues for equipment not aligned to the Australian Standards	√			Council has a Play Space Strategy that provides a framework, vision and design considerations in relation to play spaces within the City of Marion. This is inclusive of Australian Standards. Designs are utilising the most recent AS 4685-2014 and independent audits are conducted on new playspaces. Open Space Operations conduct regular Level 1 and 2 operational inspections.
6.29	Council incorporates risk management principles into planning proposals for design/construction of other recreational assets, such as BMX Tracks, Skate Parks or recreational trails. Please provide an example of the approach.	As above, and Recreational space provided should only be provided post a thorough risk assessment. Emerging issues for Local Government include: <ul style="list-style-type: none"> • Nature Play • Parkour • Gym type equipment (fixed) • Extreme elements to Skate parks and/or BMX Tracks 	√			Council incorporates risk management principles and seeks expert design and construct advice/services for the provision of skate parks, parkour, nature play and bike/bmx tracks as can be evidenced at Oaklands Recreation Plaza through design services/certification through construction ie Convic Pty Ltd (specialist skate park company)
6.30	Council has considered and applied risk management principles when assessing Nature Play principles that may be applied to plays areas.	As per previous questions	√			Council considers risk management principles and will be utilising Play Australia's new guide to the assessment of risks and benefits in play provision and Australian Standard 4685:2014 titled 'Getting the Balance Right: Risk Management for Play'
6.31	Council has established inspection and management processes to manage Public Pool facilities and staffing requirements.	Council must continually review its processes and procedures at pools – in line with the Guidelines for Safe Pool Operation best practice document. This process should form part of Council's Risk Management Framework.	√			Under GO1 - the Operations Manual is currently under review and will ensure it contains specific details around physical layout, supervisory procedures, personnel policies and procedures, training, emergency action plan, WHS, maintenance, water quality and programs.

City of MARION – 2015 LGAMLS Risk Profile – Action Plan

Cat	QUESTION	RECOMMENDATION	Implemented by March 16	Partially Implemented	Will not Implement	RESPONSE
						Under GO2 - the Emergency Action Plan is currently under review and will ensure it contains routine aquatic emergency procedures, major incidents, staff response, rescue and first aid equipment, emergency services, evacuation, critical incident stress debriefing and practising emergency procedures. CoM recently adopted Emergency Plans in a corporate wide approach compliant with WHS and we are now working towards ensuring that the plan for the Swim Centre covers both WHS and GO2 requirements.
Road Management						
7.33	Provide the Council procedure/process for identifying relevant utilities' infrastructure (below and above ground) prior to commencing excavation works (including communication process with the provider).	A reactive process. Further defined procedures should be implemented.	√			<p>Drainage works process:</p> <ul style="list-style-type: none"> • Dial b4 u dig • Service locator to identify depths • Potholing of services and record actual depth and size of service. • JSEA to record overhead and underground services. • For high voltage power and high pressure gas we have a rep from the company onsite. (identified on Dial b4 you dig) • For overhead power we contact SA power networks and have tiger tails installed if we are working in close proximity to powerlines. We also have one of the team spot for the operator. <p>Kerb & Water Table and footpath construction process: We look down the street for Telstra pits to check where the services are and at what depth. Australian Standards for underground cables is 300mm deep under hard surfaces (concrete) and 600mm under natural ground. Because we are normally only removing concrete or kerb at 100mm deep, we do complete a JSEA but do not do dial b4 u dig. Providing the cables are at the correct depth we should be at least 250mm above any</p>

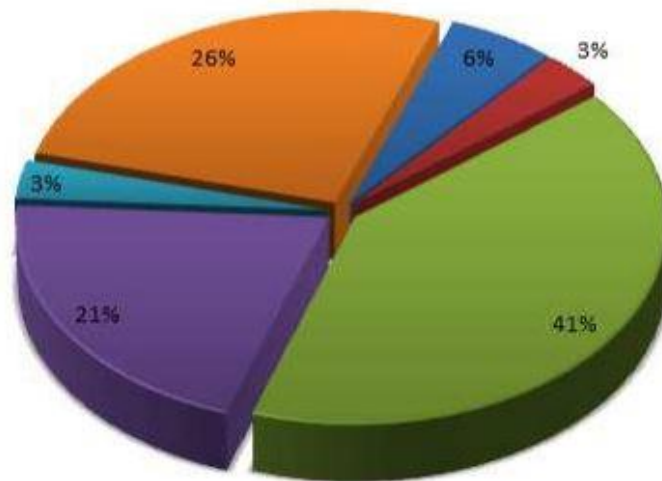
City of MARION – 2015 LGAMLS Risk Profile – Action Plan

Cat	QUESTION	RECOMMENDATION	Implemented by March 16	Partially Implemented	Will not Implement	RESPONSE
						correctly buried services. Overhead services are identified onsite and recorded on JSEA's. Sign and Street Furniture installation process: We dial b4 u dig to identify underground services prior to hand or machine excavation and spike installation for signs.
7.36	Has Council entered into a Railway Interface Agreement with the Railway Commissioner - pursuant to the new Railway National Law Safety Act 2012	Council should consult the LGA/MLS Railway Interface Guide when considering entering into an agreement for a specific railway interface.				Mark Griffin
Third Party Use of Facilities and Land						
8.39	Provide the assessment/checklist process to ensure a 'one-off' hire of facility is left in a condition for the next use.	Condition Assessment (pre/post facility hire) should be part of the overall hiring process. This could include general facility assessment (equipment, condition, damage etc). Should be in the form of a checklist and could be general in nature or refined to a particular location.	√			We are currently in the process of reviewing our processes and procedures in relation to event permits that are supplied for the use of Community land. Operational pre and post inspection checklists will be included within the process improvement. In relation to facilities, many of Council facilities are occupied through a lease/licence agreement and managed by the lessee. The agreement outlines the responsibilities of each landlord and lessee. Generally the lessee is responsible for ensuring that the facility is left in a reasonable state of repair and fit for purpose. Annual inspections occur to ensure the lessee is managing the facility in accordance with the agreement.
8.40	Provide Council's risk assessment process to assess a third party (lessee/licensee) activity is suitable/appropriate for a piece of land	"Fit for Purpose" analysis of certain recreational activity on Community Land must be an integral component of the Leasing/Licensing function. Section 202 of the LG Act allows Council to "alienate" land but will require the Council to undertake a risk assessment of the proposed activity and the impact to the adjacent community.	√			Council does alienated Community Land under a lease/licence agreement. The leasing policy controls which group qualify to potentially occupy community land under a lease/licence agreement and there is considerable internally consultation. The lease/licence agreement outlines responsibility for maintaining and repairing a piece of land. Monthly and annual inspections occur to ensure that sporting facilities are fit for purpose.



