

His Worship the Mayor
Councillors
CITY OF MARION



**NOTICE OF
FINANCE AND AUDIT COMMITTEE**

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

Tuesday 10 October 2017

Commencing at 9.30am

In the Council Chamber

Council Administration Centre

245 Sturt Road, Sturt

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

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

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

Adrian Skull
CHIEF EXECUTIVE OFFICER

6 October 2017

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE AGENDA
FOR THE MEETING TO BE HELD ON
TUESDAY 10 OCTOBER 2017
COMMENCING AT 9.30 AM
COUNCIL 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 Finance and Audit Committee Meeting held
15 August 2017

FAC101017R4.14

5. BUSINESS ARISING

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

FAC101017R5.113

6. ELECTED MEMBER REPORT

6.1 Elected Members Report

FAC101017R6.120

7. REPORTS

Matters for Discussion

Corporate & Financial Management

7.1 Finance and Audit Committee Annual Report to Council 2016/17

FAC101017R7.125

7.2 Independence of Council's Auditor for the year ending 30 June 2017

FAC101017R7.232

7.3 Audited Annual Financial Statements for the year ending 30 June 2017

FAC101017R7.335

7.4 Debtors Report

FAC101017R7.4178

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7.6	Edwardstown Redevelopment Project Update FAC101017R7.6.....	189

Risk Management

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8. CONFIDENTIAL ITEMS

8.13	Meeting with External Auditor in Confidence (without Management present) FAC101017R8.13.....	244
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9. ANY OTHER BUSINESS

10. MEETING CLOSURE

The Finance and 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 **Finance and Audit Committee** Meeting is scheduled to be held on:

Time: 2.00 pm – 5.00 pm

Date: 6 December 2016

Venue: Council Chamber, Administration Building

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON 15 AUGUST 2017**



PRESENT

Mr Greg Connor (Chair), Ms Kathryn Presser, Ms Emma Hinchey and Councillor Telfer

In Attendance

Mr Adrian Skull	Chief Executive Officer
Mr Vincent Mifsud	General Manager Corporate Services
Ms Abby Dickson	General Manager City Development
Mr Tony Lines	General Manager Operations
Ms Kate McKenzie	Manager Corporate Governance
Mr Ray Barnwell	Manager Finance and Contracts
Ms Deborah Horton	Governance Quality Coordinator (items 8.5 – 8.7)
Mr Mat Allen	Manager Engineering and Field Services (item 8.6)
Ms Fiona Harvey	Manager Innovation and Strategy
Mr Brenton Lyons	Team Leader, Asset Systems
Mr Paul Johns	Acting Unit Manager Risk
Jared Lawrence	KPMG

1. OPEN MEETING

The meeting commenced at 4.00 pm. The Chair welcomed all those present to the meeting.

2. KAURNA ACKNOWLEDGEMENT

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

3. MEMBERS DECLARATION OF INTEREST

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

No interests were disclosed.

4. CONFIRMATION OF MINUTES

4.01pm Confirmation of Minutes for the Finance and Audit Committee held 30 May 2017

Moved Ms Presser, Seconded Councillor Telfer that the minutes of the Finance and Audit Committee (the Committee) meeting held on 30 May 2017 are confirmed as a true and correct record of proceedings.

Carried Unanimously

5. BUSINESS ARISING

4.03pm Review of the Business Arising from previous meetings of the Finance and Audit Committee

Report Reference: FAC150817R5.1

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

The Committee requested further updates on the following items to be presented to the next Committee meeting in October 2017:

- The progress of the Local Government Association in response to the matters raised in correspondence from the Mayor.
- An update regarding progress of the Auditor General findings.

The Committee noted that a report will be presented to the December 2017 meeting regarding how the new leasing policy is progressing.

6. ELECTED MEMBER REPORT

4.05pm Elected Members' Report

Report Reference: FAC150817R

Councillor Telfer provided an overview of the report and highlighted the following points:

- Council had resolved to contribute \$5m towards the Oaklands Crossing Upgrade. This included \$1m cash within the 2017/18 budget plus in kind support for open space, civil works and rezoning processes. Plans are now progressing quickly with the government's intent to commence the project in the very near future.

The Committee noted that the total cost of the project was \$174m and Council was seeking a holistic/precinct approach for the area rather than just the construction of a new rail corridor.

The Committee queried if this project would need a Section 48 Prudential Report? Management advised that the requirements for a Section 48 Report were still being considered.

ACTION: - Confirm if the Oaklands Crossing Project requires a Section 48 Report?

- Council adopted a 2.2% rate increase for the 2017/18 financial year which is the lowest rate increase set for a number of years. The budget process was smooth and progressed well.
- Edwardstown Oval is progressing well and the tender process is currently underway. The Committee indicated it was great to see a project come nearly full circle with works about to commence.
- BMX and soccer in the south were raised for projects as the Committee to be aware of. Council was considering some options for land optimization and also the need for Section 48 Prudential Reports on both projects.
- Council is progressing with the Housing Diversity Development Plan Amendment (DPA) which is the largest planning reforms Council has considered for many years. The Minister has indicated very tight timeframes with the DPA to be submitted to the Minister by 1 December 2017. The timeframes create a risk for the DPA as it requires an 8 week legislative public consultation process.

The Committee queried why Council had deferred the risk report? The Manager Corporate Governance advised the Committee that Council had requested that further work occur on the risks and the risk ratings to ensure that the risks had been assessed correctly. This

information would be presented to the Committee in October 2017 and then to the next General Council Meeting.

ACTION: - that an updated risk report be presented to the Committee at its meeting on 10 October 2017.

7. CONFIDENTIAL ITEMS

Nil

8. REPORTS

Matters for Discussion

Service Reviews and Internal Audit

4.11 pm Property Portfolio Internal Audit Recommendations Progress Report Report Reference: FAC150817R 8.1

The General Manager City Development provided an overview of the report indicating that the Land and Property Team was approximately 90% through a service review which will address recommendation 1 of the internal audit. Advice was provided to the Committee that the Land and Property team is attempting to move from a reactive working environment to a more proactive space. It was noted that there is limited information and reporting regarding the data for asset planning.

The Land and Property Team is working in conjunction with the Finance Team for opportunities to improve processes and systems. It was noted that current processes are manual meaning that there is an increased risk of human error.

There is still an on-going challenge for Council regarding receiving documentation from sporting groups which is created from the clubs being community based clubs rather than commercial arrangements. The Committee noted that all clubs are required to have a constitution and are bound by these legal obligations. Council has been working (via two City of Marion staff members) with the clubs to build their governance capabilities and capacity. This is not an isolated issue for City of Marion and occurs across the local government sector.

The Committee noted the feedback and the service review will set timelines for further actions. The Committee noted the report and requested a further update be provided at the October 2017 meeting

ACTION – an update on the Property Portfolio Internal Audit Recommendations be provided through the business arising at the October 2017 Committee Meeting.

4.22 pm Internal Audit (IA) Program 2015 to 2017 and Policy Framework Review Report Reference: FAC150817R8.2

Mr Jared Lawrence from KPMG entered the meeting.

Mr Lawrence provided an overview of the current two year IA Program noting that it is close to conclusion with only one review outstanding, being the Corporate Reporting Review. This report is in draft and will be presented to the Committee in October 2017. The Committee noted that the IA Program had been delivered within scope and budget. The Committee noted the number of outstanding recommendations from the two year IA Program and suggested that these should be finalised as soon as possible before the new IA program

commences. The Committee requested that management provide a focus to these before the next Committee meeting.

The Committee also queried why the People, Leadership and Culture review did not progress. The Committee was advised that at the time a new Human Resources Manager had been appointed and was in the initiation stage of many projects including the organisations values and leadership programs. In addition to this, it was considered that KPMG may not have the right skills set for this type of review.

Policy Framework Review

Mr Lawrence summarised the findings from the Policy Framework Review noting that there were seven (7) low risk, interrelated findings. The Committee noted that the cumulative effect of seven findings rated as low risk may make the overall risk higher.

Management highlighted that the timeframes to complete the audit findings was within six (6) months to ensure the findings were addressed. It was noted that there is a large body of work to be completed across the organisation which will be managed by the Governance Quality Coordinator. Once complete, the policy suite will be much more easily managed. This work is currently being rolled out across the organisation in consultation with the Senior Leadership Team.

The Committee noted the management responses, emphasised the importance of having an up to date, ongoing iterative Policy Register and requested an update at the next Committee Meeting through the business arising statement.

ACTION – an update on the Policy Framework Review Recommendations be provided through the business arising at the October 2017 Committee Meeting.

4.37pm Draft Internal Audit 2017/18 Report Reference: FAC150817R8.3

Mr Lawrence provided an overview of the report indicating that the draft Internal Audit (IA) Plan for 2017/18 was not a traditional IA Plan and the focus was on data systems and process for the City of Marion. Three reviews had been identified being:

- Data Asset Management/Information Systems
- Contracts and Procurement
- Complaint Management.

The Data Asset Management Review was to focus on the quality of data across the organisation, including information systems, data movement, data management and integrity and reporting. The purpose is to assist managers get the right information to manage the business better.

The Chief Executive Officer (CEO) indicated that the combinations of systems, process and people needed review and improvement.

The Committee queried if this review was the role of the Internal Auditor or if it would be better placed with a systems analyst? The Committee also queried if the IA Plan covered the key organizational risks?

The CEO indicated that the proposed review has strong merit as data management across the organisation is a key risk. The quality and integrity of data is mixed across the organisation and is critical for improved business outcomes.

The Committee noted that the risk is not listed on the Corporate Risk Register and it was highlighted that the risks are currently being reviewed and will be reported to the October 2017 Committee meeting.

The Committee also raised concerns that other high risks of the organisation were not addressed within the IA Plan which is what would be expected. The Committee indicated that further work needed to occur on the scope of the Data Asset Management Review before they could sign off. The Committee also indicated that further work needed to occur on the risks. The Committee advised that the purpose of an IA program is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.

The Manager Corporate Governance confirmed that the review of the risk registers was currently in progress and once this was completed, the risks would be further considered as part of the IA Plan for 2017/18.

ACTION

The Committee requested that the following occur:

- **Complete the review of the risk registers and report back to the Committee**
- **Included better connections of the key risks within the Internal Audit Plan (IAP)**
- **Include inherent and residual risks and some risks with high inherent risk ratings may be considered as part of the plan.**
- **Further scope the Data Asset Management Review with hours and costs**
- **Circulate a further draft IAP out of session (before the next Committee meeting)**

5.05 pm Meeting with the Internal Auditors in Confidence (without management present)

Reference No: FAC150817R8.4(F01)

Moved Ms Presser, Seconded Councillor Telfer that

Pursuant to Section 90(2) and (3)(g) of the Local Government Act 1999, the Committee orders that all persons present with the exception of Mr Jared Lawrence from KPMG be excluded from the meeting as the Committee meets with the Council's Internal Auditors, in order to ensure that the Council does not breach any law, order or direction of a court or tribunal by law, any duty of confidence or other legal obligation or duty

Carried Unanimously

5.06 pm the meeting went into confidence and staff present left the meeting.

The Internal Auditor reported in response to questions from those present that they had received good cooperation from Management and Staff during the conduct of their Audits.

They were concerned that on occasion it had been difficult to obtain information/data required due to the inability of systems to capture it and sometimes the inability of Staff to be able to interrogate these systems to obtain same.

They also commented positively on the resolve of the CEO for continuous improvement, and his desire to improve systems and the quality of reporting."

5.21 pm the meeting came out of confidence and staff returned to the meeting.

5.22pm Organisational Service Review Program 2016/17

Report Reference: FAC150817R8.5

The Committee took the report as read and queried if the organisation was seeing value for the time, effort and resources being applied to the service review program?

The CEO indicated that some service reviews had delivered great outcomes whilst others didn't necessarily deliver substantial improvements. He indicated that the organisation had taken the learnings from the past 12 months of service reviews and improved the program for 2017/18. He indicated that he was confident the right reviews have been programed for 2017/18.

The Committee noted that:

- The reports have been fulsome but often the report author is the manager responsible for the area meaning that the views are not always as objective as they could be.
- The revised program will have the Performance and Innovation Team independently write the reports but seek assistance from Management on technical matters.
- There are a number of recommendations from previous reviews that still need to be implemented. Management need to ensure that the organisation is resourced to deliver the improvements.

The Committee suggested it would be useful to assess what has changed and improved as a result of the service review program and report back to the Committee.

ACTION – A short report be presented to the October 2017 Committee Meeting demonstrating any improvements that have been delivered as a result of the Service Review Program.

Roads Service Review

The Committee noted the report and thanked management. The Committee indicated that the report was very fulsome but when reviewing the recommendations there was nothing revolutionary. The Committee queried if the report had critically analysed the data to search for improvement opportunities?

The Manager Engineering and Field Services indicated that the Roads Service Review had been selected due to the high financial spend. In general, the road network has been maintained to a good level and Marion was operating below the average of the industry.

The Committee queried if Marion could deliver more with the same amount and if contractor rates had been compared with internal resources. The Manager Engineering and Field Services indicated that this had been looked at and as a comparative advised that local government in New Zealand had outsourced road maintenance completely. There are benefits to this but also a number of risks as the Council can lose control of its road assets.

The Committee indicated that the benchmarking data was useful and that the level of funding within the Long Term Financial Plan seemed adequate. The Committee also noted that the maintenance costs are half the amount of other Councils and this demonstrated that the roads are in good condition.

The Committee noted that the budget is always underspent and queried if this presents a risk to Council? The Committee was advised that last year Council received additional funding from the Roads to Recovery Program which impacted on the budget. Council has also made significant improvement in the management of carryovers.

The Committee also recommended that further consideration be given to the timing of the recommendations as they all fall due at 30 June 2018.

Asset Systems Service Review

The Committee noted the report. The Manager Innovation and Strategy highlighted that the review was comprehensive of all asset management systems. Two consultants were used for the review with the focus being data, people and process. The review identified that the City of Marion is failing to meet a number of core asset management competencies and the

information systems were a barrier to progressing with improvements in other areas. The review has recommended a road map forward that focuses on people, data, process and systems. The Committee noted that recruitment is occurring to fill vacant positions within the team, which will assist the delivery of identified improvements.

The Committee noted there is no 'single point of truth' and data exists in various locations and is often duplicated.

The Committee noted the timeframes and the large body of work required over the next 12 months.

Corporate & Financial Management

5.40pm Project Management Framework Report Reference: FAC150817R8.6

The Committee indicated that the report did not present a Project Management Framework. The Manager Innovation and Strategy confirmed that this was correct and the Project Management Framework will be developed as one of the first priorities of the new position, Project Manager Officer. The purpose of this report was to demonstrate how management was being brought together across the organisation.

The Committee noted that the Prudential Management Policy required updating. The Committee requested a further progress report on the Project Management Framework to be presented to the next Committee Meeting.

ACTION – an update on the Project Management Framework be provided through the business arising at the October 2017 Committee Meeting.

5.47pm Draft ICT Digital Transformation Plan Report Reference: FAC150817R8.7

The Manager ICT indicated that the ICT Digital Transformation Plan provides a road map outlining the vision, strategies, principles and potential technology advancements for the next 1 - 5 years. He stated that it is important that it is used for ICT planning to ensure the organisation can deliver good technology outcomes into the future. It was noted that the first column indicates what we are currently doing and have budgeted for within the next 12 months. The second column represents the next 2 – 5 year but funds have yet to be committed. It is important that these are considered as part of the planning process to ensure that ICT initiatives continue to progress.

The Committee noted the following:

- That the City of Marion has improved significantly in this space over the past few year and is now moving into a more modern era.
- A steering group is guiding and approving what systems are being purchased and implemented across the organisation.
- The importance of ensuring available funding is appropriately included in Council's Long Term Financial Plan (LTFP) for future ICT initiatives.

The Committee recommended that Council considered allocating an on-going investment amount for ICT within the LTFP to ensure the on-going improvement and development of technology solutions in the organisation.

Meeting Extension

Moved Ms Hinchey, Seconded Councillor Telfer that the meeting be extended for 5 minutes to allow for the remainder of the agenda items to be considered.

Carried Unanimously

6.00pm meeting extended

6.01 pm Asset Valuation Process and Outcomes for 2016/17

Report Reference: FAC150817R8.8

The Committee took the report as read and noted the 16/17 asset valuations for all infrastructure and non-infrastructure assets.

6.02 pm Discussion – An Appropriate Level of Debt

Report Reference: FAC150817R8.9

The Committee took the report as read and that further discussion will occur during the joint workshop with the Council.

Risk Management

6.02pm Insurance Claims Management Activity Report

Report Reference: FAC150817R8.10

The Committee noted the report and the high number of incidents relating to motor vehicles and the high number of 'at fault' claims. It was highlighted to the Committee that these include any damage incurred by all registered vehicles (including plant such as mowers, diggers, backhoes, etc.). The Committee suggested that further clarity regarding this would have been beneficial within the report.

The Committee also queried if there were repeat offenders. It was noted that the Executive Leadership Team had recently reviewed this and yes, there were some repeat offenders. The Committee suggested that a formal process be established for repeat offenders which could include a ban for a certain period. This needed to then be weighed up against the risk of them not reporting incidents.

It was also noted that all incidents are reported and investigated. Claims costs are low as many claims are minor. SAPOL driver awareness training for staff had recently occurred.

9. ANY OTHER BUSINESS

Nil

10. MEETING CLOSURE

The meeting was declared closed at 6.05 pm.

11. NEXT MEETING

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

Time: 9.30 am

Date: Tuesday, 10 October 2017

Venue: Council Chamber, Administration Building

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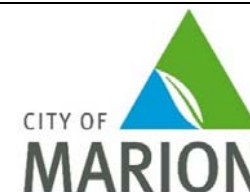
CHAIRPERSON

/ /

CITY OF MARION

BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS

AS AT 5 OCTOBER 2017



	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	30 May 2017	Elected Members' Report Report Reference: FAC300517R6.1 An update report be provided on what the LGA is doing in response to the request by Council regarding a number of performance areas listed. (GC140317F02).	J Thwaites / K McKenzie	August 2017	A verbal update was provided to the August meeting after receiving a letter from the LGA.	
2.	30 May 2017	Auditor-General Report – Examination of governance arrangements in local government: February 2017 Report Reference: FAC300517R8.3 Advise the Auditor-General in writing once all recommendations have been completed.	K McKenzie	Dec 2017	Progress this month included a presentation to ELT regarding a policy/procedures for authorised officers. This is continuing. The Compliance Framework remains the outstanding action from the Audit, which has been incorporated into work area planning to meet the FAC December timeframe.	
3.	30 May 2017	Internal Audit Program 2015 – 2017 (2016/17 Report to date) Report Reference: FAC300517R8.5 A brief update report be presented at the December 2017 Finance and Audit Committee meeting on the new leasing approach adopted by Council.	C Hampton	Dec 2017	This item has been listed for the December Meeting.	
4.	15 August 2017	Elected Members' Report Report Reference: FAC150817R6.1 Confirm if the Oaklands Crossing Project requires a Section 48 Report?	A Dickson	October 2017	Primary <i>financial</i> requirements mandating a Section 48 Report include where the; <ul style="list-style-type: none"> expected operating expenses over 5 years is likely to exceed 20% of Council's average annual operating expenses over the <i>previous</i> 5 financial years OR expected total capital cost of the project over the ensuing five years is likely to exceed \$4million (indexed) OR Council considers it necessary. Whilst financial contributions and total costs of the project are not finalised at this point in time, the FAC can be assured that if	

Report Reference: FAC101017R5.1

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
					Oaklands meets such criteria, a report will be forthcoming.	
5.	15 August 2017	Elected Members' Report Report Reference: FAC150817R6.1 That an updated risk report be presented to the Committee at its meeting on 10 October 2017.	S Walczak	October 2017	Report included in Agenda.	October 2017
6.	15 August 2017	Property Portfolio Internal Audit Recommendations Progress Report Report Reference: FAC150817R 8.1 An update on the Property Portfolio Internal Audit Recommendations be provided through the business arising at the October 2017 Committee Meeting.	C Hampton	October 2017	Since report provided to the August FAC150817R 8.1 the following has been progressed; <ul style="list-style-type: none"> The Property Maintenance Service Review has been completed and is provided in a separate report to the FAC 10 October meeting <p>This review has addressed a number of the recommendations from the Internal Audit report.</p>	October 2017
7.	15 August 2017	Internal Audit (IA) Program 2015 to 2017 and Policy Framework Review Report Reference: FAC150817R8.2 An update on the Policy Framework Review Recommendations be provided through the business arising at the October 2017 Committee Meeting.	D Horton	October 2017	Since August, the following has occurred; <ul style="list-style-type: none"> Presentation at SLT regarding project and expected timeframes Project schedule & actions created <ul style="list-style-type: none"> Policy framework completed Policy register completed Central repository completed Consultation with all SLT members for preliminary audit of policies and understanding of current policy practices. <p>Next steps:</p> <ul style="list-style-type: none"> ELT input/approval re: corporate policy processes: creation, adoption, rescission, review. Council input/approval re: Policy Project 	October 2017

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
					<ul style="list-style-type: none"> Schedule policy 'work' from preliminary audit. <p>Detailed information provided in separate report (FAC101017R0X).</p>	
8.	15 August 2017	<p>Draft Internal Audit 2017/18 Report Reference: FAC150817R8.3</p> <p>The Committee requested that the following occur:</p> <ul style="list-style-type: none"> Complete the review of the risk registers and report back to the Committee Included better connections of the key risks within the Internal Audit Plan (IAP) Include inherent and residual risks and some risks with high inherent risk ratings may be considered as part of the plan. Further scope the Data Asset Management Review with hours and costs Circulate a further draft IAP out of session (before the next Committee meeting) 	K McKenzie	October 2017	A report has been prepared for the FAC October meeting.	October 2017
9.	15 August 2017	<p>Organisational Service Review Program 2016/17 Report Reference: FAC150817R8.5</p> <p>A short report be presented to the October 2017 Committee Meeting demonstrating any improvements that have been delivered as a result of the Service Review Program.</p>	C Gannon	October 2017	A report has been prepared for the FAC October meeting.	October 2017
10.	15 August 2017	<p>Project Management Framework Report Reference: FAC150817R8.6</p> <p>An update on the Project Management Framework be provided through the business arising at the October 2017 Committee Meeting.</p>	A Mabarrack	October 2017	Project Management Leader started on 23 rd August and the following actions have occurred:	

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
					<ul style="list-style-type: none"> Started one on one meetings with SLT and key staff members to review current Project Management practices Worked with Strategy Leader on the Annual Business Plan & Budget - New Initiative process and presented this new process to all SLT Leaders Developed an on-line form for New Initiative Data Collection Worked with ICT to enable pilot of Microsoft Planner which is a project collaboration tool <p>Next steps:</p> <ul style="list-style-type: none"> Review Project Control Group Terms of Reference Finalise one on ones with SLT and prepare review findings report to ELT on Project Management in CoM Set up Project Management Framework Working Group that includes key representatives from across the organisation to support the development of a scalable PMF. 	
11.	N/a	LGA MLS Risk Review	K McKenzie S Walczak	N/a	This topic is a standing item on the agenda. A verbal update will be provided at the 10 October 2017 meeting.	

* completed items to be removed are shaded

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

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

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

TUESDAY, 30 May 2017

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

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

TUESDAY, 15 August 2017 (Joint Workshop with Council)

Topic	Action
Annual Claims and Insurance Renewal Report	Review and Feedback
Valuations of Buildings and Assets	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program – Scopes, Reviews and Monitoring	Review and Feedback
Meeting with Internal auditors in camera	Seeking feedback from Auditors
Property Portfolio Internal Audit Recommendations	Update report
Joint Workshop with Council (6.30 – 8.00 pm)	<ul style="list-style-type: none"> • Discussion with Council • Funding Major projects (borrowings versus cash)

TUESDAY, 10 October 2017

Topic	Action
Audit Committee Annual Report to Council 2016/17	Review and Refer to Council
Independence of Council's Auditor for the year end 30 June 2017	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2017	Review and Recommendation to Council
Meeting with external auditors in camera	Seeking feedback from Auditors
Draft Compliance Framework	Review and Feedback
LGA MLS Risk Review	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Investment Performance 2016/17	Noting

Tuesday, 12 December 2017

Topic	Action
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Work Program and Meeting Schedule 2018	Review and Feedback
Ombudsman SA Annual Report 2016/17	Review and Feedback
New Leasing approach for Council facilities	Update report

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
10 October 2017**

Originating Officer: Deborah Horton, Quality Governance Coordinator
Councillor Raelene Telfer, Councillor Nick Kerry

Subject: Elected Members' Report

Report Reference: FAC101017R6.1

REPORT OBJECTIVE:

Section 4.20 of the Audit Committee Policy states *"where the Council makes a decision relevant to the Audit Committees Terms of Reference, the Elected Member Representative will report the decision to the Audit Committee at the next Committee meeting and provide any relevant context"*.

EXECUTIVE SUMMARY:

Since the last Finance and Audit Committee meeting on 15 August 2017, Council has held three (3) General Council Meetings on 8 and 22 August and 26 September with three (3) Special Council meetings on 15 August, 12 September and 4 October.

At these six (6) meetings, the Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order:

GENERAL COUNCIL - 8 August 2017

Corporate Risk Profile (GC080817R07)

Council adjourned the matter to the 24 October to enable a review of the risk assessments.

SPECIAL COUNCIL MEETING - 15 August 2017

Housing Diversity Development Plan Amendment (SGC150817R01)

The Housing Diversity Development Plan Amendment seeks to transform the current policy approach to the location and distribution of housing density/diversity throughout a large portion of the City's Residential Zone and to better align the Marion Council Development Plan with the South Australian Government's 30 Year Plan for Greater Adelaide.

Council passed a number of resolutions on 25 July 2017 at its general meeting that sought to expand the Marion Plains Policy Area 13 to replace parts of the Medium Density Policy Area 12 and Regeneration Policy Area 16, incorporated within the broader Housing Diversity Development Plan Amendment. Council also approved funding of up to \$60,000 to enable community consultation and consultant support.

At this special meeting, Council sought to defer any decision regarding the Southern Hills policy area included in the Housing Diversity Development Plan Amendment (and consequently any Urban Planning Committee recommendations proposed) to be made at the 22 August General Council Meeting to provide adequate time for all information/material to be provided to Council. Council in effect also reaffirmed its \$60,000 contribution to community consultation.

GENERAL COUNCIL - 22 August 2017

Housing Diversity DPA (GC220817R01)

Council supported the various policy amendment's within the Housing Diversity that will affect future development across the City and approved a further \$25,000 for community consultation (total \$85,000) to commence 18 September 2017.

State Local Government Infrastructure Partnership – Marion Coastal Walkway Improvements Program (GC220817R)

The City of Marion was successful in securing \$200,000 for the Marion Coastal Walkway Improvement Program applied via the 2017/2018 State Local Government Infrastructure Partnership (SLGIP).

Established a Council Assessment Panel (CAP) (GC220817R04)

Council approved its 'new' Council Assessment Panel (CAP) replacing the Development Assessment Panel to comply with legislative provisions of the *Planning, Development and Infrastructure Act 2016* (SA) (PDI Act). The CAP will come into operation as at 1 October 2017, with five members consisting of four suitably qualified members of the public and one Elected Members.

Southern Innovation Area Ministerial Development Plan Amendment (GC220817R03)

The Southern Innovation Area Ministerial Development Plan Amendment seeks to amend the Development Plan policies that apply to the Tonsley Innovation Precinct (Tonsley, Bedford Park, Laffer's Triangle and Mitchell Park) plus the Flinders Precinct in Mitcham Council area. The primary intent is to facilitate population growth and economic development outcomes within this inner southern area of metropolitan Adelaide. The built form (higher density living) outcomes that are anticipated as a result of the Development Plan Amendment align with the construction of major transportation projects, and the ongoing function and growth of existing facilities serving the region.

Council supported various policy amendments to the Southern Innovation Area Ministerial Development Plan Amendment proposed by the State Government subject to further investigation and clarification from the Minister regarding various impacts of higher density living to issues including (but not limited to); public open space, storm water run-off/retention, infrastructure and noise/amenity.

Ombudsman's Report (GC220817R14)

The Ombudsman of SA undertook an investigation pursuant to section 24(2)(a) of the Independent Commissioner Against Corruption Act 2012 (the ICAC Act), as raising a potential issue of misconduct within the meaning of that Act (the referral). The referral arose out of an unknown author report to the Office for Public Integrity and 13(2) of the Ombudsman Act.

The SA Ombudsman found that:

- Mr Skull breached the provisions of clause 2.2, 2.4, and 2.7 of the Employee Code of Conduct and on that basis committed misconduct in public administration for the purposes of section 5(3)(a) of the ICAC Act.
- A breach of the Code by Mr Skull is a breach of section 110(4) of the Local Government Act, which stipulates that council employees must observe the Code,

therefore Mr Skull has acted in a way that appears to be contrary to law within the meaning of section 25(1)(a) of the Ombudsman Act.

- That the Council took into account irrelevant considerations in determining to withdraw the residents expiation notice within the meaning of section 25(1)(d) of the Ombudsman Act.

Council considered the report and endorsed that the Mayor write to the Ombudsman advising that:

1. The CEO has issued an instruction to all staff reminding them that all requests for withdrawal of expiation notices should be forwarded by them to the Community Participation Unit in the first instance.
2. A new process is being developed and will be implemented by October 2017, that includes recording in Council's database 'Authority' the detailed grounds by reference to section 4(2) of the Expiations Offences Act for the waiving of parking infringements.

SPECIAL GENERAL COUNCIL - 12 September 2017

Housing Diversity Development Plan Amendment – Rescission Motion (SGC120917R02)

At this special meeting, Council rescinded;

- A resolution made at the 25 July 2017 General Council meeting (GC250717R04) regarding the Housing Diversity Development Plan Amendment in relation to zoning of prescribed in "All Map 3.13".
- The following resolutions made at the 22 August General Council meeting (GC220817R01);

4. Supports the proposed "Southern Hills Policy Area 11" draft policy in Appendix 11 to replace the existing Cement Hills Policy Area 10, Hills Policy Area 11 and Southern Policy Area 18, as detailed in Appendix 10 and 11, but replace the table in Principle of Development Control 10 with the minimum site dimension table described as "Option 4" in this report.

5. Supports the proposed Urban Corridor Zone as detailed in Appendix 15, and illustrated on mapping in Appendices 1 and 2.

Housing Diversity Development Plan Amendment – Draft for Consultation (SGC120917R01)

After the rescission motions were carried as noted above, Council sought NOT to endorse the public and agency consultation attached to the report, but sought to amend the Housing Diversity Development Plan Amendment by;

- Retaining Regeneration Policy Area 16 to be extended in four localities,
- Amendment to the minimum site dimensions within the Southern Hills Policy Area,
- Retain an existing Industry Zone – Industry/Commerce Policy Area 4.

In addition, Council requested that the Urban Planning Committee conduct a public hearing at a special meeting on 20 November 2017 following the conclusion of the proposed community consultation process.

GENERAL COUNCIL - 26 September 2017

Waste Management Project (Council Solutions) – ACCC (GC260917R09)

The City of Marion joined with the Cities of Charles Sturt, Tea Tree Gully, Port Adelaide Enfield and Adelaide City Council (the Participating Councils) in 2015 to investigate a collaborative approach to the procurement of Waste Management Services, to be led by Council Solutions.