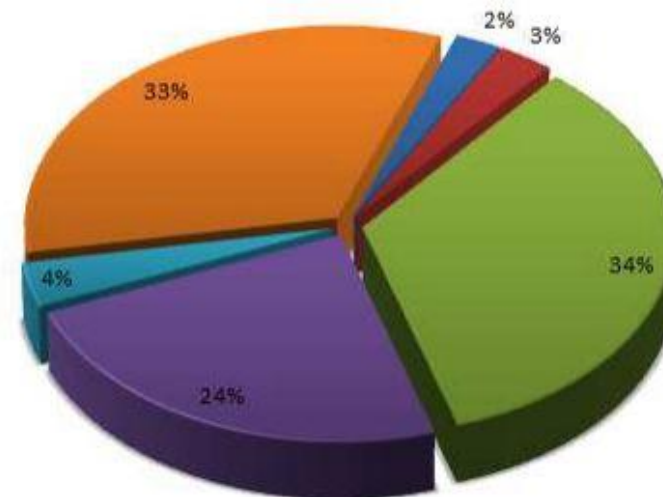
CoM - Types of Claims based on Cause

■ Administration
 ■ Building/Property
 ■ Environmental/Reserve
 ■ Footpath/Naturestrip
 ■ Leisure
 ■ Roads



Metro Average - Types of Claims based on Cause

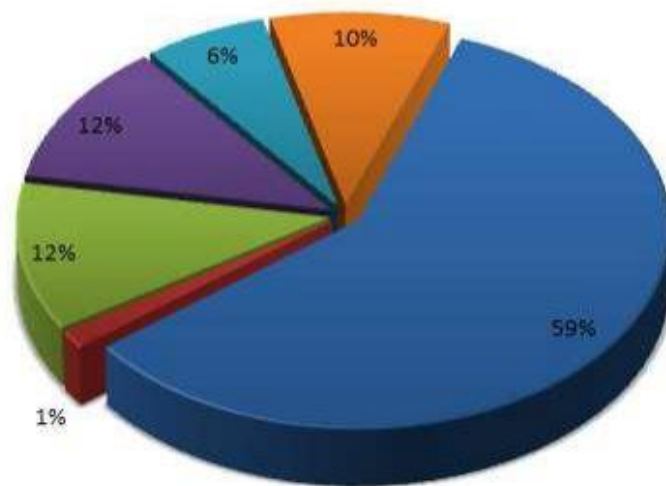
■ Administration
 ■ Building/Property
 ■ Environmental/Reserve
 ■ Footpath/Naturestrip
 ■ Leisure
 ■ Roads





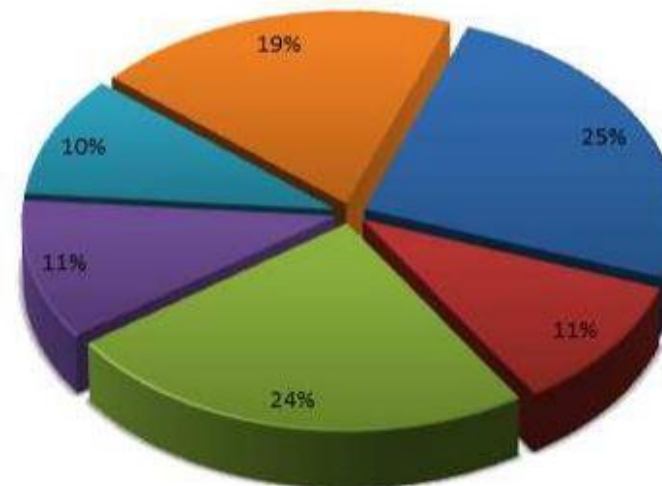
CoM- Types of Claims based on Cost

Administration Building/Property
Environmental/Reserve Footpath/Naturestrip
Leisure Roads



Metro Average - Types of Claims based on Cost

Administration Building/Property
Environmental/Reserve Footpath/Naturestrip
Leisure Roads



**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
15 DECEMBER 2015**

Originating Officer: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, Corporate Services

Subject: Draft Internal Audit Plan 2015/16 – 2016/17

Report Reference: AC151215R7.7

REPORT OBJECTIVE AND EXECUTIVE SUMMARY:

In August 2015, Council appointed KPMG as the internal auditor for the City of Marion. The contract provisions are for a two year period with the opportunity to extend for a further two years. In consultation with the Executive Leadership Team (ELT), KPMG have developed a draft Internal Audit Plan for 2015/16 and 2016/17 (**Appendix 1**) for Audit Committee consideration and feedback.

The draft Plan is based on the Council's Strategic Risk Profile, consultation with ELT and the Manager, Corporate Governance.

The Plan is proposing 6 projects (including the development of the plan) for 2015/16 and 5 projects for 2016/17 with a total budget of \$95k in 15/16 and \$103.75K in 16/17

RECOMMENDATIONS (1)

DUE DATES

That the Audit Committee review and provide feedback on the draft Internal Audit Plan 2015/16 – 2016/17 .

December 15

BACKGROUND:

The primary purpose of an internal audit program is to provide both Council and the ELT with an objective assessment and assurance of the adequacy and effectiveness of the organisations internal control systems. The internal audit reviews will focus on key risk to the organisation, process improvement opportunities and compliance. KPMG are keen to add value to Council's operations and work closely with Management to produce quality audit outcomes.

DISCUSSION:

The Internal Audit Plan attached in **Appendix 1** outlines the following:

- Executive Summary of the reviews planned to be completed.

- Governance, risk and controls
- Strategic Risks
- Internal Audit Approach
- Summary of reviews and alternatives reviews (if required).

It is important to note that the Plan is flexible and can be amended based on current need and risk to the organisation. The Plan covers a board range of key risks across the organisation.

The table below outlines the proposed projects, timing and budgets:

2015/16

Internal Audit Review	Days	Budget	Timing to commence
Development of the IA Plan	6 days	\$7.5k	November 2015
Payroll	15 Days	\$18.75k	January 2016
Capital Works Program Delivery	16 Days	\$20k	January 2016
Purchase Cards	10 Days	\$12.5k	March 2016
Cash Handling	10 Days	\$12.5k	March 2016
People , Leadership and Culture	16 Days	\$20k	April 2016
Attendance at AC / ELT	6 meetings	\$3.75k	
Total		\$95k	

2016/17

Internal Audit Review	Days	Budget	Timing to commence
Corporate Performance Reporting	16 Days	\$20k	July 2016
Accounts Receivable - Rates	15 days	\$18.75k	July 2016
IT Security – Cyber	16 Days	\$20k	January 2017
Policy Framework Review	16 Days	\$20k	January 2017
Property Management	16 Days	\$20k	March 2017
Attendance at AC / ELT	8 meetings	\$5k	
Total		\$103.75K	

FINANCIAL IMPLICATIONS:

The Internal Audit Plan for 2015/16 can be delivered within the current budget allocated for internal audit services

CONCUSION

The Internal Audit Plan has been established to deliver assurance to Council and the ELT that the internal control environment of the Council is operating effectively, whilst also reviewing opportunities for improvement and efficiency. Feedback on the Plan from ELT will ensure that the internal audit resources are focused on the key risk areas of the organisation.



KPMG RISK CONSULTING

City of Marion

Two-year internal audit program (FY2016 and FY2017)

11 December 2015



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 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 Reports

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 11 December 2015 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.