The Participating Councils directed Council Solutions to undertake a review of the ACCC's final Determination to assess the feasibility of receiving authorisation should a collaborative procurement for Waste Management Services be attempted again. The review conducted by Councils Solutions, Minter Ellison (legal advisors to the ACCC Authorisation process) and Wright Corporate Strategy (strategic consultants) concluded that with some amendments to the proposed procurement strategy the prospects of receiving Authorisation from the ACCC were strong.

Council therefore allocated a funding contribution of \$89,093 from 2016/17 fin year savings to progress with this project.

Recreation/Community Development Plan Amendment – Draft for Minister's Authorisation (GC260917R04)

Council considered and adopted policies contained within the Recreation/Community Development Plan Amendment (DPA), which proposed the rezoning of a number of its facilities from Residential Zone and/or Open Space Zone to Recreation/Community Zone, to better facilitate the future development and management of those facilities.

Council will now submit the adopted DPA to the Minister in accordance with section 25(14) of the *Development Act 1993* (SA).

Australia Day – Motion

A motion was presented to Council by Cllr Hull seeking Council support of the "Changethedate" campaign. This item was adjourned to the Special Council meeting on 4 October 2017.

SPECIAL GENERAL COUNCIL – 4 October 2017

Fund my neighbourhood

Launched on 6 August 2017 by the Department of Premier and Cabinet (DPC) with a total \$40m budget, the program invites community members to submit projects that will improve their neighbourhood. The program will operate over two financial years (\$20m budgeted across the State each year) funding successful once off applications seeking between \$10,000 to \$150,000 for their project. Council has been advised that \$3.8m is available this first funding round to share amongst Marion, Onkaparinga and Mitcham council's.

DPC has requested that all Councils' review their community's submissions to determine project feasibility and support prior to being uploaded to an online community vote, notifying DPC of Council's support or otherwise by the 6 October 2017.

At this special meeting of Council, it considered 75 projects submitted by the community, with 44 being supported to progress to the next stages in accordance with DPC process.

Australia Day

A motion presented at the Council meeting on 26 September was discussed resulting in the motion lapsing for want of a seconder.

COMMITTEES

The following Committees also met and discussed the following matters relating to the FAC's Terms of Reference:

Infrastructure and Strategy Committee - 5 September

- Mitchell Park (planning detail and further initiatives)
- BMX Project (status update)
- Quarterly Construction updates
- Fund my Neighbourhood program

Infrastructure and Strategy Committee - 3 October

- LED Lighting (update on grant bid submitted to the Smart Cities and Suburbs Program)

Urban Planning – 3 October 2017

- Various Development Plan Amendment Updates;
 - HDDPA
 - SIMDPA – ILC Land
 - Morphetville Racecourse

Review and Selection Committee

22 August and 19 September 2017

- No items to report

RECOMMENDATION

The Finance and Audit Committee note the report.

DUE DATE

10 OCT 2017

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud General Manager Corporate Services

Subject: Finance and Audit Committee Annual Report to Council
2016/17

Report Reference: FAC101017R7.1

REPORT OBJECTIVES:

To seek Finance and Audit Committee member feedback on the attached draft "*Report to the City of Marion Council on the operations of the Finance and Audit Committee for 2016/17*" in accordance with the Committee's Policy and Terms of Reference, prior to being presented to General Council on 24 October 2017.

EXECUTIVE SUMMARY:

Clause 4.23 of the Finance and Audit Committee Policy and Terms of Reference provides that the Committee shall report annually to the Council on its operation and activities during the previous financial year.

This report provides an important communication tool with Council in addition to the minutes received after each meeting.

RECOMMENDATION (1)

DUE DATES

That the Finance and Audit Committee:

- 1. Endorses the Annual Report to Council for 2016/17 provided at Appendix 1 to this report, subject to amendments as required, prior to being presented to General Council meeting on 24 October 2017.**

10 Oct 2017

APPENDIX 1

REPORT TO THE CITY OF MARION COUNCIL ON THE OPERATIONS OF THE FINANCE AND AUDIT COMMITTEE FOR 2016/17

INTRODUCTION

This report provides an overview of the City of Marion Finance and Audit Committee operations for 2016/17 financial year.

Clause 4.23 of the Finance and Audit Committee Policy provides that Audit Committee shall report annually to the Council on its operation and activities during the year. This report includes:

- A summary of the Committee's assessment of the City of Marion's Risk & Control Framework;
- A summary of the work the Committee performed during the year including a focus on;
 - Risk and internal control,
 - Financial reporting and prudential requirements,
 - Service reviews and internal audit.
- Meeting statistics;
- Future work scheduled for 2017/18.

This report is intended to invite comment and discussion from Council.

THE FINANCE AND AUDIT COMMITTEE'S ASSESSMENT OF THE CITY OF MARION'S RISK & CONTROL FRAMEWORK

The Committee's assessment of the Council's Risk, Control and Audit Frameworks draws from a number of sources including Council's external and internal audits/reviews, and Council's control and risk frameworks.

Work progressed in the last financial year to further imbed the organisations risk management framework and risk management process across the organisation. The Executive Management Team have provided an enhanced focus on reviewing and monitoring the organisations risks to ensure they are managed appropriately and mitigation strategies are implemented accordingly.

The Committee considered the corporate risk profile at its meeting in February 2017 (FAC280217R8.4) that identified eight (8) high risks being:

1. Asset management
2. Strategic planning
3. Contractor & volunteer management
4. Compliance
5. Major Projects
6. ICT – systems, security and continuity of provisions
7. Work health safety.
8. Non alignment of Council and administration.

These risks are being monitored and reviewed on a regular basis by management and Council to reduce the risk ratings and the subsequent risk exposure of the City of Marion.

The Committee recognises that the City of Marion has well structured and planned internal and external audits. They are both outsourced creating an increased level of independency. A number of the high risks identified above have been reviewed via internal audit providing actions to further mitigate the risks.

Additionally, Council also reviews its internal control framework annually therefore providing additional assurance regarding the Councils internal control environment.

It is evident that the risk management culture continues to improve. The Committee provided direct review and advice on the following risk programs during 2016/17:

- Work, Health and Safety,
- Contractor Management,
- Fraud and Corruption and
- Business Continuity.

Each of these risks have been managed in accordance with the ISO 31000 Risk Management Standards.

SUMMARY OF WORK PERFORMED DURING THE FINANCIAL YEAR (2016-17)

Significant items brought before the Committee for consideration during the year included:

External Audit 2015/16 (considered in October 2016)

- The 2015/16 external audit was completed in accordance with the Australian Auditing Standards. No contraventions of the *Local Government Act 1999* were identified, and an unmodified audit opinion was given by Deloitte's identifying that:
 - The City of Marion financial report provides a true and fair view of the Council's financial position for the year ended 30 June 2016.
 - Council would receive an unmodified audit opinion for the 2015/16 financial year with respect to the effectiveness of its internal control environment and Council's compliance with section 125 of the *Local Government Act 1999*.
 - The auditors did not note any issues regarding fraud (concerning an employee or management), there were no uncorrected misstatements or any uncorrected disclosure deficiencies in the financial statements.
- The Audited Financial Statements 2015/16 provided:
 - An operating surplus of \$9.8m, \$1.28m greater than that forecast in Council's original 2015/16 adopted budget. It was a slight decrease (\$144k) from the previous year primarily due to increases in depreciation expenditure resulting from a combination of the Cove Civic Centre and City Services buildings, in conjunction with change in the treatment of residual value of assets required by the revised accounting standards
 - \$10.451m of Carryovers & Unexpended Grants, a reduction from last year's total of \$15.156m. It was noted that the carryovers fit into four categories of capital, grants, new initiatives and operating, as well as retimed capital works. The Committee noted that Internal Auditors had completed a body of work on the capital carryovers and this resulted in a decrease from approximately \$7m down to \$3.5m.
- The Finance and Audit Committee met with Council's external Auditors in the absence of management. The Committee also met with the Internal Auditors without management being present. In both instances, both sets of auditors reported a willingness from management to provide timely information, and act quickly on any recommendations made. No significant issues were raised.

- The Finance and Audit Committee recommended to Council the adoption of the Audited Financial Statements for 2015/16 and noted the excellent results and financial outcomes.
- The Committee reviewed the External Audit Tender process and made a recommendation to Council to appoint Deloitte as external auditors for a 5-year term.

Financial Reporting and Prudential Requirements

- The Committee considered and provided feedback on the framework and key assumptions of the *Annual Business Plan and Budget 2017/18*. This included review of the current rate in the dollar, the proposed rate rise and impacts on service delivery.
- Following this, the Committee reviewed the draft *Annual Business Plan and Long Term Financial Plan* noting that this report had improved year on year. The review included assessment of the proposed financial ratios, key assumptions and alignment with the Councils Treasury Management Policy.
- The Committee recommended that management invest in a financial modelling tool that would assist Council assess the whole of life financial impact of funding decisions and demonstrate when such decisions would cause the Council to fall into a funding deficit.

Internal Audit & Service Reviews

- The Committee reviewed and provided comment regarding the second stage organisational service review program 2016/17. The following services presented scoping and draft reports for the Committee's comment;
 - Recruitment
 - Governance
 - Marion Outdoor Pool
 - Parking Management and Regulation
 - Management of Recycling Depot
 - Stores and Inventory Management
 - Drainage
 - Marion Celebrates (replacing Records Management)
 - Public litter (replacing Commonwealth Home Support)
- An improved methodology for the organisation to identify and prioritise service reviews was presented in May 2017 and was subsequently approved by Council 27 June 2017.
- As at May 2017,¹ the organisational service review program had reviewed six services, with a total of 23 recommendations. Of the 23 recommendations, 78% were complete, 4% was not on track and 18% were not commenced.
- The Committee reviewed the Internal Audit Contract for KPMG and recommended that this contract be extended for a further two years until 30 June 2019.
- The City of Marion's Internal Audit 2015-2017 program progressed steadily. Twelve projects were identified for auditing during the two year program (six projects each year). As at the 30 May 2017,² nine of the twelve projects were completed (75%). At this time, the program had identified 42 recommendations – 58% were completed, 24% were on track, 14% were overdue and 4% were not commenced.

¹ See report FAC300517R8.6, page 178

² See report FAC300517R8.5, page 152

- Various internal audit scopes and reports were presented to the Committee during the financial year including:
 - Cash Handling
 - Accounts Receivable
 - Purchase Cards
 - ICT Security – Cyber Security
 - Property Portfolio Management

The Committee will continue to monitor the implementation of service and internal audit review recommendations.

Internal Controls and Risk Management

- Internal controls are reviewed annually as part of the external audit process. The Committee noted that 117 internal controls were tested with 111 being assessed as operating effectively. Of the six internal controls identified as having improvement opportunities to further strengthen Council's controls, with all of these being categorised as 'Low' under the risk matrix.
- The Committee focused on a number of risk programs during the 2016/17 financial year including the development and implementation of:
 - Corporate Policy Project (reviewing all Council policies);
 - Fraud and Corruption Policy and Framework
 - Business Continuity Management Policy, Framework and Plan
 - Work, Health and Safety Improvement Plan
- The Committee reviewed the Corporate Risk Profile and acknowledged that the report is a summary of a detailed register of some 200 plus risks. It was acknowledged that it is positive that there are no extreme risks however, it is a concern that some risks remain unchanged as high. Management and Council are monitoring these high risks and mitigates.

Other

Other reports considered by the Committee in 2016/17 included;

- Auditor General completed a governance review for the City of Marion. The Committee reviewed the final report from the Auditor General noting that 'adequate' by the Auditor-General translates to 'meets the expected standards'. Management are now working through the recommendations and the Committee are monitoring progress.
- Various reports were considered by the Committee including;
 - The draft CEO's Key Performance Indicators
 - Ombudsman's Annual Report 2016/17
 - The Committees work program and meeting schedule for 2017
- A joint workshop with Council was held in August 2016 that focused on the principles and methodology for the Service Review Program (stage two).
- The Committee reviewed a number of Policies including:
 - Treasury Management and Reserve Fund Policy
 - Procurement and Contractor Management Policy
 - Fraud and Corruption Policy
- Asset Management plans were further considered after community consultation.

- Claims and Insurance Report
- The Committee commenced a review of its performance and effectiveness and developed an improvement plan. The Committee will undertake its next review in 2018.
- The Committee noted that Ms Erika Comrie had completed her 16 weeks at City of Marion and has identified \$1.4m of savings across the organisation. It was a valuable project and she has delivered good outcomes for the Council.

DETAILS OF MEETINGS

During 2016/17, five meetings were convened;

- 8 August 2016 (joint Council and FAC Forum)
- 10 October 2016
- 15 December 2016
- 28 February 2017
- 30 May 2017

Committee Member attendance at meetings overview		
Member	Eligible to attend	Attended
Mr Greg Connor (Chairperson)	5	5
Mr Lew Owens (concluded December 2016)	3	3
Ms Kathryn Presser	5	5
Ms Emma Hinchey (commenced January 2017)	2	2
Councillor Raelene Telfer	5	5
Councillor Tim Gard (concluded December 2016)	3	1
Councillor Nick Kerry (commenced January 2017)	2	2

The Committee went into confidence on ten occasions to consider the following reports;

- Cash Handling Internal Audit Review (FAC160816R7.8)
- Internal Auditors (FAC160816F01)
- End of Financial Year Audit with External Auditors (FAC041016R7.5)
- Organisational Service Reviews – Marion Swim centre (FAC151216F01)
- Internal Audit Contract (FAC151216F02)
- Local Government Association Insurance Schemes Review (FAC280217F7.1)
- Local Government Association Membership (FAC280217F7.2)
- Organisational Service Reviews - Libraries (FAC280217F7.3)
- Organisational Service Reviews - Public Litter (FAC280217F7.4)
- External Audit Tender (FAC280217R7.5)

FUTURE WORK PROGRAM PROPOSAL

Major items for the Committee to review and provide comment / feedback on during 2017/18 include progress on:

- Section 48 Prudential Reports for:

- BMX
- Revised report for Mitchell Park
- Soccer in the South
- A number of organisational frameworks and policies are being progressed including:
 - Compliance Framework
 - Project Management Framework

CONCLUSION

In conclusion, this report indicates that the Committee has undertaken its principal functions as set out in Section 126(4) of the Local Government Act 1999 which include:

- a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the Council;
- b) proposing, and providing information relevant to, a review of the Council's strategic management plans and annual business plan; and
- c) Liaising with the Council's auditor.

The body of work undertaken by the Committee is maturing and the Committee is striving to ensure that its work is useful in the context of contributing to the City of Marion's strategic objectives. The Committee invites Council's feedback on the opportunities for continuing development of the Committee's operations.

I record my thanks for the support and diligence of those involved in the Committee being my fellow Finance and Audit Committee Members and the Council's Elected Members. I would also like to thank the management team for their hard work in the production of quality reporting that allows robust and fruitful discussions.

Finally, the Committee;

- Thanked Mr Lew Owens for his 7 years of service on the Committee. It was noted that his contribution has been invaluable and everyone has learnt a lot from his experience, skills and input.
- Welcomed Ms Emma Hinchey who commenced in February 2017.
- Recognises former member and Inaugural Chair of the Audit Committee (2006 – 2013) Mr Bill Cossey who passed away in July 2017. The City of Marion is very fortunate to have worked with Bill and his contribution to the City from his work on the Committee has been appreciated and invaluable.

Greg Connor
Chairperson
City of Marion Finance and Audit Committee

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

Originating Officer: David Harman, Unit Manager Statutory Finance & Payroll

Manager: Ray Barnwell, Manager Finance & Contracts

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Independence of Council's Auditor

Report Reference: FAC101017R7.2

EXECUTIVE SUMMARY:

In accordance with the Local Government Act 1999, Council's auditor can only undertake work for the Council that is within the scope and function of the auditor as prescribed under the Act. This includes undertaking the annual financial audit, and any audits as requested by Council under Section 130A in relation to the economy and efficiency of Council operations. The underlying principle of this requirement is to ensure that auditor independence is not compromised.