Key contacts at KPMG in connection with this report are:

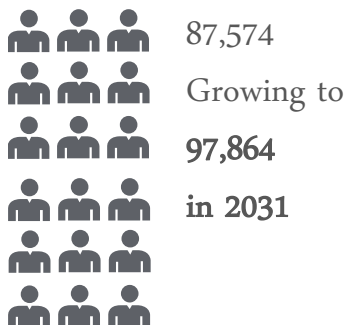
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population



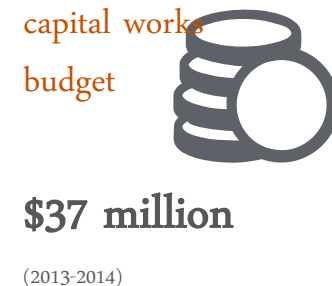
operating budget



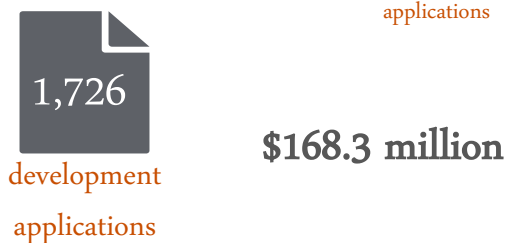
assets



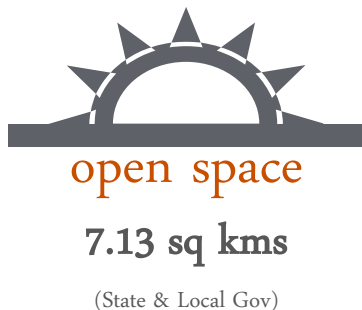
capital works budget



value of development applications



CITY OF MARION



library items loaned



roads



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Introduction:

KPMG has been appointed by the City of Marion to develop and implement an internal audit program.

Time horizon:

The internal audit program will be a two-year program spanning financial years 2015/16 and 2016/17.

Approach:

Our approach for development of the internal audit program has been based on the following:

- Consideration of your strategic plan and objectives which align directly with your strategic risks (based on the principle that a strategic risk can be defined as anything that hinders you from achieving your strategic objectives).
- Consultation with the City of Marion's executive team and key governance stakeholders.
- Development of a draft two-year internal audit program comprising strategic-risk, process improvement and compliance focused internal audit projects.
- Inclusion of potential alternative projects for consideration by the City of Marion for substitution/addition to the internal audit program projects.
- Meeting with the City of Marion external auditor (Deloitte) to discuss and coordinate where applicable.

KPMG internal audit team:

The core KPMG internal audit team for the City of Marion will include the following personnel:

- Justin Jamieson – Partner
- Jared Lawrence – Associate Director
- Emma Cavaggion – Manager

Please note that Justin Jamieson will be the Engagement Partner for the internal audit program and will have overall oversight of the services and will attend key Audit Committee and Executive Management meetings.

Jared Lawrence will be the responsible for the overall delivery of the internal audit program. Emma Cavaggion will play a key role managing and delivering individual internal audit projects.

We will also utilise additional resources (consultant level staff) depending on the nature of each internal audit project.

We will also leverage subject matter professionals from KPMG's resource base as applicable depending on the nature of the internal audit project and in consultation with the City of Marion.

The recommended list of internal audit projects for FY2015/16, along with the estimated number of days to complete each project and a proposed schedule for commencement of each individual internal audit project is provided in the table below. The Internal Audit Plan remains flexible to include or substitute other relevant projects as required (in particular please refer to the section detailing project summaries, including potential “alternative” projects.

Ref.	IA Project	Functional Area	Est. Days ¹	Est. Budget ¹	Start date ²	AC Target ²
16-01	Development of a two-year Internal Audit plan	Organisational governance	6	\$7.5k	Nov '15	Dec '15
16-02	Payroll operations	Financial management/controls	15	\$18.75k	Jan '16	Mar '16
16-03	Capital works program delivery	Asset management	16	\$20k	Jan '16	Mar '16
16-03	Purchase cards	Financial management/controls	10	\$12.5k	Mar '16	Jun '16
16-05	Cash handling	Financial management/controls	10	\$12.5k	Mar '16	Jun '16
16-06	People, leadership and culture management systems	People, performance & culture	16	\$20k	Apr '16	Jun '16
	Attendance at AC / ELT meetings		6 meetings	\$3.75k	N/a	N/a
				\$95k		

1. Please note that the estimated days and budget will be confirmed with the Project Sponsor based on the objective, scope and approach agreed for each internal audit project.
2. Project timing remains flexible and may change depending on organisational priorities. This will be confirmed at project scoping stage for each project.

The recommended list of internal audit projects for FY2016/17, along with the estimated number of days to complete each project and a proposed schedule for commencement of each individual internal audit project is provided in the table below. The Internal Audit Plan remains flexible to include or substitute other relevant projects as required (in particular please refer to the section detailing project summaries, including potential “alternative” projects).

Ref.	IA Project	Functional area	Est. Days ¹	Est. Budget ¹	Start date ²	AC Target ²
17-01	Corporate performance reporting	Organisational governance	16	\$20k	Jul '16	Sept '16
17-02	Accounts receivable	Financial management	15	\$18.75k	Sept '16	Dec '16
17-03	IT security – Cyber maturity assessment	Information technology	16	\$20k	Jan '17	Mar '17
17-04	Policy framework review	Organisational governance	16	\$20k	Jan '17	Mar '17
17-05	Property portfolio management	Asset management	16	\$20k	Mar '17	Jun '17
	Attendance at AC / ELT meetings		8 Meetings	\$5k	N/a	N/a
				\$103.75k		

1. Please note that the estimated days and budget will be confirmed with the Project Sponsor based on the objective, scope and approach agreed for each internal audit project.
2. Project timing remains flexible and may change depending on organisational priorities. This will be confirmed at project scoping stage for each project.

CARRY-OVERS

ROLLING CAPITAL WORKS
PROGRAM

PROCESSES AND CONTROLS
"BACK TO BASICS"

MANAGING AN AGEING
WORKFORCE

LAND AND BUILDINGS

CORPORATE REPORTING AND
DECISION MAKING

SPORTING HUBS RENEWAL/
DEVELOPMENT

ENTERPRISE AGREEMENTS

STRONGER LINKAGES BETWEEN
ASSET MANAGEMENT AND THE
LONG-TERM FINANCIAL PLAN

BUSINESS MODELS
e.g. Kaurua Indigenous Centre

SERVICE DELIVERY
MODELS

The City of Marion has a number of elements as part of its overall governance, risk and controls arrangements.

From a risk, governance and controls perspective, the “three lines of defence” is often referred to which relates to:

- First line – risk management
- Second Line – policy, processes and controls (including self assessment)
- Third line – third party/external providers (independent assessments)

As part of our internal audit planning approach we have taken into account your core governance, risk and controls arrangements based on our understanding of the City of Marion environment.



As part of our internal audit planning approach we have considered the City of Marion's strategic objectives outlined within the Community Plan – Towards 2040.

Community Plan Themes	Description
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.
BIOPHILIC	By 2040 our city will be deeply connected with nature to enhance peoples' lives, while minimising the impact on the climate, and protecting the natural environment.
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.
ENGAGED	By 2040 our city will be a community where people are engaged, empowered to make decisions, and work together to build strong neighbourhoods.
PROSPEROUS	By 2040 our city will be 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.
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.



The City of Marion's Strategic Risks (as at November 2015).

In addition, please note that each of the City of Marion divisions has undergone an operational risk assessment exercise (this is still in the process of being finalised)

It is recommended that the strategic and operational risks are subject to ongoing review and reviewed/updated formally at least annually.

Good practice internal audit planning is based on an assessment of an organisation's strategic and operational risks. The City of Marion has elected to focus its strategic risks in relation to not delivering on its strategic objectives. In addition, there is a seventh strategic risk that identifies the City of Marion's ability to deliver on its objectives around business excellence.