Regulation 16A(2) requires Council's Chief Executive Officer and the Presiding Member of the Audit Committee to each provide, on an annual basis, a statement that provides a certification as to compliance for the relevant financial year with the requirement that the auditor be independent of the City of Marion (refer to **Appendix 1**).

During the 2016/17 financial year, Council has not engaged Deloitte Touch Tohmatsu to provide any services outside the scope of the auditor's functions as prescribed in the *Local Government Act 1999*.

Furthermore, management confirms that it is not aware of any circumstance that would impact on the independence of Council's Auditor and that the CEO will be signing the certification within his delegation.

In addition to the above statement, regulation 16A(4) also requires that Council's Auditor provide a statement (in the form provided at **Appendix 2**) attesting to their independence.

Auditor independence is an important aspect of an auditor's role. Independence is key to the confidence with which the audit is undertaken.

RECOMMENDATIONS (3)

DUE DATES

That the Finance and Audit Committee:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 1. Notes the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2016/17 financial year. | 10 October 2017 |
| 2. Notes 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 2016/17 financial year. | 10 October 2017 |
| 3. Endorses 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 2016/17 financial year. | 10 October 2017 |

City of Marion

General Purpose Financial Statements

for the year ended 30 June 2017

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Marion for the year ended 30 June 2017, the Council's Auditor, Deloitte Touche Tohmatsu has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

Adrian Skull
CHIEF EXECUTIVE OFFICER

Greg Connor
PRESIDING MEMBER, AUDIT COMMITTEE

Date:

Corporation of the City of Marion
245 Sturt Road
STURT SA 5047

XX October 2017

Dear Members

Corporation of the City of Marion

In accordance with the Local Government (Financial Management) Regulations 2011, I am pleased to provide the following declaration of independence to the councillors of the Corporation of the City of Marion.

I confirm that, for the audit of the financial statements of the Corporation of the City of Marion for the 30 June 2017 financial year, I have maintained my independence in accordance with the requirements of APES 110—Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, and in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

Penny Woods
Partner
Chartered Accountants

CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
10 OCTOBER 2017

Originating Officer: David Harman, Unit Manager Statutory Finance and Payroll

Manager: Ray Barnwell, Manager Finance and Contracts

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Annual Financial Statements for the year ended 30 June 2017

Report Reference: FAC101017R7.3

REPORT OBJECTIVES:

This report presents the City of Marion's Annual Financial Statements for the financial year ended 30 June 2017. Reports provided include:

1. Representation letters (Appendix 1) - audit of annual financial report for period 1 July 2016 to 30 June 2017. The purpose of these letters is to express an opinion as to whether the financial report is prepared in accordance with Australian Accounting Standards, the Local Government Act 1999 and other mandatory reporting requirements in Australia. These letters will be signed by Adrian Skull, CEO and Vincent Mifsud, General Manager Corporate Services.
2. Comparative analysis to prior year Audited Financial Statements (Analytical Review) – Appendix 2
3. Annual Financial Statements for year ended 30 June 2017 – Appendices 3 to 5.
4. External Auditor (Deloitte Touché Tohmatsu) report to Council – Appendix 6.

These reports are provided for consideration by the Finance and Audit Committee prior to adoption of the 2016/17 Annual Financial Statements by Council at its meeting on 24 October 2017.

EXECUTIVE SUMMARY:

The 2016/17 Annual Financial Statements demonstrate Council's ongoing strong financial performance, providing a sound basis for Council's long-term objectives set out in its Strategic Plan.

In summary Council achieved an Operating Surplus of \$11.673m, which was \$4.02m greater than the surplus forecast in the original adopted 2016/17 budget. The key factors resulting in this higher than expected operating surplus are detailed at Appendix 2 (Analytical Review – against Adopted Budget 2016/17).

The Annual Financial Statements of the City of Marion, for the year ended 30 June 2017, have been completed with no Audit findings with regards to the financial statements. Council's Auditors have indicated that they expect to issue an unmodified audit opinion subject to the satisfactory completion of the following matters:

- A subsequent events review up to the date of the audit opinion
- Receipt of management's signed representation letters

In accordance with its 'Terms of Reference' the Finance and Audit Committee provides independent advice and support to Council in helping it achieve its governance and prudential management obligations, including the review of Council's Annual Financial Statements to ensure they present fairly the state of affairs of the City of Marion.

This report has been prepared in accordance with section 127 of the Local Government Act and the Local Government Accounting Regulations.

In accordance with section 125 of the Local Government Act 1999 Council's external auditors have also assessed the Internal Financial Control environment in regards to Council's compliance with all material aspects of the Act.

As outlined in their Management Letter (Appendix 6) Deloitte are satisfied that all prior year Internal Financial Control audit findings have now been fully implemented. This year there were four recommendations made to further strengthen our Internal Control environment, with all of these being categorised as 'insignificant' under the risk matrix. Management have agreed to appropriately address all of these recommendations. Council's Auditors have indicated that they expect to issue an unmodified audit opinion with regards to Council's Internal Financial Control environment.

As part of the annual audit process, Council's external auditors perform a number of minor grant audits, which are required as part of each individual funding agreement.

Next Steps

Following the adoption of the 2016/17 Audited Financial Statements the 1st Budget Review 2017/18 process will be conducted, which includes:

- transferring the majority of the 2016/17 Carryovers & Unexpended Grants of \$9.920m (down from \$10.451m in 2015/16) summarised in the table below into the 2017/18 budget (noting that the funding relating to projects which have been retimed will be brought into the budget when required);

Carryovers & Unexpended Grants carried over to 2017/18 from 2016/17		
	2016/17 \$m	2015/16 \$m
Carryovers	5.690	9.206
Advance Finance Assistance Grants	1.391	-
Unexpended Grants for Specific Purposes	2.839	1.245
Total	9.920	10.451

- reconciling and identifying the 2016/17 funding savings achieved against Council's adopted 2016/17 budget.

RECOMMENDATIONS (3)

DUE DATES

That the Finance and Audit Committee:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2017, as attached at Appendices 3-5, be adopted. | 10 Oct 2017 |
| 2. Notes Deloitte's management letter, as attached at Appendix 6. | 10 Oct 2017 |
| 3. Notes the comparative analysis to prior year Audited Financial Statements (Analytical Review), as attached at Appendix 2. | 10 Oct 2017 |

BACKGROUND AND DISCUSSION

The Statements have been prepared in accordance with applicable Australian Accounting Standards and the Local Government Regulations.

The Local Government Accounting Regulations require that a Council must prepare its accounts for audit by the second Friday in October and on or before 30 November, supply a copy of the Audited Financial Statements to each of the following:

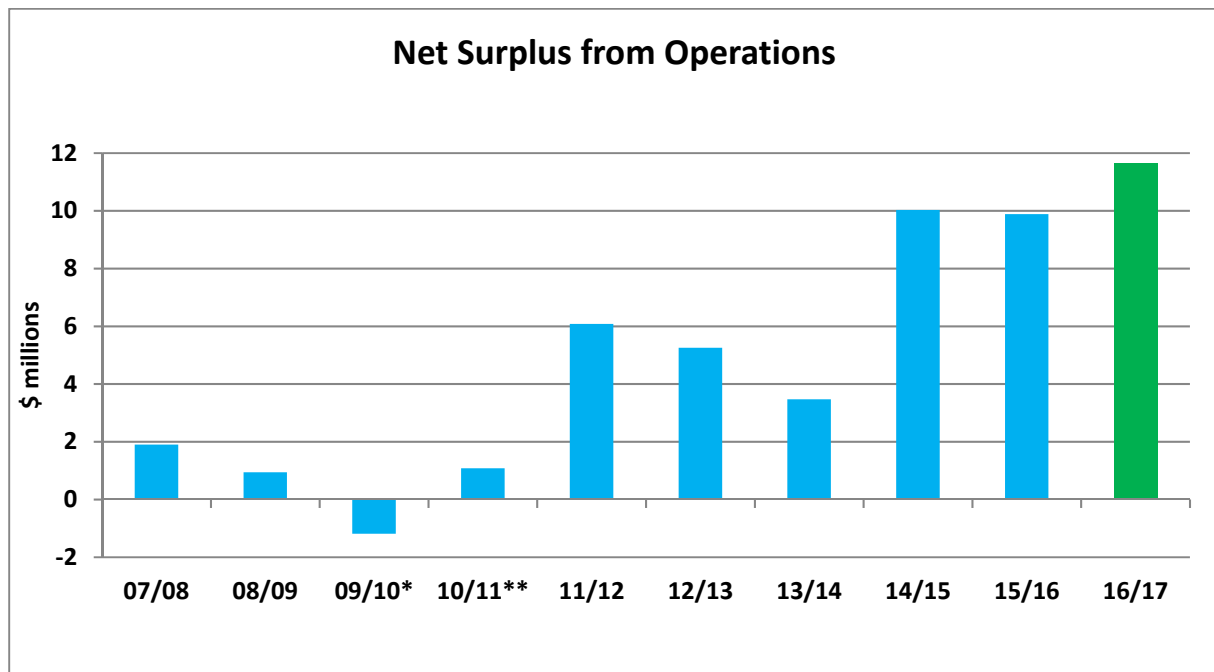
- The Minister
- The Local Government Grants Commission
- The Deputy Commonwealth Statistician and Government Statistician

Four main Statements are prepared and these are summarised below.

ANALYSIS:

Statement of Comprehensive Income

The Statement of Comprehensive Income details Council's revenues and expenses for the reporting period and reveals an operating surplus (before capital revenues and contributed assets) of \$11.673m for 2016/17 compared to an operating surplus of \$9.883m for 2015/16.



* The underlying operating surplus for 2009/10 after adjusting for the once-off Domain Land transfer for the SA Aquatic and Leisure Centre is \$4.787m.

** The underlying operating surplus for 2010/11 after adjusting for the once-off cash contribution for the SA Aquatic and Leisure Centre is \$6.078m

Operating Income – prior year comparison

Total Operating income for 2016/17 was \$88.173m compared to \$82.628m in 2015/16. The increase of \$5.545m (6.7%) predominantly results from an increase in Rates of \$2.6m (from an adopted rate increase of 2.5% + growth of 1.4%) and an increase in Grants, Subsidies and Contributions of \$2.8m (42.6%).

This increase in operating Grants, Subsidies and Contributions of \$2.8m predominantly relates to timing of the payment of the Grants Commission's Financial Assistance Grants (FAG), usually paid in quarterly instalments in the financial year it relates to.

To further explain, half of the 2017/18 Financial Assistance Grants (\$1.391m) was received in advance in June 2017 and recognised in the 2016/17 accounts and half of the 2015/16 Financial Assistance Grants (\$1.437m) was received in June 2015 and recognised in the 2014/15 accounts. The full allocation of Financial Assistance Grants for 2016/17 (\$2.7m) was also received and recognised in the 2016/17 accounts. The timing of these advance payments has distorted the comparative figures for 2016/17 against 2015/16.

Operating Expenses – prior year comparison

Total Operating expense for 2016/17 was \$76.500m compared to \$72.745m in 2015/16. The increase of \$3.755m (5.2%) predominantly relates to an increase in Depreciation (\$3.236m) resulting from a change in revaluation methodology from the 30 June 2016 asset valuation - predominantly regarding the removal of residual values for infrastructure assets (including roads, footpaths and drainage).

Employee costs increased \$438k (1.4%) in 2016/17 from 2015/16 with increases from Enterprise Agreements offset by final realized savings achieved from the organisational restructure that occurred in the middle of the 2015/16 financial year resulting in a reduction in management positions.

Capital Revenues and Revaluation – prior year comparison

Other key variances reported on the Statement of Comprehensive Income are *Amounts Received Specifically for New or Upgraded Assets* (up \$1.984m) predominantly relating to a State Government Grant received for the Sam Willoughby International BMX Track (\$2.0m). There have also been significant increases in the valuation of Land and Infrastructure Assets (\$29.324m).

Variances against the 2015/16 Statement of Comprehensive Income are further detailed in Appendix 2 (“Analytical Review – against Prior Year Actual”).

Key Operating Ratios

OPERATING SURPLUS RATIO	2017	2016	2015
<u>Operating Surplus (before capital revenues)</u>	13%	12%	12%
Total Operating Revenue			

This ratio expresses the operating surplus/(deficit) as a percentage of total operating revenue. Council has set a target for this ratio of between 0 and 5% on a 5 year rolling average.

Comment:

The Operating Surplus Ratio in the adopted budget for 2016/17 was 10.8% and has been significantly impacted by the advance payment of 2017/18 Financial Assistance Grant instalment, and increased Investment income, with variances in Operating Expenses netting out. The target set in Council's Long Term Financial Plan is to “maintain a financial position at an average of between 0 and 5% over any five financial years” however this was exceeded in the 5 years to 2016/17, with an average ratio of 11.6%.

RATE REVENUE RATIO	2017	2016	2015
<u>Rate Revenue</u>	82%	85%	82%
Operating Revenue			

This ratio expresses rate revenue as a percentage of operating revenue.

Although this ratio is not a prescribed ratio required by the ‘Model Set of Accounts’ it is a valuable indicator as it highlights Council's reliance on rates as a revenue source and the need for Council to seek alternative sources of income.

Comment:

To address the dependency of Council on rate revenue the following programs have been implemented:

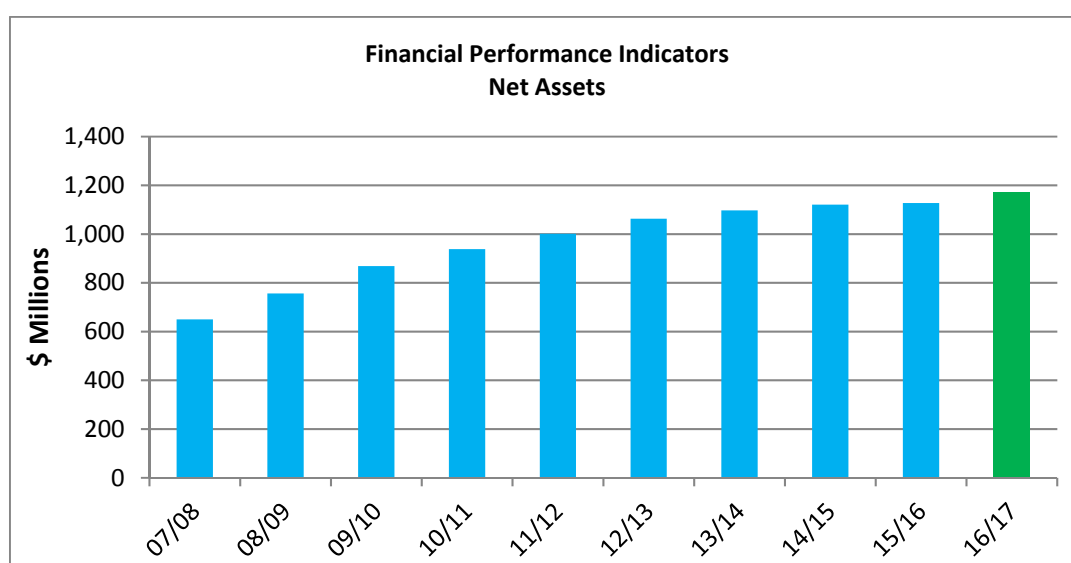
- A focus on internal training and development of Council officers to maximise grant opportunities.
- Annual review of Fees and Charges Schedule.

Statement of Financial Position

The Statement of Financial Position provides details of Council's assets, liabilities and equity as at 30 June 2017.

The majority of Council's assets relate to community property and infrastructure assets (roads, paths, drainage, etc).

Council's total equity has increased from \$279.8m in 1999/00 to \$1,169.5m in 2016/17. The following graph illustrates the increase over the past 10 years.



This identifies the continued increase in Council's net assets which can mainly be attributed to revaluations of its Infrastructure assets as noted in the following table.