#	Risk	Current Risk			Existing Controls	Responsible officer
		Like-lihood	Con-quence	Risk Rating		
1	Liveability	Possible	Severe	High	TBC	TBC
2	Biophilia	Possible	Moderate	Medium	TBC	TBC
3	Innovation	Possible	Major	High	TBC	TBC
4	Prosperity	Possible	Major	High	TBC	TBC
5	Connectedness	Possible	Moderate	Medium	TBC	TBC
6	Engagement	Possible	Moderate	Medium	TBC	TBC
7	Organisation of excellence	Possible	Severe	High	TBC	TBC

Throughout our internal audit work, where it makes sense to do so, we will use the following approaches to improve efficiency, identify process improvement opportunities and bring specialist insights.





Potential financial management/controls related internal audit projects for consideration by the City of Marion

Please note that the shaded projects are the recommended projects for the FY2016 and FY2017 years, but could be substituted by other listed projects.

Ref.	IA Project	Internal Audit Project Description	Est. Days	Year 1 (15/16)	Year 2 (16/17)
FM-1	Payroll operations	This internal audit project will focus on the City of Marion's processes and controls in relation to payroll operations, including assessment of whether salaries, wages and related payments are made in accordance with relevant terms and conditions of employment.	15	✓	-
FM-2	Purchase cards	This internal audit will focus on the processes and controls in relation to the City of Marion's use of purchase cards. The internal audit will include consideration of approvals and issuance, maintenance, timely removal/cancellation of purchase cards on termination and review and approval of supporting documentation in relation to transactions.	10	✓	-
FM-3	Cash handling	This internal audit project will consider the adequacy and effectiveness of cash handling controls and procedures to ensure completeness and accuracy of collections/receipting/recording, control over reconciliation functions, cash deposit/banking, control over reversal and cancellation of receipts and physical security of cash.	10	✓	-
FM-4	Accounts receivable	This internal audit project will focus on the key processes and controls and assess compliance with current procedures and guidelines relating to accounts receivable. The audit will include the process for receiving and receipting monies, aged debtors process, master file maintenance and monthly reconciliations. The focus of the audit will be in relation to rates collection.	15	-	✓
FM-5	Accounts payable	This internal audit project will focus on the processes and controls associated with the City of Marion's accounts payable process, including supplier management and invoice approvals and payment management.	15	-	-



Potential financial management/controls related internal audit projects for consideration by the City of Marion

Ref.	IA Project	Internal Audit Project Description	Est. Days	Year 1 (15/16)	Year 2 (16/17)
FM-6	Internal controls framework	This internal audit project will focus on the effectiveness of the City of Marion's internal controls framework including overall oversight, self-assessment and review processes. The internal audit will include an assessment of compliance against the City of Marion's internal control framework over a sample of controls (to be discussed with Management).	10	-	-
FM-7	General ledger and month end process	This internal audit project will consider the City of Marion's general ledger systems, with the scope of the internal audit to include month-end processes, including account reconciliations and preparation/review of journal entries, security access and chart of accounts.	15	-	-
FM-8	Internal costing review	This internal audit project will include assessment of the City of Marion's processes of collecting, analysing and allocating costs for management reporting purposes. This will include allocations between program areas and businesses. Assessment of capital and operational costs will be made to determine if costing is accurate and balanced (i.e. time vs benefit) for decision making purposes.	25	-	-
FM-9	Long-term financial plan	This internal audit project will consider the City of Marion's long-term financial plan, including key drivers, assumptions, financial ratios, sensitivity analysis and linkages to Council plans/activities (e.g. asset management).	20	-	-
FM-10	Procurement and contract management	This internal audit project will consider the City of Marion's procurement and contract management practices focusing on compliance with policy and procedures and consideration (at a high level) in relation to value-for-money, transparency and fairness principles.	20	-	-



Potential governance-focused internal audit projects for consideration by the City of Marion

Ref.	IA Project	Internal Audit Project Description	Est. Days	Year 1 (15/16)	Year 2 (16/17)
G-1	Policy framework review	This internal audit project will focus on the City of Marion's policy and procedure framework with a view to understanding the current policy and procedure environment (currency, ownership hierarchy), assessing/prioritising policy and procedures based on a high level risk assessment processes and providing options and recommendations to help ensure that the City of Marion's policy and procedures are embedded across the organisation (including streamlining as applicable).	16	-	✓
G-2	Governance review	This internal audit project will focus on how the City of Marion's corporate governance arrangements align to, and support, the City of Marion Strategic Plan/Community Plan and annual business plan and budget, including governance structures and practices and how communication is managed between various stakeholders.	15	-	-
G-3	Corporate performance reporting – Decision making and accountabilities	This internal audit will focus on the City of Marion's corporate performance reporting arrangements including how they align with the key strategies and how they cascade through the organisation as well as through to the individual. The internal audit will also consider decision making, escalation of issues and accountabilities.	16	-	✓
G-4	Legislative compliance	This internal audit project will focus on the City of Marion's legislative compliance framework in place to ensure compliance with the Local Government Act and all other relevant legislation, including overall governance, roles and responsibilities and processes in place to monitor compliance and report significant breaches.	15	-	-



Potential internal audit projects taking into account “people, performance and culture” considerations for the City of Marion.

Ref.	IA Project	Internal Audit Project Description	Est. Days	Year 1 (15/16)	Year 2 (16/17)
PPC-1	People, leadership and culture management systems	This internal audit project will focus on the City of Marion’s strategies and activities in relation to leveraging its workforce to deliver on its strategic objectives/Community Plan. This will include consideration of the City of Marion’s management systems/frameworks in relation to the following elements: organisational values, capability development, diversity, mentoring or related programs, innovation, performance management and development. The scope will include consideration of results and subsequent actions and planning following the most recent staff satisfaction survey (as applicable).	16	✓	-
PPC-2	Workforce planning	This internal audit project will focus on the City of Marion’s workforce planning strategies and initiatives in the context of Council strategies and matching of workforce capabilities and resourcing to future needs. The scope will include consideration of key person risk, succession planning processes including apprentice programs, management of an ageing workforce (i.e. bringing new talent into the organisation, development of capability and transitioning of people from the organisation).	20	-	-
PPC-3	Work health and safety	This internal audit project will focus on the management framework and systems that the City of Marion has in place to provide a safe work environment for its employees, contractors and volunteers and consider whether the respective WH&S legislation is being complied with, along with the relevant policies and procedures.	20	-	-



Potential asset management and related internal audit projects for consideration by the City of Marion

Ref.	IA Project	Internal Audit Project Description	Est. Days	Year 1 (15/16)	Year 2 (16/17)
AM-1	Strategic asset management	The scope of this project will focus on the status and standing of the City of Marion's current Asset Management Framework and processes, including key deliverables in the Asset Management Framework, development of asset management plans and performance of maintenance activities.	25	-	-
AM-2	Capital works program delivery / carry overs	This internal audit project will consider the effectiveness of key controls, compliance and efficiency in relation to City of Marion's capital projects. This will include assessment of the project approval and planning processes, overall governance arrangements for the City of Marion's capital program, stakeholder management/engagement, project reporting and monitoring of key performance indicators and budgeting processes.	16	✓	-
AM-3	Property portfolio management	This internal audit project will focus on the effectiveness of the City of Marion's management of its property portfolio, including what value Marion achieves through ongoing ownership, lease management, asset management and maintenance responsibilities, as well as overall oversight, monitoring and reporting. The focus will be on properties which are leased out to third parties (community and commercial).	16	-	✓
AM-4	Major project – Independent post implementation review	The focus of this internal audit project will be to review documentation and interview stakeholders to capture and understand key lessons learnt, including both what went well and what were some of the challenges in relation to the planning, execution and close of a major project for the City of Marion.	15	-	-
AM-5	Environmental management compliance	This internal audit project will focus on the City of Marion's environment management including environment management policy, procedures, strategy, risk management, governance, roles and responsibilities, communication, operations and compliance and reporting activities.	15	-	-