	2017 \$'000	2016 \$'000	Increase \$'000
Infrastructure	677,069	663,385	13,684
Land	360,144	343,709	16,435

Infrastructure, Property, Plant & Equipment (IPP&E):

Council's IPP&E increased by \$24.004m (2.16%) compared to 2015/16 with the majority of the increase relating to a net revaluation of \$12.997m in infrastructure assets and \$16.313m in land.

Other variances when comparing 2016/17 against the 2015/16 Statement of Financial Position are further detailed in Appendix 2 ("Analytical Review – against Prior Year Actual").

Key Financial Position Ratios

WORKING CAPITAL RATIO	2017	2016	2015
	2.1	1.5	1.0

Current Assets – (Less Restricted Assets)

Current Liabilities – (Liabilities Associated with Restricted Assets)

This ratio focuses on the liquidity position of Council, adjusting for restricted assets (e.g. unspent specific tied grants that would need to be excluded from Council's current assets as Council would be restricted from using this cash to meet short term liabilities).

Council's target for this ratio is between 1.0 and 1.1.

Comment:

Council's cash flow is in a good position to undertake day to day operations, along with having sufficient cash to cover the balances in its Asset Sustainability Reserve. Council's significant cash reserves quarantined for future major projects and long term asset management objectives have impacted on this ratio.

ASSET SUSTAINABILITY RATIO	2017	2016	2015
<u>Net Asset Renewals</u>	75%	84%	76%
Depreciation Expense			

Net asset renewal expenditure is defined as net capital expenditures on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

This ratio indicates whether the Council is renewing or replacing existing assets at the rate of consumption. A long term average ratio of 95-100% would indicate that Council is investing adequately in maintaining its asset base.

Comment:

The 2016/17 Asset Sustainability Ratio was significantly impacted by the significant increase in Depreciation Expense due to the changes in revaluation methodology used in the prior year revaluation.

Council's Long Term Financial Plan (LTFP) is set to achieve an average Asset Sustainability Ratio of 95% over the next three years, but only 80% over the 10-year term of the LTFP. Continual review and monitoring of Council's Asset Management Plans are to be incorporated into Council's Long Term Financial Planning process in an effort to close this gap.

ASSET CONSUMPTION RATIO	2017	2016	2015
<u>Carrying value of depreciable assets</u>	78%	78%	80%
Gross value of depreciable assets			

This ratio shows the consumption of the asset stock at a point in time (or the percentage of useful life remaining). Depreciation represents the reduction in value of the assets each year and therefore accumulated depreciation is the total reduction in the carrying value of the assets. The ratio reflected above indicate on average a relatively high remaining useful life for assets.

Council's target for this ratio is between 80-100%.

Comment:

A ratio higher than 80% indicates that Council's overall asset base has on average a relatively high remaining useful life. A result of between 40% and 80% is considered acceptable.

Borrowings

In assessing Council's financial position it is appropriate to consider liabilities in relation to borrowings. Borrowings are required by Council from time to time to finance strategic long-term assets for the orderly development of the City. Council's total borrowings as at the 30 June 2017 were \$9.102m a net decrease of \$1.126m over the level of borrowings in June 2016.

The following indicators are used to monitor Council's performance in relation to its current level of debt.

Key Debt Ratios

NET FINANCIAL LIABILITIES RATIO	2017	2016	2015
<u>Net Financial Liabilities</u>	(25%)	(8%)	(2%)
Total Operating Revenue			

This ratio indicates the extent to which net financial liabilities of the council can be met by the council's total operating revenue and is based on the Net Financial Liabilities above.

Comment:

This result is due to Council's Financial Assets exceeding its Financial Liabilities predominantly as a result a substantial holding of cash and other financial assets allocated for unexpended grants and funding for capital projects carried over or retimed to 2017/18 and beyond totalling \$13.698m. Without these holdings this ratio would be (-10%). Council's capacity to meet its financial obligations from operating revenues is strong and it has capacity to meet future requirements identified in its Long Term Financial Plan.

INTEREST COVER RATIO	2017	2016	2015
<u>Net Interest Expense</u>	(0.4%)	(0.0%)	(0.1%)
Total Operating Revenue			

Net interest costs are defined as total interest expenses less total interest revenues. This ratio indicates the extent to which Council's commitment to interest expenses are met by total operating revenues.

Comment:

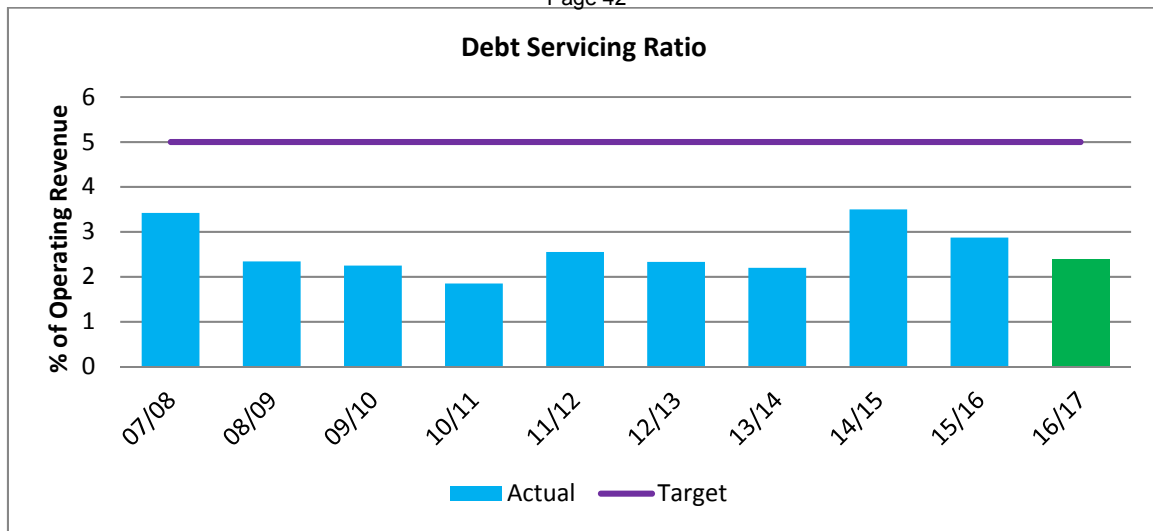
Negative ratios have been recorded for the past 4 years reflecting interest revenues being greater than interest expenses.

DEBT SERVICING RATIO	2017	2016	2015
<u>Principal + Interest</u>	2.4%	2.9%	3.5%
Total Operating Revenue			

This ratio identifies Council's ability to service its debt obligations from operating revenues, with a maximum target set at 5%.

Comment:

The ratio confirms that Council has a low debt holding and is well positioned for future borrowings outlined in its Long Term Financial Plan. The 2.4% result is below the maximum target of 5% as illustrated in the graph below.



Statement of Changes in Equity

The Statement of Changes in Equity reconciles the opening and closing balances of Council's equity over the reporting period.

The balance of equity represents Council's net worth of \$1,169.5m as reflected in the Statement of Financial Position.

Cash Flow Statement

The Cash Flow Statement details the cash movements for the year ended and reconciles with Note 11 of the Annual Financial Statements.

The Statement indicates a cash surplus of \$29.9m compared with \$16.3m in 2015/16. As previously mentioned a sizable portion of the cash position is committed to unexpended grants, carryovers and retimed works (\$13.7m).

Key Cash Ratios

OPERATING CASH FLOW COVERAGE	2017	2016	2015
	147%	108%	134%

Cash Flows from Operations – (Loan Principal Repayments)

Average Annual Optimal Level of Expenditure per Council's Asset Management Plans

This ratio identifies Council's abilities to fund its operating and capital expenditure requirements without the need for significant sudden rate increases or service reductions, and whilst continuing to maintain intergenerational equity and the sustainable and responsible use of borrowings.

Council's target for this ratio is between 100% and 105%.

Comment:

Council's operating cash flow coverage is sufficient to meet the asset renewal requirements included in its Long Term Financial Plan. This ratio has been impacted by the advance payment of 2017/18 operational FAG grants (\$1.391m) in addition to higher than forecast investment returns with Council's significant cash reserves quarantined for future major projects and managing its long term asset management objectives.

RESERVE FUNDS

A review of the balances of these reserves indicates that they are at a level sufficient to meet their purpose and intent which are listed in *Note 9 Reserves* in Appendix 3. Council's current Reserve funds are made up of the following:

Grants and Carryovers Reserve: \$13.698m

This is made up of and grant funded carryover projects and capital works carried over to 2017/18 or retimed to future years as required. It includes \$3.778m that was retimed from prior years which is planned to be utilised in future years when related works are scheduled.

Open Space Reserve: \$1.188m

It is considered by management that the current balance of this fund is adequate to meet its intended purpose.

Asset Sustainability Reserve – General \$6.781m

The current balance in this fund is considered by management to be adequate to provide Council with the funding capacity to not only respond to a major infrastructure failure (\$2m is retained in this reserve for this specific purpose) but to also assist Council in managing its long term asset management objectives.

Asset Sustainability Reserve – Community Facility Partnership Fund (CFPP) \$4.653m

Funding has been specifically set aside in the Asset Sustainability Reserve for the renewal, upgrade and purchase of Council assets as specifically resolved by Council. It includes a balance set aside to encourage organisations leasing council facilities to seek partnership funding for the required renewal and upgrade of those facilities.

Asset Sustainability Reserve – Major New Projects \$4.197m

Funding has also been specifically set aside in the Asset Sustainability Reserve for major new projects. Council has endorsed funding its \$4.0m contribution to the Edwardstown Soldiers Memorial Recreation Ground redevelopment from this reserve.

EQUITY ACCOUNTED INVESTMENTS

Council has part ownership in two equity accounted investments and is required to include its equity share in these in its Annual Financial Statements along with copies of these entities' Financial Statements.

Southern Region Waste Resource Authority (SRWRA)

SRWRA provides and operates services for the management of waste and waste facilities on behalf of its constituent councils – The Cities of Onkaparinga, Marion and Holdfast Bay – ensuring that a long term Waste Management Strategy exists in the southern region of Adelaide. The City of Marion has a 30% share in SRWRA.

It should be noted that whilst there was a significant contribution from SRWRA towards Council's operating income that this was non-cash. SRWRA needs to generate operating surpluses during its operation as it will require funds to facilitate remediation at some stage in the future when it is no longer collecting waste.

Council Solutions

Council Solutions is a joint initiative of the Cities of Adelaide, Charles Sturt, Marion, Onkaparinga, Salisbury and Tea Tree Gully. Its purpose is to optimise the financial sustainability of its constituent councils through the benefits of collaborative strategic procurement and contract negotiation and management. The City of Marion has a 16.67% share in Council Solutions.

CONCLUSION:

The 2016/17 Annual Financial Statements demonstrate Council's continued improvement in its financial performance, providing a sound basis for Council's long-term objectives set out in its Strategic Plan.

Appendix 1 – Representation letter

Appendix 2 – Analytical Review of Statement of Comprehensive Income and
Statement of Financial Position

Appendix 3 – Audited Financial Statements 2016/17

Appendix 4 – Audited SRWRA General Purpose Financial Reports 2016/17

Appendix 5 – Audited Council Solutions General Purpose Financial Reports 2016/17

Appendix 6 – External Auditor Report to Council and the Finance and Audit Committee

(client letterhead)

[Date]

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide SA 5000

This representation letter is provided in connection with your audit of the financial report of the Corporation of the City of Marion for the year ended 30 June 2017, for the purpose of expressing an opinion as to whether the financial report is presented fairly, in all material respects, in accordance with the Local Government Act 1999 including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011.

We confirm that:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 31 May 2017, for the preparation of the financial report in accordance with the Local Government Act 1999 including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011; in particular the financial report is presented fairly, in all material respects, in accordance therewith.
2. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit;
 - Unrestricted access to the persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - All requested information, explanations and assistance for the purposes of the audit.
3. All transactions have been recorded in the accounting records and are reflected in the financial report.
4. We are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
6. There has been no fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial report.

7. There have been no allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.
8. There have been no instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
9. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the *Local Government Act 1999*, including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government (Financial Management) Regulations 2011*.
12. All known actual or possible litigation and claims whose effects should be considered when preparing the financial report have been disclosed to you and accounted for and disclosed in accordance with the *Local Government Act 1999*, including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government (Financial Management) Regulations 2011*.
13. The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial report as a whole. A summary of such items is attached to the representation letter as Appendix A.
14. All events occurring subsequent to the date of the financial report and for the *Local Government Act 1999*, including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government (Financial Management) Regulations 2011* require adjustment or disclosure have been adjusted or disclosed within the financial report.
15. In respect of other information:
 - We have informed you of all the documents that we expect to issue that may comprise other information;
 - The financial report and any other information obtained by you prior to the date of your auditor's report is consistent with one another, and the other information does not contain any material misstatements.
16. The selection and application of accounting policies as described in Note 1 in the financial report are appropriate.
17. We have no plans or intentions that may affect the carrying value or classification of assets and liabilities.
18. Liabilities, both actual and contingent, have been properly recorded and, when appropriate, adequately disclosed in the financial report.
19. The entity has satisfactory title to, or control over all assets and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral.

20. We have properly recorded and, when appropriate, adequately disclosed in the financial report the effects of any laws, regulations and contractual agreements on the financial report, including non-compliance.
21. We have communicated to you all deficiencies in internal control of which we are aware.
22. All post-employment benefits have been identified and properly accounted for and all events impacting the plans have been brought to the actuary's attention.
23. For defined benefit plans:
 - (a) the actuarial assumptions underlying the valuation of the plan are in accordance with the Council's best estimate of future events and are consistent with our knowledge of the business;
 - (b) the actuary's calculations have been based on complete and up-to-date member information; and
 - (c) the amounts included in the financial report derived from the work of the actuary are in accordance with the requirements of AASB 119 "Employee Benefits".
24. For any transactions and structures, including "Special Purpose Vehicles/Entities" that we consider are appropriately classified as off-balance sheet, we have not withheld any information and documentation from you and there are no side agreements that we have not disclosed to you. In addition, there are no other relationships of a related party nature which would affect how these transactions and structures are accounted for, that we have not disclosed to you.
25. We have obtained all necessary information from subsidiaries that are not subject to Accounting Standards in Australia, to enable us to make appropriate adjustments for the purpose of preparing the financial report. Appropriate adjustments have been made to the information provided by the subsidiaries, to enable the preparation of the financial report.
26. We have disclosed to you all financial guarantees that we have given to third parties and we have accounted for these guarantees in accordance with the requirements of AASB 139 "Financial Instruments Recognition and Measurement".

We understand that your audit was conducted in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial report of the entity taken as a whole, and that your test of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

Adrian Skull
Chief Executive Officer

Date

Vincent Mifsud
General Manager

Date

Appendix A to the Management Representation Letter

City of Marion 30 June 2017

Account Name	Account Number	Assets DR/(CR)	Liabilities DR/(CR)	Retained Earnings DR/(CR)	Other Equity DR/(CR)	Income Statement DR/(CR)	Total DR/(CR)
Known misstatements							
None noted							
Likely misstatements							
None noted							
Carry over effects of prior year misstatements							
None noted							
		0	0	0	0	0	0

Description of Disclosure Deficiency	Disclosure Title	Disclosure Number	Amount (where applicable)	Management Reason for Disclosure Deficiency (e.g., not deemed material for disclosure)
None noted				

(client letterhead)

Deloitte Touche Tohmatsu
11 Waymouth Street,
Adelaide, South Australia,
5000, Australia

Management Representations to the Compliance Plan Auditor as at 30 June 2017

This representation letter is provided in connection with your audit of the compliance of City of Marion Council ("the Council") with the requirements of Section 125 of the Local Government Act 1999 ("the Act") in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017 are in accordance with legislative provisions.

Purpose of the Audit

The purpose of your audit, in accordance with Section 125 of the Local Government Act 1999, is to form an opinion as to whether the Council has complied, in all material respects, with the requirements of Section 125 of the Act, in relation to internal controls, for the period 1 July 2016 to 30 June 2017.