Potential information technology-related internal audit projects for consideration by the City of Marion

Ref.	IA Project	Internal Audit Project Description	Est. Days	Year 1 (15/16)	Year 2 (16/17)
IT-1	IT strategy	This internal audit project will focus on the City of Marion's information technology strategy and whether it meets the current and future needs of the organisation in relation to delivering the City of Marion's strategic objectives and engaging with the community.	15	-	-
IT-2	IT governance	This internal audit project will focus on the City of Marion's IT governance arrangements, including consideration of the IT governance structures, IT team, the IT project management framework and oversight, monitoring and reporting.	15	-	-
IT-3	IT controls	This internal audit project will focus on the design and effectiveness of key general and security IT controls, and compliance with related policies and procedures. This will include testing over the design and effectiveness of underlying general IT controls, access to programs and data, program changes, program development and computer operations (i.e. back-ups, job scheduling, incident and problem management).	15	-	-
IT-4	Business continuity and disaster recovery	This internal audit project will consider two factors – IT disaster recovery, and business continuity. This project will focus on the arrangements and adequacy of IT DR and business continuity for the City of Marion. The review will be used to identify weaknesses or gaps in the relationship between business continuity processes and IT disaster recovery requirements. Additionally, a review will be conducted over the IT infrastructure, data centres, and associated policies which support the City of Marion's disaster recovery and business continuity.	20	-	-



Potential information technology-related
internal audit projects for consideration
by the City of Marion

Ref.	IA Project	Internal Audit Project Description	Est. Days	Year 1 (15/16)	Year 2 (16/17)
IT-5	IT security – Cyber maturity assessment	<p>This internal audit project will consider the current cyber security posture of the City of Marion. This will use KPMG's custom developed cyber security maturity model to identify the current level of maturity focusing on the following:</p> <ul style="list-style-type: none"> • Leadership and Governance, • Operations and Technology • Information Risk Management • Human Factors • Legal and Compliance • Business Continuity Management <p>This project will be a non-technical review and will focus on the current standing of cyber security at the City of Marion to identify areas of improvement.</p>	16	-	✓
IT-6	IT security – Penetration testing	<p>This internal audit project will focus on the identification of security flaws, vulnerabilities, and weaknesses within the City of Marion's web applications, infrastructure, and systems. This project will include leveraging of these vulnerabilities to gain access to the City of Marion's systems and the underlying data they store and process with a focus on critical and sensitive data. This project will be mapped to realistic business risks of current cyber security threats and weaknesses.</p>	20	-	-



Potential community engagement-
focused internal audit projects for
consideration by the City of Marion

Ref.	IA Project	Internal Audit Project Description	Est. Days	Year 1 (15/16)	Year 2 (16/17)
C-1	Digital and social media governance	This internal audit project will focus on the adequacy of the City of Marion's digital and social media framework including the risk profile, governance arrangements, policy and procedures, roles and responsibilities, controls, compliance and monitoring, and use of social media by both internal and external users.	20	-	-
C-2	Customer facing services performance/ Community engagement	The focus of this internal audit project will include consideration of the effectiveness of key processes and controls relating to customer facing services provided by the City of Marion to its communities (on a sample basis) and/or project.	20	-	-
C-3	Customer feedback and complaints management	This internal audit project will focus on processes, procedures and controls in place to support the management of customer feedback, including processes for managing feedback, training of customer service staff to sufficiently manage feedback and media and public awareness campaigns to educate the public. Benchmarking against ISO 10002 Customer Satisfaction and Complaints Handling will be conducted.	15	-	-
C-4	Animal management legislation changes	This internal audit project will focus on the City of Marion's overall readiness - planning, resourcing, risks, and issues in relation to the introduction of animal management legislation.	15	-	-

The following Policies have been adopted by the City of Marion (adjacent list).

It should be noted that the City of Marion has defined a “policy” as setting out the overall intentions and direction of the organisation.

Internal audit will consider relevant policies at the core of each internal audit project, taking into account key requirements and overall arrangements to meet those requirements as well as compliance with policy.

- Acquisition and Disposal of Land Assets Policy
- Asset Accounting
- Asset Management Policy
- Audit Committee Meeting Procedures
- Audit Committee Policy and Terms of Reference
- Borrowings Policy
- Building and Swimming Pool Inspection Policy
- Caretaker Policy
- City Limits Publications Policy
- Code of Practice - Access to Council Meeting and Documents
- Code of Practice Procedures at Meetings 2014
- Community Awards and Recognition
- Community Awards and Recognition Policy
- Community Consultation and Engagement Policy
- Community Garden Policy
- Complaint and Review of Decisions Policy and Procedure
- Control of Election Signs Policy
- Council Grants
- Customer Service
- Disposal of Assets
- Disposal of Assets other than Land
- Donations and Sponsorships Policy and Application Form
- Economic Development Policy
- Elected Member Code of Conduct
- Elected Member Code of Conduct - Procedure for Investigating Complaints
- Elected Member Expenses, Benefits, Support and Facilities Policy
- Elected Members Publications Policy
- Equal Opportunity Discrimination Harassment & Workplace Bullying Policy
- General Environmental Policy
- How We Work Together Policy
- Information Management - Provision and Use of Equipment (Elected Members)
- Internet and Email Access and Usage Policy
- Investment
- Liquor Licence Applications
- Marion Library Service Customer Conditions of Use Policy
- Memorial Policy
- Order-Making Authority
- Petition Form
- Petition Policy
- Privately Funded Development Plan Amendments Policy
- Procurement Policy
- Professional Development - Elected Members
- Prudential Management Policy
- Replacement and Removal of Trees and Shrubs Policy
- Reserve Funds Policy
- Risk Management Policy
- Roads Opening and Closing
- Schedule of Delegations & Sub-delegations September 2014
- Sister Cities Policy
- Social Media Policy
- Staff Code of Conduct Policy
- Temporary Signs and Banners Application
- Treasury Management Policy
- Tree Management Framework
- Tree Management Policy
- Vacancy Management Policy
- Whistleblower Policy



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**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
15 DECEMBER 2015**

Originating Officer: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, Corporate Services

Subject: Internal Audit Scopes

Report Reference AC151215R7.8

REPORT OBJECTIVE AND EXECUTIVE SUMMARY:

In line with the draft Internal Audit Plan for 2015/16 and 2016/17 (report reference: AC151215R7.7) the following scopes have been drafted:

- Preparing the draft Internal Audit Plan (Appendix 1)
- Payroll (Appendix 2)
- Capital Works – Carry Overs (Appendix 3)
- Purchase Cards (Appendix 4)

Each scope provides further details about the specific focus areas of the internal audit, the resources required to complete the audit and the proposed budget.