Responsibilities of Management

We acknowledge that it is our responsibility to implement and maintain an adequate system of internal controls, in accordance with Section 125 of the Local Government Act 1999 in relation to Internal Controls, to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities are in accordance with legislative provisions.

Representations

We confirm, to the best of our knowledge and belief:

- We are responsible for the design and implementation of the compliance framework to prevent and detect fraud and error. We have established and maintained an adequate internal control structure to ensure that compliance with our obligations has been maintained, and that adequate documentation to demonstrate compliance exists.
- There have been no irregularities including fraud or suspected fraud involving management or employees who have a significant role in the compliance function and internal control systems that could have a material effect on the adequacy of compliance.
- There have been no allegations of fraud, or suspected fraud, affecting City of Marion Council's compliance with Section 125 of the Act.
- We have made available to you the control documentation for controls implemented at the Council.

- The information provided by you regarding the identification of controls deficiencies is complete.
- There have been no instances of non-compliance with laws and regulations involving management or employees who have a significant role in compliance or internal control.
- There have been no communications from Local Government or other agencies concerning non-compliance with, or deficiencies in, the compliance with Section 125 of the Act that could have a material effect on us meeting our compliance obligations.
- We have complied with the requirement of Section 125 of the Act during the year, in all material respects.
- We accept the internal control environment would be strengthened with the implementation of your recommendations as listed below in Appendix A.
- No events have occurred subsequent to 30 June 2017 that impacted the compliance framework, compliance reporting or breaches that occurred during the period.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We understand that your examination was made in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, as applicable, and was, therefore, designed primarily for the purpose of expressing a conclusion on the Council's compliance with the requirements of Section 125 of the Act in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017, and that your tests of our records and controls and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours sincerely,

Adrian Skull
Chief Executive Officer

Date

Vincent Mifsud
General Manager

Date

Appendix A to the Management Representation Letter - Internal Controls

30 June 2017

Control	Observation	Recommendation	Management Response
REV-GRA-0001	There is no formal grant attraction procedure at present, however management are addressing the issue and are working towards implementing a functioning system.	Deloitte recommends that the formal grant attraction procedure be finalised.	Council has set up an External Funding Attraction Program in 2017/18, overseen by the External Funding Attraction Steering Committee to monitor applications.
ASS-LOA-0001	There were no specific reference details in the policy specific for issuing funds to clubs or community groups in accordance with the Delegations of Authority and in compliance with the Conflicts of Interest Policy.	Deloitte recommends that the policy be amended such that there is specific reference in the policy to issuing funds in accordance with the delegations of authority and conflicts of interest policies.	Grant funds are currently issued by way of Council Resolution at General Council Meetings, with no delegations in place, meaning that this is the only way for them to be issued. Elected Members are required to declare any conflicts of interest at the commencement of any General Council Meetings.
ASS-LOA-0002 ASS-LOA-0009	There is a lack of formal follow up implementation for community grant acquittals results in outstanding acquittals.	Deloitte has noted that outstanding community grant acquittals are followed up by management. It is recommended that the final follow-up (i.e. once they are overdue) is completed in a more timely fashion.	Agree with the recommendation and management will put in place a proactive process to follow up community grant recipients prior to the final due date to ensure they meet grant acquittal deadlines. The Community Grant Guidelines (which include timeliness of follow up, and consequences of not providing an acquittal) are being reviewed by Council at its September forum.
ASS-DEB-0012	There is no way of generating a report in the system which shows changes to debtor masterfile. It is possible to see the date a debtor was edited by clicking into each individual debtor however details of the change cannot be seen i.e. whether it was name, address etc.	Deloitte recommends that changes to the debtor master file are reviewed and supported with documented evidence of review.	The majority of changes to the Debtor Masterfile are initiated within finance due to address details being incorrect. This can be done by way of cross referencing council's other databases, and in some instances online research. Monitoring the accuracy of these changes is done by way of reviewing outstanding debts and making sure they are followed up in a timely fashion.

ANALYTICAL REVIEW - against Adopted Budget 2016/17

APPENDIX 2

Statement of Comprehensive Income

	2016/17	Original Budget	Variance	Variance	Favourable/ (Unfavourable)	Analysis
	\$000's	\$000's	\$000's	%		
Income						
Rates Revenues	72,591	72,457	134	0.2%	F	Rate Rebates lower than budget (\$40k), General Rates - Reduced (\$50k), NRM levy (\$38k)
Statutory Charges	1,879	1,751	128	7.3%	F	Parking fines (\$71k), dog fines (\$24k), other statutory fines (\$17k)
User Charges	1,949	1,599	350	21.9%	F	Rent (\$112k - includes \$18k for new Telstra Tower, majority of remainder offset by decrease in building insurance reimbursements (Other Revenues), Tuition income (\$85k), Other User Charges (\$107k), Sale of ASR Water (\$22k)
Grants, Subsidies & Contributions	9,242	7,211	2,031	28.2%	F	Financial Assistance Grants - received payment for half of 2017/18 in June 2017 (\$1,391k)
Investment Income	929	265	664	250.6%	F	Actual interest reflects on actual cash holdings throughout the year - refer Investment Report
Reimbursements	691	619	72	11.6%	F	
Other Income	479	384	95	24.7%	F	
Net Gain - Equity Accounted Businesses	413	324	89	27.5%	F	Movement in equity accounted investments - refer Note 19 and SRWRA and Council Solutions Annual Financial Statements
Total Income	88,173	84,610	3,563	4.2%		
Expenses						
Employee Costs	32,221	33,021	(800)	(2.4%)	F	
Materials, Contracts & Other Expenses	26,783	28,968	(2,185)	(7.5%)	F	Waste Contract (\$293k), SA Water charges (\$764k), Fuel & Oil (\$216k), Contributions expense (\$750k - BMX originally budgeted as CoM contribution, has since been moved to capital)
Depreciation, Amortisation & Impairment	16,870	14,020	2,850	20.3%	U	Relates to change in revaluation methodology from the 30 June 2016 asset valuation - predominantly regarding residual values for road assets.
Finance Costs	613	948	(335)	(35.3%)	F	Original budget included provision for prior year borrowings that did not occur.
Net Loss - Equity Accounted Businesses	13	0	13	0.0%	U	Movement in equity accounted investments - refer Note 19 and SRWRA and Council Solutions Annual Financial Statements
Total Expenses	76,500	76,957	(457)	(0.6%)		
Operating Surplus/(Deficit)	11,673	7,653	4,020	52.5%	F	
Asset Disposal & Fair Value Adjustments	(1,226)	0	(1,226)	0.0%	U	
Amounts Received Specifically for New or Upgraded Assets	2,524	0	2,524	0.0%	F	Relates predominantly to State Government grant received for the Sam Willoughby International BMX track (\$2.0m.
Physical Resources Received Free of Charge	439	1,500	(1,061)	(70.7%)	U	Contributed Asset budget is forecast at \$1.5m per annum in the LTFF
Net Surplus/(Deficit)	13,410	9,153	4,257	46.5%	F	
Other Comprehensive Income						
Changes in Revaluation Surplus - IPP&E	29,324	0	29,324	0.0%	F	Significant increases in valuation of Land and Infrastructure assets.
Share of Other Comprehensive Income - Equity Accounted Council Business	0	0	0	0.0%		
Total Other Comprehensive Income	29,324	0	29,324	0.0%		
Total Comprehensive Income	42,734	9,153	33,581	366.9%	U	

ANALYTICAL REVIEW against Prior Year Actual

APPENDIX 2

Statement of Comprehensive Income

	2016/17	2015/16	Variance	Variance	Favourable/ (Unfavourable)	Analysis
	\$000's	\$000's	\$000's	%		
Income						
Rates Revenues	72,591	69,997	2,594	3.7%	F	2016/17 Rate increase of 2.5% plus growth of 1.4%.
Statutory Charges	1,879	1,813	66	3.6%	F	
User Charges	1,949	1,771	178	10.1%	F	Increase in user contributions towards HACC services, and increases in rent (offset below by decreases in reimbursements for building insurance).
Grants, Subsidies & Contributions	9,242	6,482	2,760	42.6%	F	Half of the 2015/16 Financial Assistance Grants were received in 2014/15, and half of the 2017/18 Financial Assistance Grants were received in 2016/17, distorting the comparative figures in both years.
Investment Income	929	696	233	33.5%	F	Higher cash holdings throughout the year have resulted in greater investment income - refer Investment Report.
Reimbursements	691	814	(123)	(15.1%)	U	Decrease in reimbursements for building insurance (offset above by increases in rent), bus stop minor works and requested works (eg driveway crossovers).
Other Income	479	515	(36)	(7.0%)	U	
Net Gain - Equity Accounted Businesses	413	540	(127)	(23.5%)	U	Movement in equity accounted investments - refer Note 19 and SRWRA and Council Solutions Annual Financial Statements.
Total Income	88,173	82,628	5,545	6.7%		
Expenses						
Employee Costs	32,221	31,783	438	1.4%	U	Includes annual increases from Enterprise Agreements of 2.0% Salary, 3.0% Wages, offset by final realised savings from the restructure in mid 2015/16.
Materials, Contracts & Other Expenses	26,783	26,627	156	0.6%	U	
Depreciation, Amortisation & Impairment	16,870	13,634	3,236	23.7%	U	Relates to change in revaluation methodology from the 30 June 2016 asset valuation - predominantly regarding the removal of residual values for infrastructure assets (including roads, footpaths and drainage).
Finance Costs	613	700	(87)	(12.4%)	F	No new borrowings were taken out resulting in a decrease in interest expense.
Net Loss - Equity Accounted Businesses	13	1	12	1200.0%	U	Movement in equity accounted investments - refer Note 19 and SRWRA and Council Solutions Annual Financial Statements.
Total Expenses	76,500	72,745	3,755	5.2%		
Operating Surplus/(Deficit)	11,673	9,883	1,790	18.1%		
Asset Disposal & Fair Value Adjustments	(1,226)	(233)	(993)	426.2%	U	Asset disposal related differences.
Amounts Received Specifically for New or Upgraded Assets	2,524	540	1,984	367.4%	F	Relates predominantly to State Government grant received for the Sam Willoughby International BMX track (\$2.0m).
Physical Resources Received Free of Charge	439	655	(216)	(33.0%)	U	
Net Surplus/(Deficit)	13,410	10,845	2,565	23.7%		
Other Comprehensive Income						
Changes in Revaluation Surplus - IPP&E	29,324	(4,500)	33,824	(751.6%)	F	Significant increases in valuation of Land and Infrastructure assets.
Total Other Comprehensive Income	29,324	(4,500)	33,824	(751.6%)		
Total Comprehensive Income	42,734	6,345	36,389	573.5%		

Statement of Financial Position

	2016/17	2015/16	Variance	Variance	Analysis
	\$000's	\$000's	\$000's	%	
ASSETS					
Current Assets					
Cash & Cash Equivalents	29,913	16,271	13,642	83.8%	
Trade & Other Receivables	5,840	4,754	1,086	22.8%	Increase predominantly relates to timing with regards to GST reimbursement from the ATO.
Other Financial Assets	11,900	8,200	3,700	45.1%	Relates to current term deposits with over 90 days to maturity.
Inventories	248	176	72	40.9%	
Total Current Assets	47,901	29,401	18,500	62.9%	
Non-Current Assets					
Equity Accounted Investments in Council Businesses	6,059	5,659	400	7.1%	Movement in equity accounted investments - refer Note 19 and SRWRA and Council Solutions Annual Financial Statements.
Infrastructure, Property, Plant & Equipment	1,135,662	1,111,658	24,004	2.2%	Significant increases in valuation of Land and Infrastructure assets, net of asset acquisitions, disposals and depreciation.
Other Non-Current Assets	5,202	2,341	2,861	122.2%	Increase in Work In Progress, predominantly relating to Glade Crescent Wetland works and Melanto Terrace Drainage works.
Total Non-Current Assets	1,146,923	1,119,658	27,265	2.4%	
TOTAL ASSETS	1,194,824	1,149,059	45,765	4.0%	
LIABILITIES					
Current Liabilities					
Trade & Other Payables	10,235	6,082	4,153	68.3%	There has been a significant increase in Trade Payables (\$4.1m) predominantly due to a large amount of infrastructure works carried out at the end of the financial year.
Borrowings	1,197	1,126	71	6.3%	Due to nature of fixed borrowings current borrowings have increased as interest decreases.
Provisions	5,239	5,192	47	0.9%	
Total Current Liabilities	16,671	12,400	4,271	34.4%	
Non-Current Liabilities					
Borrowings	7,905	9,102	(1,197)	(13.2%)	Reduction in total borrowings in line with scheduled repayments of existing loans - no new borrowings taken out during 2016/17.
Provisions	701	744	(43)	(5.8%)	
Total Non-Current Liabilities	8,606	9,846	(1,240)	(12.6%)	
TOTAL LIABILITIES	25,277	22,246	3,031	13.6%	
Net Assets	1,169,547	1,126,813	42,734	3.8%	
EQUITY					
Accumulated Surplus	373,871	369,211	4,660	1.3%	Refer Statement of Comprehensive Income (\$13.410m) - Reserve Transfer (\$8.750m) = Statement of Change in Equity.
Asset Revaluation Reserves	765,159	735,835	29,324	4.0%	Change in asset valuations per Annual Financial Statements.
Other Reserves	30,517	21,767	8,750	40.2%	Increase in amounts held in the Grants & Carryover Reserve (\$3.2m) and the Asset Sustainability Reserve (\$5.4m).
Total Council Equity	1,169,547	1,126,813	42,734	3.8%	

City of Marion

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



City of Marion

General Purpose Financial Statements for the year ended 30 June 2017

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City of Marion

General Purpose Financial Statements for the year ended 30 June 2017

Certification of Financial Statements

We have been authorised by the Council to certify the financial statements in their final form.