In line with the Finance and Audit Committee Terms of Reference, the Committee will review, and provide information relevant to, the scope of the internal audit program, including whether the program systematically addresses:

- Internal controls over significant risk, including non-financial management control systems.
- Internal controls over revenue, expenditure, assets and liability processes.
- The efficiency, effectiveness and economy of significant Council programs and activities.
- Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements,
- Whether employees have sufficient competencies (facilitated by up to date training) to enable them to fulfil their roles.
- A review of the City of Marion's strategic management plans and annual business plans to ensure appropriate allocation of resources necessary to achieve the objectives of the plans.

Each of these scopes contribute towards the Committee's obligations pursuant to the Terms of Reference.

RECOMMENDATIONS (1)

DUE DATES

That the Finance and Audit Committee review and provide feedback on the following internal audit scopes:

**December
2015**

- Preparing the draft Internal Audit Plan (Appendix 1)
- Payroll (Appendix 2)
- Capital Works – Carry Overs (Appendix 3)
- Purchase Cards (Appendix 4)

**Project Title: Development of a two-year
Internal Audit Plan for the City of Marion**

November 2015

Objective

The objective of this project is to develop a two-year Internal Audit Plan for the City of Marion ("CoM") for FY2016 and FY2017, as well as to formalise Council Audit Committee and CoM Executive Management meeting administration and attendance in respect to the overall internal audit program.

Scope

The scope of this internal audit project is to develop a two-year internal audit plan for the CoM for FY2016 and FY2017 that lists internal audit projects, including summary scopes for each proposed project.

Please note that this scope also serves to formalise administration and attendance arrangements in respect to the CoM's Council Audit Committee and formal Executive Management and/or Internal Audit Sponsor program meetings.

Approach

The approach for the development of a two-year internal audit plan for the CoM will include:

- Review of relevant CoM documentation including the CoM's strategic plan, strategic risk register (as prepared by CoM) and operation/divisional risk registers (as applicable)
- Discussions with the CoM Internal Audit Sponsor (Manager Governance) and Executive Management Team
- Development of the internal audit plan, taking into account strategic risks and input from CoM Executive Management Team and senior management personnel, including development of summary scopes for individual internal audit projects
- Follow-up discussions as required with relevant stakeholders to validate and finalise the CoM internal audit plan.

Please note that administration and attendance in relation to the internal audit program will include preparation for and attendance at Council Audit Committee meetings, as well as formal internal audit program status meetings with CoM Internal Audit Sponsor and/or Executive Management meetings.

Proposed Budget

Two-year internal audit program

The proposed budget for development of the CoM's two-year internal audit plan is shown in the following table:

Personnel	Hourly Rate (excl. GST)	Estimated Hours	Sub-total (excl. GST).
Justin Jamieson	\$350	4	\$1,400
Jared Lawrence	\$255	8	\$2,040
Emma Cavaggion	\$239	17	\$4,063
Total (excl. GST)			\$7,503

Administration and attendance at CoM Council Audit Committees and Executive Management meetings

The proposed budget for administration and attendance at CoM Council Audit Committee and formal CoM management status meetings will be based on hours and hourly rates as per the contract arrangement with KPMG personnel attending only those meetings as requested. Fees will be kept to a minimum with fees charged only for partner time and one other representative for any individual meeting.

Personnel	Hourly Rate (excl. GST)	Estimated Hours	Sub-total (excl. GST).
Justin Jamieson	\$350	1 x hour (per AC)	\$350
Jared Lawrence	\$255	1 x hour (per AC)	\$255
Cost (excl. GST) per Audit Committee and/or Formal Management Committee/meeting)			\$605

We are in agreement with the scope document for the development of CoM's two-year internal audit plan and Council Audit Committee meeting preparation and attendance and Executive Management internal audit program related meetings.

CoM Internal Audit Sponsor – Kate McKenzie (Manager Governance)

Signed: _____

Date: _____

KPMG Internal Audit Partner – Justin Jamieson

Signed: _____

Date: _____

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 the 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 the City of Marion's external auditor, on the internal audit report. Any reliance placed is that party's sole responsibility.

In accordance with the 2016/17 Internal Audit Plan of City of Marion ("CoM") to be approved by the Council Audit Committee, an internal audit focusing on payroll operations is to be performed. The key aspects of the internal audit are detailed below.

Objective

The objective of this internal audit project is to assess the effectiveness and efficiency of City of Marion's (CoM) processes and internal controls in relation to payroll operations, assessment of whether salaries, wages and related payment is made in accordance with relevant terms and conditions of employment and consideration of better practice in relation to CoM's current payroll operations.

Scope

To address the overall objective above, the scope of the payroll operations internal audit project will include consideration of the following:

- Operating guidelines and procedural documentation in relation to payroll processes
- Roles and responsibilities in relation to payroll operations including segregation of duties
- Employee master data and change control processes (new starters, variations, separations)
- Processes to ensure that salaries and wages are calculated and paid accurately in line with employment terms and conditions including one-off payments (e.g. termination payments) or allowances, leave and superannuation
- Payroll run approval processes
- Monitoring and reporting processes including reconciliations including general ledger reconciliations and variance reporting

Please note that the effectiveness of key payroll controls relating to CoM's internal control framework will be assessed as part of this project.

Approach

The approach for the payroll internal audit project will include the following key phases/activities:

- Consultation with relevant CoM management and key personnel in relation to payroll operations
- Understanding of relevant procedures and operating guidelines in place in relation to payroll
- Documentation of key steps in relation to payroll processes, including identification and assessment of key controls and risks
- Understanding of recent practices and processes in relation to CoM's management and administration of payroll, including "walk-throughs" of relevant processes
- Consideration of systems used in relation to payroll, including system access

- Sample testing of compliance against operating guidelines, procedures and key controls in relation to payroll processes
- Consideration of communication and the transfer of information between the payroll function and the organisation (e.g. People and Culture)
- Consideration of management reporting and monitoring processes
- Consideration of the efficiency and effectiveness of payroll processes
- Internal audit reporting, including identification of any performance improvement opportunities.

Timing and reporting

The internal audit project focusing on payroll is proposed to be initiated in the week commencing 11 January 2016, with review of relevant documentation, stakeholder consultation and draft reporting expected to be completed by 31 January 2016. 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 CoM management, and, subsequently, to the CoM Council Audit Committee.

Resources and Budget

The proposed budget for this internal audit project is \$18,760 excluding GST. Please note that any out-of-pocket expenses will be on-charged at cost. The following internal audit resources are to be included in this internal audit project:

Personnel	Hourly Rate (excl. GST)	Estimated Hours	Sub-total (excl. GST).
Justin Jamieson	\$350	2	\$700
Jared Lawrence	\$255	8	\$2,040
Emma Cavaggion	\$239	40	\$9,560
Paige Jury	\$85	76	\$6,460
Total (excl. GST)			\$18,760

We are in agreement with the scope document for the internal audit project focusing on CoM's payroll operations processes and controls.

CoM Internal Audit Sponsor – Kate McKenzie (Manager Governance)

Signed: _____

Date: _____

KPMG Internal Audit Partner – Justin Jamieson

Signed: _____

Date: _____

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 the 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 the City of Marion's external auditor, on the internal audit report. Any reliance placed is that party's sole responsibility.



KPMG RISK CONSULTING

City of Marion


Capital works internal audit project scope

11 December 2015

ADVISORY



Scope element	Description of scope element
Objective	<p>The overall objective of the capital works internal audit project is two-fold, including:</p> <ul style="list-style-type: none"> ➤ To support the development of options to manage/resolve the current capital works carry-overs issue ➤ Co-develop recommendations and actions aimed at strengthening the capital works function (to help avoid carry overs in the future). ➤ To Review the Terms of Reference of the City of Marion Carryover Committee and recommend any additional tasks/actions which may assist in progressively reducing the current levels of carryovers.
Scope of services	<p>The scope of the capital works internal audit project will include consideration (on a sample basis as applicable) of the following:</p> <ul style="list-style-type: none"> ➤ Overall governance arrangements for the City of Marion’s capital works program ➤ Leadership, accountabilities and roles and responsibilities in relation to capital works ➤ Project planning and prioritisation processes, including linkages to financial planning and budgeting processes ➤ Capital works project management processes and how they impact delivery ➤ Oversight, monitoring and reporting of the capital works program and projects <p>In addition, high-level consideration of service delivery options will be undertaken in the broader context of managing the current carry overs as well as future deliver of the capital works program, including high–level consideration of existing workforce capacity to deliver the capital works program.</p> <p>Please note that the scope excludes broader consideration of asset management or maintenance activities across the City of Marion, and will focus primarily on planning and delivery of capital projects.</p>
Timing and reporting	<p>The internal audit of capital works will formally commence on 11 January 2016, with preliminary activities relating to information requests and scheduling of stakeholder meetings commencing in December 2015. The draft report will be discussed with relevant members of the City of Marion’s Management team in terms of the factual accuracy of the findings and to obtain agreement of management responses and agreed action plans. The final report, incorporating management responses and agreed action plans, together with responsibilities and target dates for actions will be issued to the City of Marion Management, and subsequently, to the Council Audit Committee.</p>

Scope element	Description of scope element
Approach	<p>The approach for the capital works internal audit project, in relation to the current carry over issue and providing recommendations to strengthen the capital works function moving forward, will include the following key phases/activities:</p>  <ul style="list-style-type: none"> ➤ <i>Phase 2 – One-on-one interviews</i> – This will include discussions with each of the nominated City of Marion stakeholders (see below) to understand key issues and identify options for improvement moving forward. ➤ <i>Phase 3 – Collaborative workshop(s)</i> – We will undertake one (or more) workshops with the nominated City of Marion stakeholders to develop options, recommendations and actions in relation to carry overs and strengthening the City of Marion's capital works function over time. ➤ <i>Phase 4 – Reporting</i> – Reporting will include issuing a draft report for review and feedback by City of Marion stakeholders and final reporting.
City of Marion Stakeholders	<p>The following stakeholders will be interviewed as part of the capital works internal audit project:</p> <ul style="list-style-type: none"> ➤ Fiona Harvey - Strategy and Assets ➤ Ray Barnwell - Manager, Finance ➤ Matt Allen - Manager, Operations ➤ Carol Hampton – Manager, Property ➤ David Harman - Long Term Financial Plan ➤ Alicia Clutterham - Team Leader, Open Space and Recreation ➤ Brett Grim - Landscape Architect ➤ Brenton Mitsos - Asset Systems Officer

Scope element	Description of scope element									
Proposed budget	<p>The proposed budget for this internal audit project is \$20,000 excluding GST. Please note that any out-of-pocket expenses, such as travel will be on-charged at cost. Please note that we do not anticipate any material out-of-pocket expenses associated with the capital works internal audit project.</p> <p>Please note that this is based on 16 days of effort (120 hours), indicatively broken down as 4 hours - Justin Jamieson (Partner), 36 hours - Jared Lawrence (Associate Director) and 40 hours - Emma Cavaggion (Manager) and 40 hours (Senior Consultant/Consultant).</p>									
Approvals	<p>We are in agreement with the scope document for the internal audit project focusing on capital works.</p> <table><tr><th>Role</th><th>Name, Position</th><th>Sign/date</th></tr><tr><td>CoM Internal Audit Project Sponsor</td><td>Kate McKenzie, Manager Governance</td><td><i>Signature:</i> <i>Date:</i></td></tr><tr><td>KPMG Internal Audit Partner</td><td>Justin Jamieson, Partner</td><td><i>Signature:</i> <i>Date:</i></td></tr></table>	Role	Name, Position	Sign/date	CoM Internal Audit Project Sponsor	Kate McKenzie, Manager Governance	<i>Signature:</i> <i>Date:</i>	KPMG Internal Audit Partner	Justin Jamieson, Partner	<i>Signature:</i> <i>Date:</i>
Role	Name, Position	Sign/date								
CoM Internal Audit Project Sponsor	Kate McKenzie, Manager Governance	<i>Signature:</i> <i>Date:</i>								
KPMG Internal Audit Partner	Justin Jamieson, Partner	<i>Signature:</i> <i>Date:</i>								
Disclaimers	<p>Inherent limitations</p> <p>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.</p> <p>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, the City of Marion's 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 Adelaide City Council. The internal audit findings expressed in the report will be formed on the above basis.</p> <p>Third party reliance</p> <p>This scope is solely for the purpose set out above and the 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. The internal audit report is to be prepared at the request of the City of Marion or its delegate in connection with our engagement to perform internal audit services as detailed in the engagement contract. Other than our responsibility to the 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 the City of Marion's external auditor, on the internal audit report. Any reliance placed is that party's sole responsibility.</p>									



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In accordance with the 2016/17 Internal Audit Plan of City of Marion ("CoM") to be approved by the Council Audit Committee, an internal audit focusing on purchase cards is to be performed. The key aspects of the internal audit are detailed below.

Objective

The overall objective of this internal audit is 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 will include 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
- Review and approval of supporting documentation, reconciliations and authorisation for payment of purchase card purchases and statements.

The scope will include 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.

Approach

Based on the above scope elements, the approach for the internal audit focusing on purchase cards processes, controls and compliance will include the following key phases/activities:

- Review of relevant CoM policies, procedures and guidelines for the use of purchase cards
- Consultation with relevant CoM Management and staff
- Documentation and confirmation of key processes and internal control points
- Sample testing for compliance and reasonableness throughout the purchase card issuance, usage, approval and reclaiming processes
- Consideration of systems used in relation to purchase cards
- Consideration of reporting and oversight of purchase cards
- Consideration of CoM purchase card usage in the context of the overall CoM purchasing
- Reporting, including identification of any performance improvement opportunities

Timing and reporting

The internal audit focusing on purchase cards processes, controls and compliance is proposed to commence in the week beginning 11 January 2016, with desktop review of relevant documentation, stakeholder consultation, internal audit sample testing and draft reporting expected to be completed by 31 January 2016. 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 action plans to address the internal audit findings and recommendations. The final report, incorporating management action plans, together with the responsibility and target date for action, is to be issued to CoM management and, subsequently, to the Council Audit Committee.

Resources and Budget

The proposed budget for this internal audit project is \$12,500 excluding GST (based on 10 days effort). Please note that any out-of-pocket expenses will be on-charged at cost. The following internal audit resources are to be included in this internal audit project:

- Justin Jamieson (Partner)
- Emma Cavaggion (Manager)
- Jared Lawrence (Associate Director)
- Catherine Mossop (Senior Consultant)

We are in agreement with the scope document for the internal audit project focusing on Purchase Cards.

CoM Internal Audit Sponsor – Kate McKenzie (Manager Governance)

Signed: _____

Date: _____

KPMG Internal Audit Partner – Justin Jamieson

Signed: _____

Date: _____

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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Third party reliance

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Other than our responsibility to the 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 the City of Marion's external auditor, on the internal audit report. Any reliance placed is that party's sole responsibility.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
15 DECEMBER 2015**

Originating Officer: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, Corporate Services

Subject: Service Review Update

Reference No: AC151215R7.9

EXECUTIVE SUMMARY

At the October 2015 Audit Committee Meeting, the Committee considered the scope of the Hard Rubbish and Related Services, Service Review. Significant work has progressed on this review including data collection, benchmarking, review of the service model and a forum with Elected Members.

Due to the recent organisation restructure, the lines of accountability for both the Hard Rubbish services and the facilitation of service reviews has altered which has impacted on the completion of the review. It is anticipated that the outcomes of this review will be presented to the first Finance and Audit Committee meeting in 2016.

Progress has commenced on the second service review being the Living Kurna Cultural Centre (LKCC). The scope for this review is attached as **Appendix 1**. This review will assist Council to determine the service level and management model for the Centre and its cultural program delivery. It will provide analysis on the current operations, as well as options for potential improvements to service delivery and/or options for delivery through other models. The outcomes of the service review will report the financial sustainability of the centre whilst ensuring its services meets current and future community needs and expectations.

Feedback is sought from the Committee on the scope of work. It has been determined that an appropriate consultant will be appointed to assist in the analysis of this review and manage the cultural sensitivity of the site.

There are no budget implications in conducting this service review and the cost of the consultant will be accommodated within the existing budget for service reviews.

The Hard Rubbish and LKCC are the first reviews to be commenced under the new Service Review Program. At the conclusion of these reviews, it is proposed to review the learnings from each review which will assist in finalising the on-going plan for service review.

RECOMMENDATIONS (1)

DUE DATES

That the Finance and Audit Committee note the progress of the Hard Rubbish Service Review and provide feedback on the Living Kurna Cultural Centre Service Review Project Brief included as Appendix 1.

**December
2015**

PROJECT BRIEF

Project Name:	Service Review – Living Kurna Cultural Centre (LKCC)
Project Number:	2
Project Sponsor:	Adrian Skull/Abby Dickson
Project Manager:	Liz Byrne
Date:	November 2015

1. Description of Project:

The Living Kurna Cultural Centre (LKCC) Service Review will assist Council to determine the service level and management model for the Centre and its cultural program delivery. It will provide analysis on the current operations, as well as options for potential improvements to service delivery and/or options for delivery through other models. The outcomes of the service review will report the financial sustainability of the centre whilst ensuring its services meets current and future community expectations.

2. Project Objectives

The objectives of the review is to undertake an analysis of the LKCC service in terms of strategic alignment and determine the most effective business management model for the Centre. The review will include consideration of:

- whether Council should be in this business;
- current service standards and service costing;
- cultural programming objectives;
- community capacity outcomes; and
- alternative management models.

3. Deliverables

Project Deliverables:

The focus of the review is to review the efficiency and effectiveness of the facility in the delivery of a Kurna cultural facility and meeting venue. The review will establish

- The role and function performed by the LKCC
- The associated community and cultural value
- Performance of venue hire arm of the Centre
- How the Centre assists with the achievement of the mission for the city and council
- Identify and recommend opportunities for improvement

This review will not include review of other indigenous and reconciliation services provided by Council.

Approach:

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

- Gathering of data on Centre usage, income generation, customer satisfaction; systems and processes
- Community and stakeholder engagement
- Review structure of the Centre
- Define Purpose – the purpose will be clarified and linkages with the Community Plan
- Map Core Services – the core services will be defined and mapped
- Identify Service improvements
- Prepare Report – a final report with recommendations will be prepared for council and audit committee review.

4. Description of Project Constraints:

Potential constraints on undertaking the service review include:

Staffing and resourcing – The Interim staffing arrangements will be put in place to ensure the Unit Manager is available to devote time to the service review.

Community consultation: the review of the LKCC will require community consultation with the Kurna community, the timing of which and availability of the key stakeholders is yet to be determined. Other external stakeholders availability (ie schools) will be limited over School holiday period.

5. Justification/Comments supporting the Project:

Council has requested Service Reviews across the organisation. Council identified Community Services as a priority. Executive Management has identified the LKCC as a Community Service to begin this process. The LKCC is a unique service for City of Marion, situated on a significant site for Kurna people.

The service review is timely due to recent staff movements and increased capacity of the Kurna Nation Cultural Heritage Association and Kurna Yerta to work in partnership with Council to develop meaningful programs that support Kurna cultural renewal and cultural education to the broader community.

The LKCC service review will build on the work undertaken as part of the Arts and Cultural Development Unit Review February to July 2014.

Other projects that may impact on the services of the LKCC are the future development of an Elders Village on Lot 707, the Darlington Interchange, the Kurna and the Local Government Indigenous Land Use Agreement.

6. Project Stakeholders

Internal Stakeholders

Operational support – manager and staff

Human resources

Internal users of the facility
Executive Leadership Team
Audit committee
Council

External Stakeholders

Kaurna Nation Cultural Heritage Association
Kaurna Yerta
Wider Kaurna community
Friends of Warriparinga
Education Department
Customers ie NGOs and other Corporate hirers
Residents/community
Neighbouring Businesses
DPTI
Indigenous Land Corporation
Union

7. Program & Milestones

Finalise project plan week commencing 16/11/15
Project brief to CEO for feedback 23/11/15
Project brief to Audit Committee for information 15/12/15
Project team – first meeting scheduled for late November
Undertake review process from mid-November 2015 to early March 2016
Elected Member forum scheduled for 16 February 2016
Implement outcomes of review mid-March 2016 onwards

8. Estimated Project Cost

This project is to commence on the basis that internal resources are available to collect and collate relevant data. An external consultant will be engaged to undertake an analysis of the existing service data, community consultation with the Kaurna Community, analysis of service provision models, and other strategic alignments of the service (see attached task list). A budget of \$20,000 has been assigned from the Service Reviews budget to undertake this work.

9. Project Governance

Project Sponsor: Executive Leadership Team – CEO, General Manager
Project Manager: Liz Byrne, Manager Community and Cultural Services
Project Team (internal): Kate McKenzie, Manager Corporate Governance, Marg Edgecombe, Unit Manager, Community Cultural Development, David Barrett, Unit Manager Cultural Facilities, Rachel Read, HR Manager, Patrice Pearson, Community Engagement Officer, Michelle Stewart, Planning and Performance Officer.
Project Team (external): to be determined by Consultant

10. Risk Management Approach

Risk may include:

- Availability of staff to participate in the review
- Availability of project manager and sponsor to progress the review
- Review is being undertaken prior to the set-up of the service review program. There is potential for changes to the service review process
- Need for specialist knowledge or available resources to undertake research
- Time and appropriate resources to complete a thorough review of the service
- Potential lack of relevant data and information
- Change management process
- Union involvement
- Confidence in analysis of alternative options for service delivery

Project Brief Sign-Off

Project Manager

----- Name	----- Signature	----- Date
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Project Sponsor

----- Name	----- Signature	----- Date
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