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2017 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Adrian Skull
CHIEF EXECUTIVE OFFICER

Kris Hanna
MAYOR

Date:

City of Marion

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	2017	2016
Income			
Rates Revenues	2a	72,591	69,997
Statutory Charges	2b	1,879	1,813
User Charges	2c	1,949	1,771
Grants, Subsidies and Contributions	2g	9,242	6,482
Investment Income	2d	929	696
Reimbursements	2e	691	814
Other Income	2f	479	515
Net Gain - Equity Accounted Council Businesses	19	413	540
Total Income		88,173	82,628
Expenses			
Employee Costs	3a	32,221	31,783
Materials, Contracts & Other Expenses	3b	26,783	26,627
Depreciation, Amortisation & Impairment	3c	16,870	13,634
Finance Costs	3d	613	700
Net loss - Equity Accounted Council Businesses	19	13	1
Total Expenses		76,500	72,745
Operating Surplus / (Deficit)		11,673	9,883
Asset Disposal & Fair Value Adjustments	4	(1,226)	(233)
Amounts Received Specifically for New or Upgraded Assets	2g	2,524	540
Physical Resources Received Free of Charge	2i	439	655
Net Surplus / (Deficit) ¹		13,410	10,845
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	29,324	(4,500)
Total Other Comprehensive Income		29,324	(4,500)
Total Comprehensive Income		42,734	6,345

¹ Transferred to Equity Statement

City of Marion

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	2017	2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	29,913	16,271
Trade & Other Receivables	5b	5,840	4,754
Other Financial Assets	5c	11,900	8,200
Inventories	5d	248	176
Total Current Assets		47,901	29,401
Non-Current Assets			
Equity Accounted Investments in Council Businesses	6a	6,059	5,659
Infrastructure, Property, Plant & Equipment	7a	1,135,662	1,111,658
Other Non-Current Assets	6b	5,202	2,341
Total Non-Current Assets		1,146,923	1,119,658
TOTAL ASSETS		1,194,824	1,149,059
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	10,235	6,082
Borrowings	8b	1,197	1,126
Provisions	8c	5,239	5,192
Total Current Liabilities		16,671	12,400
Non-Current Liabilities			
Borrowings	8b	7,905	9,102
Provisions	8c	701	744
Total Non-Current Liabilities		8,606	9,846
TOTAL LIABILITIES		25,277	22,246
Net Assets		1,169,547	1,126,813
EQUITY			
Accumulated Surplus		373,871	369,211
Asset Revaluation Reserves	9a	765,159	735,835
Other Reserves	9b	30,517	21,767
Total Council Equity		1,169,547	1,126,813

City of Marion

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
2017					
Balance at the end of previous reporting period		369,211	735,835	21,767	1,126,813
a. Net Surplus / (Deficit) for Year		13,410	-	-	13,410
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	29,324	-	29,324
Other Comprehensive Income		-	29,324	-	29,324
Total Comprehensive Income		13,410	29,324	-	42,734
c. Transfers between Reserves		(8,750)	-	8,750	-
Balance at the end of period		373,871	765,159	30,517	1,169,547
2016					
Balance at the end of previous reporting period		360,929	740,335	19,204	1,120,468
a. Net Surplus / (Deficit) for Year		10,845	-	-	10,845
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	(4,500)	-	(4,500)
Other Comprehensive Income		-	(4,500)	-	(4,500)
Total Comprehensive Income		10,845	(4,500)	-	6,345
c. Transfers between Reserves		(2,563)	-	2,563	-
Balance at the end of period		369,211	735,835	21,767	1,126,813

City of Marion

Statement of Cash Flows

for the year ended 30 June 2017

\$ '000	Notes	2017	2016
Cash Flows from Operating Activities			
<u>Receipts</u>			
Rates Receipts		72,393	69,633
Statutory Charges		1,888	1,813
User Charges		2,013	1,948
Grants, Subsidies and Contributions (operating purpose)		9,377	6,821
Investment Receipts		929	696
Reimbursements		725	895
Other Receipts		3,555	4,072
<u>Payments</u>			
Payments to Employees		(32,423)	(32,638)
Payments for Materials, Contracts & Other Expenses		(26,707)	(31,631)
Finance Payments		(613)	(700)
Net Cash provided by (or used in) Operating Activities	11b	31,137	20,909
Cash Flows from Investing Activities			
<u>Receipts</u>			
Nil			
Amounts Received Specifically for New/Upgraded Assets		2,524	540
Sale of Replaced Assets		2,049	559
Sale of Surplus Assets		363	-
<u>Payments</u>			
Nil			
Expenditure on Renewal/Replacement of Assets		(12,675)	(9,528)
Expenditure on New/Upgraded Assets		(4,931)	(8,796)
Net Purchase of Investment Securities		(3,700)	(5,450)
Net Cash provided by (or used in) Investing Activities		(16,370)	(22,675)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Proceeds from Bonds & Deposits		3	21
<u>Payments</u>			
Repayments of Borrowings		(1,126)	(1,672)
Repayment of Bonds & Deposits		(2)	-
Net Cash provided by (or used in) Financing Activities		(1,125)	(1,651)
Net Increase (Decrease) in Cash Held		13,642	(3,417)
plus: Cash & Cash Equivalents at beginning of period	11	16,271	19,688
Cash & Cash Equivalents at end of period	11	29,913	16,271

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

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City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared on a going concern basis using the historical cost convention in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*.

1.2 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

City of Marion is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 245 Sturt Road, Sturt. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

Other entities in which Council has an interest but does not control are reported in Note 19.

3 Income Recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

In recent years the payment of untied financial assistance grants has varied from the annual allocation as shown in the table below:

	Cash Payment Received	Annual Allocation	Difference
2014/15	\$4,173,716	\$2,736,897	+\$1,436,819
2015/16	\$1,278,810	\$2,715,629	-\$1,436,819
2016/17	\$4,091,214	\$2,700,069	+\$1,391,145

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

5 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

6 Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Category	Individual Threshold
Infrastructure	\$5,000
Land	N/a
Land Improvements	\$5,000
Buildings	\$5,000
Furniture and Fittings	\$3,000
Equipment	\$3,000
Other	\$3,000

Thresholds are also applied to Aggregated Assets in determining whether the value is considered material.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

Category	Aggregated Threshold
Infrastructure	
Reserve Lighting	\$1,000,000
Reserve Pathways	\$1,000,000
Reserve Irrigation	\$1,000,000
Buildings	
Bus Shelters	\$1,000,000
Shelters/Gazebos	\$100,000
Fencing	\$100,000
Furniture and Fittings	\$25,000
Equipment	\$100,000
Other	
BBQs	\$100,000
Reserve Furniture	\$500,000
Cricket Practice Nets	\$100,000
Drink Fountains	\$50,000
Play Equipment Softfall	\$50,000
Reserve Bollards	\$500,000
Reserve Bins	\$100,000
City Band Instruments	\$100,000
Council Artwork	\$100,000
Library Stock	\$1,000,000

6.3 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

6.4 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are listed below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but

appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

	Short Life Years	Long Life Years
Furniture & Equipment		
Office Equipment	3 to 15	N/a
Office Furniture	10 to 15	N/a
Vehicles and Heavy Equipment	3 to 15	N/a
Other Plant & Equipment	7 to 25	N/a
Buildings		
Super Structure	N/a	80 to 200
Structure	40 to 80	N/a
Roofing	40	N/a
Services	40 to 50	N/a
Fitout	15 years	N/a
Infrastructure		
Sealed Roads – Surface	25 to 40	N/a
Road Base	60 to 100	200
Road Formation	100 to 175	200
Kerb	70 - 105	200
Footpath – Bitumen/Rubber	20 to 40	60 to 100
Footpath – Concrete	50 to 85	200
Footpath – Paved	50 to 85	200
Other Road Structures	20 to 60	40 to 80
Traffic Signs	15 to 20	60
Bridges	80 to 140	200
Stormwater Pipes Standard	100 to 175	200
Junction Boxes	100 to 175	200
Pollutant Traps	100 to 175	200
Box Culverts	100 to 175	200
Headwalls	100 to 175	200
Drainage Pits	100 to 175	200
Other Infrastructure		
Wetland Assets	15-100	250 years
Car Parks	25 to 40	N/a
Irrigation	25	N/a
Lighting	15-40	N/a
Recreation Pathways	40	N/a
Sports Floodlights	25	N/a

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

<i>Other Assets</i>		
Library Books - Paperbacks	7	N/a
Library Books - Hardcover	7	N/a
Other Library (CD's, DVD's, Toys)	3 to 7	N/a
Playground Equipment	20	N/a
Reserve Furniture	7 to 40	N/a
Band Instruments	60	N/a
Civic Art Structures	30 to 80	N/a

6.5 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

6.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

7 Payables

7.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7.2 Payments Received in Advance & Deposits

Amounts other than grants received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

8 Borrowings

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

10 Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117.

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed within the appropriate asset class, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

11 Equity Accounted Council Businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

12 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

13 New accounting standards and interpretations

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

City of Marion has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

This year Council has applied AASB 124 Related Party Disclosures for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in Note 23.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 9 *Financial Instruments (December 2009)*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 16 *Leases*

14 Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

15 Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 2. Income

\$ '000	Notes	2017	2016
(a). Rates Revenues			
General Rates			
General Rates		71,746	69,233
Less: Mandatory Rebates		(1,060)	(1,026)
Less: Discretionary Rebates, Remissions & Write Offs		(7)	(2)
Total General Rates		70,679	68,205
Other Rates (Including Service Charges)			
Natural Resource Management Levy		1,666	1,562
Total Other Rates		1,666	1,562
Other Charges			
Penalties for Late Payment		246	230
Total Other Charges		246	230
Total Rates Revenues		72,591	69,997
(b). Statutory Charges			
Development Act Fees		810	810
Town Planning Fees		86	82
Animal Registration Fees & Fines		465	455
Parking Fines / Expiation Fees		518	466
Total Statutory Charges		1,879	1,813
(c). User Charges			
Hall & Equipment Hire		256	215
Sales - General		297	265
Sundry		785	695
Admission Fees		380	414
Rental Income		231	182
Total User Charges		1,949	1,771

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 2. Income (continued)

\$ '000	Notes	2017	2016
(d). Investment Income			
Interest on Investments			
- Local Government Finance Authority		924	692
- Banks & Other		5	4
Total Investment Income		929	696
(e). Reimbursements			
Private Works		171	201
Other		520	613
Total Reimbursements		691	814
(f). Other Income			
Insurance & Other Recoupments - Infrastructure, IPP&E		31	76
Sundry		124	137
Donations & Contributions income		324	302
Total Other Income		479	515
(g). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		2,524	540
Other Grants, Subsidies and Contributions		7,851	6,482
Individually Significant Item - Additional Grants Commission Payment (refer below)		1,391	-
Total Grants, Subsidies, Contributions		11,766	7,022
The functions to which these grants relate are shown in Note 12.			
(i) Sources of grants			
Commonwealth Government		3,613	4,684
State Government		7,956	1,986
Other		197	352
Total		11,766	7,022
(ii) Individually Significant Items			
Grant Commission (FAG) Grant Recognised as Income		1,391	-

In June 2017, Council received payment of the first two instalments of the 2017/18 Grants Commission (FAG) grant. This has had a material effect on Council's operating result in the 2016/17 financial year.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 2. Income (continued)

\$ '000	Notes	2017	2016
(h). Conditions over Grants & Contributions			
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:			
Unexpended at the close of the previous reporting period		1,245	4,225
<i>Less:</i>			
<i>Expended during the current period from revenues recognised in previous reporting periods</i>			
Other		(835)	(3,656)
Subtotal		(835)	(3,656)
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
Other		2,429	676
Subtotal		2,429	676
Unexpended at the close of this reporting period		2,839	1,245
Net increase (decrease) in assets subject to conditions in the current reporting period		1,594	(2,980)
(i). Physical Resources Received Free of Charge			
Land & Improvements		264	588
Roads, Bridges & Footpaths		83	-
Stormwater Drainage		68	-
Buildings		23	67
Other		1	-
Total Physical Resources Received Free of Charge		439	655

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 3. Expenses

\$ '000	Notes	2017	2016
(a). Employee Costs			
Salaries and Wages		27,408	27,036
Employee Leave Expense		2,609	2,564
Superannuation - Defined Contribution Plan Contributions	18	2,488	2,451
Workers' Compensation Insurance		890	922
Less: Capitalised and Distributed Costs		(1,174)	(1,190)
Total Operating Employee Costs		32,221	31,783
Total Number of Employees (full time equivalent at end of reporting period)		344	342
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		37	51
Bad and Doubtful Debts		-	14
Elected Members' Expenses		340	332
Operating Lease Rentals - Cancellable Leases		450	462
Subtotal - Prescribed Expenses		827	859
(ii) Other Materials, Contracts and Expenses			
Contractors		12,770	12,576
Energy		1,815	1,735
Maintenance		2,014	1,767
Legal Expenses		180	424
Levies Paid to Government - NRM levy		1,683	1,573
Levies - Other		160	125
Parts, Accessories & Consumables		2,681	3,044
Professional Services		977	1,066
Sundry		1,826	1,572
Insurance		627	643
Fringe Benefits Tax		215	227
Advertising		103	151
Printing & Postage		331	285
Memberships & Subscriptions		209	193
Bank Fees & Charges		203	209
Telecommunication Charges		162	178
Subtotal - Other Material, Contracts & Expenses		25,956	25,768
Total Materials, Contracts and Other Expenses		26,783	26,627

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 3. Expenses (continued)

\$ '000	Notes	2017	2016
(c). Depreciation, Amortisation and Impairment			
(i) Depreciation and Amortisation			
Buildings & Other Structures		4,927	4,279
Infrastructure		8,361	5,933
- Other		1,380	1,168
Plant & Equipment		1,260	1,308
Furniture & Fittings		76	71
Intangible Assets		54	67
Other Assets		954	916
Subtotal		17,012	13,742
Less: Capitalised and Distributed costs		(142)	(108)
Total Depreciation, Amortisation and Impairment		16,870	13,634
(d). Finance Costs			
Interest on Loans		613	700
Total Finance Costs		613	700

Note 4. Asset Disposal & Fair Value Adjustments

Infrastructure, Property, Plant & Equipment

Assets Renewed or Directly Replaced			
Proceeds from Disposal		2,412	559
Less: Carrying Amount of Assets Sold		(3,638)	(792)
Gain (Loss) on Disposal		(1,226)	(233)
Net Gain (Loss) on Disposal or Revaluation of Assets		(1,226)	(233)

Note 5. Current Assets

(a). Cash & Cash Equivalents

Cash on Hand at Bank		213	321
Short Term Deposits & Bills, etc.		29,700	15,950
Total Cash & Cash Equivalents		29,913	16,271

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 5. Current Assets (continued)

\$ '000	Notes	2017	2016
(b). Trade & Other Receivables			
Rates - General & Other		2,065	1,981
Rates Postponed for State Seniors		145	31
Accrued Revenues		467	225
Debtors - General		1,463	1,739
GST Recoupment		1,064	247
Prepayments		636	531
Total Trade & Other Receivables		5,840	4,754

(c). Other Financial Assets (Investments)

Other Financial Assets (Term Deposits with over 90 days to maturity)		11,900	8,200
Total Other Financial Assets (Investments)		11,900	8,200

Amounts included in other financial assets that are not expected to be received within 12 months of reporting date are disclosed in Note 13

(d). Inventories

Stores & Materials		248	176
Total Inventories		248	176

Note 6. Non-Current Assets

(a). Equity Accounted Investments in Council Businesses

Southern Region Waste Resource Authority	19	5,971	5,559
Council Solutions	19	88	100
Total Equity Accounted Investments in Council Businesses		6,059	5,659

(b). Other Non-Current Assets

Capital Works-in-Progress		4,978	2,121
Computer Software & Licences		1,238	1,180
Less Accumulated Amortisation		(1,014)	(960)
Total Other Non-Current Assets		5,202	2,341

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

Note 7a (i). Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/6/2016					Asset Movements during the Reporting Period						as at 30/6/2017				
		At Fair Value	At Cost	Accumulated		Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated		Carrying Value
				Dep'n	Impairment		New / Upgrade	Renewals							Dep'n	Impairment	
Land	2	341,485	2,224	-	-	343,709	429	-	(307)	-	-	16,313	357,491	2,653	-	-	360,144
Buildings & Other Structures	3	144,471	26,420	81,414	-	89,477	564	452	(2,360)	(4,927)	-	-	136,341	27,436	80,571	-	83,206
Infrastructure	3	728,024	2,145	104,329	-	625,840	2,083	7,267	-	(8,361)	-	12,997	741,028	4,562	105,764	-	639,826
- Other	3	47,744	4,780	14,979	-	37,545	629	1,001	(552)	(1,380)	-	-	46,771	6,410	15,938	-	37,243
Plant & Equipment		-	12,805	6,534	-	6,271	67	1,821	(409)	(1,260)	-	-	-	13,687	7,197	-	6,490
Furniture & Fittings		(1)	1,775	862	-	912	8	4	(6)	(76)	-	-	-	1,734	892	-	842
Other Assets		13,655	987	6,738	-	7,904	415	536	(4)	(954)	-	14	13,295	1,938	7,322	-	7,911
Total Infrastructure, Property, Plant & Equipment		1,275,378	51,136	214,856	-	1,111,658	4,195	11,081	(3,638)	(16,958)	-	29,324	1,294,926	58,420	217,684	-	1,135,662
Comparatives		1,254,679	31,481	184,757	-	1,101,403	17,156	12,066	(792)	(13,675)	(12,653)	8,153	1,275,378	51,136	214,856	-	1,111,658

Note 7a (ii). Investment Property

Nil

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property

\$ '000

Valuation of Assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 7a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

Information on Valuations

Accounting procedure: Upon revaluation, the current new replacement cost and accumulated depreciation are restated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be the current replacement cost.

Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

There is no known market for buildings, infrastructure and other assets. These assets are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

\$ '000

Valuation of Assets (continued)

Other Information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.D5 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

Upon revaluation, the current new replacement cost and accumulated depreciation are re stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, current replacement cost is taken to be the fair value.

Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

Transition to AASB 13 - Fair Value Measurement

The requirements of AASB 13 Fair Value Measurement have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

Fair value hierarchy level 2 valuations: Land is shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of valuations of buildings, infrastructure and other assets: There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

\$ '000

Valuation of Assets (continued)

Land & Land Improvements

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. A desktop revaluation was carried out by independent valuation for the reporting period, 30 June 2017.

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis. No capitalisation threshold is applied to the acquisition of land or interests in land.

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis. Additions are recognised at cost.

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset. Currently there are no assets that require this treatment.

Buildings & Other Structures

A desktop revaluation was carried out by independent valuation for this reporting period, 30 June 2017.

Infrastructure

A desktop revaluation of infrastructure assets (roads, footpaths, kerbs, drains, bridges, traffic devices and traffic signs) was carried out by independent valuation for this reporting period, 30 June 2017.

A desktop revaluation was carried out by independent valuation for this reporting period, 30 June 2017 for other infrastructure assets such as car parks, lighting, walking trails and reserve pathways

All acquisitions made after the respective dates of valuation are recorded at cost.

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

All other Assets

A desktop revaluation was carried out by independent valuation for this reporting period, 30 June 2017, apart from Library Stock which is valued by Council Officers at written down replacement cost on an annual basis.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 8. Liabilities

\$ '000	Notes	2017 Current	2017 Non Current	2016 Current	2016 Non Current
(a). Trade and Other Payables					
Goods & Services		9,451	-	5,317	-
Accrued Expenses - Employee Entitlements		737	-	599	-
Accrued Expenses - Other		20	-	27	-
Deposits, Retentions & Bonds		23	-	22	-
Other		4	-	117	-
Total Trade and Other Payables		10,235	-	6,082	-

(b). Borrowings

Loans	1,197	7,905	1,126	9,102
Total Borrowings	1,197	7,905	1,126	9,102

All interest bearing liabilities are secured over the future revenues of the Council

(c). Provisions

Employee Entitlements (including oncosts)	5,239	701	5,192	744
Total Provisions	5,239	701	5,192	744

Note 9. Reserves

\$ '000	1/7/2016	Increments (Decrements)	Transfers	Impairments	30/6/2017
(a). Asset Revaluation Reserve					
Land	242,532	16,313	-	-	258,845
Buildings & Other Structures	59,250	-	-	-	59,250
Infrastructure	12,860	12,997	-	-	25,857
- Stormwater Drainage	97,742	-	-	-	97,742
- Other	1,302	-	-	-	1,302
- Roads, Bridges, Footpaths	318,547	-	-	-	318,547
Other Assets	4,492	14	-	-	4,506
JV's / Associates - Other Comprehensive Income	(890)	-	-	-	(890)
Total Asset Revaluation Reserve	735,835	29,324	-	-	765,159
Comparatives	740,335	(4,500)	-	-	735,835

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 9. Reserves (continued)

\$ '000	Notes	1/7/2016	Increments (Decrements)	Transfers	Impairments	30/6/2017
(b). Other Reserves						
Open Space Reserve		1,014	174	-	-	1,188
Grants/Carry Forward Projects Reserve		10,506	9,920	(6,728)	-	13,698
Asset Sustainability Reserve		10,247	5,835	(451)	-	15,631
Total Other Reserves		21,767	15,929	(7,179)	-	30,517
Comparatives		19,204	18,085	(15,522)	-	21,767

PURPOSES OF RESERVES

Asset Revaluation Reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

Available-for-sale Investments Reserve

This reserve records the net difference between original cost, and fair value at reporting date, of financial instruments classified as available-for-sale. On disposal of the financial instrument, the balance standing in the reserve in relation to that instrument is transferred to profit and loss (see Note 4).

Open Space Reserve

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

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

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

Grants/Carry Forward Projects Reserve

Purpose - this reserve was created for:

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

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

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

Use of Fund - monies are utilised in accordance with the original purpose.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 9. Reserves (continued)

\$ '000

Asset Sustainability Reserve

Purpose - this is a reserve fund established to:

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

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

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

Note 10. Assets Subject to Restrictions

\$ '000

Notes

2017

2016

The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

Cash & Financial Assets

Unexpended amounts received from Federal Government

Other

2,839

1,245

Total Cash & Financial Assets

2,839

1,245

Total Assets Subject to Externally Imposed Restrictions

2,839

1,245

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2017	2016
(a). Reconciliation of Cash			
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Total Cash & Equivalent Assets	5a	29,913	16,271
Balances per Statement of Cash Flows		29,913	16,271
(b). Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus/(Deficit)		13,410	10,845
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		16,870	13,634
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(400)	(539)
Non-Cash Asset Acquisitions		(439)	(655)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(2,524)	(540)
Net (Gain) Loss on Disposals		1,226	233
		28,143	22,978
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(1,086)	(718)
Net (Increase)/Decrease in Inventories		(72)	(10)
Net (Increase)/Decrease in Other Current Assets		(4)	(48)
Net Increase/(Decrease) in Trade & Other Payables		4,152	(1,217)
Net Increase/(Decrease) in Unpaid Employee Benefits		4	(76)
Net Cash provided by (or used in) operations		31,137	20,909
(c). Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
- Physical Resources Received Free of Charge	2i	439	655
Amounts recognised in Income Statement		439	655
Total Non-Cash Financing & Investing Activities		439	655
(d). Financing Arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Corporate Credit Cards		75	75
LGFA Cash Advance Debenture Facility		11,000	11,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Council also has immediate access to a short-term draw-down facility, and variable interest rate borrowings under a cash advance facility, both from the Local Government Finance Authority of SA.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
\$ '000										
Leader in the Delivery of the Community Vision										
Development Assessment	1,086	1,077	3,669	3,651	(2,583)	(2,574)	3	6	-	-
Crime Prevention	1	-	390	380	(389)	(380)	-	-	-	-
Community Support & Development	3,404	3,162	9,701	10,072	(6,297)	(6,910)	1,999	1,788	115,560	118,975
Public & Environment Health	90	86	843	844	(753)	(758)	38	38	-	-
General Inspection	1,011	950	1,589	1,561	(578)	(611)	1	2	-	-
Public Infrastructure	3,713	2,852	18,132	15,769	(14,419)	(12,917)	3,319	2,344	707,144	691,032
Open Space	260	591	12,000	11,575	(11,740)	(10,984)	59	433	264,162	263,975
Public Conveniences	2	2	516	502	(514)	(500)	-	-	3,005	2,967
Strategic Projects	25	12	1,276	1,186	(1,251)	(1,174)	21	6	1	2
Asset Management	-	-	-	-	-	-	-	-	17,492	17,805
Neighbourhood Centres	640	590	2,480	2,322	(1,840)	(1,732)	382	358	6,882	6,901
Cultural Development	311	304	3,371	2,962	(3,060)	(2,658)	24	14	11,129	11,500
Libraries	700	669	7,518	7,427	(6,818)	(6,758)	547	553	14,581	16,141
Waste & Recycling	56	52	7,525	7,195	(7,469)	(7,143)	3	1	5,972	5,019
Trees	-	-	-	-	-	-	-	-	-	-
Economic Development	204	53	749	606	(545)	(553)	160	40	-	-
Total Leader in the Delivery of the Community Vision	11,503	10,400	69,759	66,052	(58,256)	(55,652)	6,556	5,583	1,145,928	1,134,317
Organisation of Excellence										
Governance	89	83	4,130	4,074	(4,041)	(3,991)	1	-	2	4
Service Quality	1	1	136	142	(135)	(141)	-	-	578	681
Total Organisation of Excellence	90	84	4,266	4,216	(4,176)	(4,132)	1	-	580	685
Treasury	76,167	71,604	2,462	2,476	73,705	69,128	2,685	899	48,316	14,057
Total Functions/Activities	87,760	82,088	76,487	72,744	11,273	9,344	9,242	6,482	1,194,824	1,149,059

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, net gain (loss) from joint ventures & associated entities, amounts received specifically for new or upgraded assets and physical resources received free of charge.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 12b. Components of Functions

\$ '000

The activities relating to Council functions are as follows:

Leader in the Delivery of the Community Vision – “Broad Horizons, Bright Future”

PUBLIC INFRASTRUCTURE

Includes the design, development and maintenance of footpaths, streets, drainage and kerb and water table, as well as street signs, traffic control devices and line-marking ensuring that local neighbourhoods are safe and accessible with good amenity

WASTE & RECYCLING

Services including domestic kerbside collection, hard rubbish collection, street sweeping and general litter collection to maintain cleanliness and amenity

OPEN SPACE

Parks, reserves, ovals and streetscape development and maintenance providing well maintained public spaces for use by all members of the community

LIBRARIES

Providing opportunities for learning and social activities for all ages and interests

ASSET MANAGEMENT

Management and maintenance of Council properties enabling them to be utilised by members of the community for various purposes such as meetings, social activities and programs

COMMUNITY SUPPORT & DEVELOPMENT

Services such as home and community care, youth services, support for volunteers and community transport providing direct support to groups within the community

COMMUNITY DEVELOPMENT

Recreation, sport and leisure facilities, services and activities that provide opportunities for community members to socialise and undertake physical activity

DEVELOPMENT ASSESSMENT

Building and planning services which ensure that houses are safely constructed and designed and developed in a manner which is sympathetic to the local neighbourhood

CULTURAL DEVELOPMENT

Supporting community involvement in arts and cultural activity and expression, celebrating diversity, indigenous people and those from culturally and linguistically diverse backgrounds. This includes the Marion Cultural Centre and Living Kaurna Cultural Centre providing cultural and artistic experiences for the community

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 12b. Components of Functions (continued)

\$ '000

The activities relating to Council functions are as follows: (continued)

TREES

Provision of street trees and revegetation programs to improve amenity and promote, where possible, the use of indigenous plants

NEIGHBOURHOOD CENTRES

Providing opportunities for learning and social activities for all ages and interests

PUBLIC & ENVIRONMENTAL HEALTH

Services such as food safety and public health inspections, immunisation and enforcement of certain environmental regulations as well as Planning, information, advice and demonstration to promote environmentally sensitive practices by both Council and the community

ECONOMIC DEVELOPMENT

Planning and support for existing and potential businesses to assist businesses to adapt to changing circumstance and provide an employment base for the Marion community

STRATEGIC PROJECTS

Major projects such as the Marion South Plan and State Aquatic Centre aimed at providing improved services and facilities for the Community

CRIME PREVENTION

Services such as graffiti removal and working with other agencies to improve the safety and amenity of the community

GENERAL INSPECTION

Services include dog and cat control, pest control, parking control and the enforcement of by-laws to ensure that the community is safe and orderly

PUBLIC CONVENIENCES

Services such as provision and maintenance of public toilets in close proximity to highly frequented reserves and other open space areas

Organisation of Excellence

To lead in the delivery of the Community Vision, the organisation must maintain its sustainability. This underpins our Corporate Vision of "An Organisation of Excellence". To achieve this, the following essential support services are funded in the budget.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 12b. Components of Functions (continued)

\$ '000

The activities relating to Council functions are as follows: (continued)

Excellence in Governance

Elected Member Support

Provision of services which enable Elected Members to undertake their role in making decisions for the Council and community, including Council meetings, elections, council receptions and Sister City activities

Strategic, corporate and sustainability planning and policy development

To ensure that Council is progressing towards achieving the Community Vision 2020 and its strategic social, cultural, and economic and environmental sustainability goals in a transparent and accountable manner, working with our Local, State, and Federal Government partners

Financial services

Including budgeting, rating, accounts management and payroll, which ensure sound and transparent financial management which enables Council to provide adequate services and facilities and appropriately address community needs

Risk management policy, development and internal audit

Activities to ensure that Council is continuously improving its management systems

External relations, communication and community engagement

Enables the community to be appropriately and adequately informed about the activities and decisions of the Council

Service Quality

Customer service

In particular the Customer Service Centre, which enables Council staff to liaise with the community to address issues and concerns directly with Council, as well as provide the community with information and referral to other services provided in the region

Information technology

Provides support to Council staff for their technological needs to enable them to contribute towards delivery of the Community Vision as well as access by the community to Council information and services through the internet and email

Information Management

Enables Council to keep adequate and appropriate records of activities and decisions

Employer of Choice

Human Resources

Services that provide support for staff to undertake their roles to deliver the Community Vision

Occupational Health & Safety

Services to ensure that work is undertaken in a manner that is safe for the staff and community

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 13. Financial Instruments

\$ '000

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

Carried at lower of cost and net realisable value; Interest is recognised when earned.

Terms & Conditions:

Deposits are returning fixed interest rates between 1.85% and 2.40% (2016: 1.90% and 2.79%). Short term deposits have an average maturity of 95 days and an average interest rate of 2.42% (2016: 76 days and 2.79%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables

Rates & Associated Charges

(including legals & penalties for late payment)

Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.

Accounting Policy:

Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

Terms & Conditions:

Secured over the subject land, arrears attract interest of 2% (2016: 2%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables

Fees & Other Charges

Accounting Policy:

Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

Terms & Conditions:

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments

Receivables

Other Levels of Government

Accounting Policy:

Carried at nominal value.

Terms & Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

Carrying Amount:

Approximates fair value.

Liabilities

Creditors and Accruals

Accounting Policy:

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities

Interest Bearing Borrowings

Accounting Policy:

Carried at the principal amounts. Interest is charged as an expense as it accrues.

Terms & Conditions:

Secured over future revenues, borrowings are repayable over 10 to 15 years; interest is charged at fixed rates between 5.80% and 6.85% (2016: 5.80% and 6.85%).

Carrying Amount:

Approximates fair value.

Liabilities

Finance Leases

Accounting Policy:

Accounted for in accordance with AASB 117.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2017					
Financial Assets					
Cash & Equivalents	29,913	-	-	29,913	29,913
Receivables	1,930	-	-	1,930	1,930
Other Financial Assets	11,900	-	-	11,900	11,900
Total Financial Assets	43,743	-	-	43,743	43,743

Financial Liabilities					
Payables	10,235	-	-	10,235	10,235
Current Borrowings	1,743	-	-	1,743	1,197
Non-Current Borrowings	-	5,791	4,235	10,026	7,905
Total Financial Liabilities	11,978	5,791	4,235	22,004	19,337

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2016					
Financial Assets					
Cash & Equivalents	16,271	-	-	16,271	16,271
Receivables	1,964	-	-	1,964	1,964
Other Financial Assets	8,200	-	-	8,200	8,200
Total Financial Assets	26,435	-	-	26,435	26,435

Financial Liabilities					
Payables	6,082	-	-	6,082	6,082
Current Borrowings	1,743	-	-	1,743	1,126
Non-Current Borrowings	-	6,452	5,316	11,768	9,102
Total Financial Liabilities	7,825	6,452	5,316	19,593	16,310

The following interest rates were applicable
to Council's Borrowings at balance date:

	30 June 2017		30 June 2016	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	6.17%	9,102	6.20%	10,228
		9,102		10,228

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 13. Financial Instruments (continued)

\$ '000

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any allowance for doubtful debts. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor **currency risk** apply.

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

Note 14. Commitments for Expenditure

\$ '000

Notes

2017

2016

Capital Commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Land	56	36
Buildings	961	76
Infrastructure	2,952	1,530
Plant & Equipment	208	41
Other	64	64
	4,241	1,747

These expenditures are payable:

Not later than one year	4,241	1,747
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	4,241	1,747

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 15. Financial Indicators

	Amounts	Indicator	Prior Periods	
\$ '000	2017	2017	2016	2015

These Financial Indicators have been calculated in accordance with *Information paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

1. Operating Surplus Ratio

Operating Surplus	11,673	13%	12%	12%
Total Operating Revenue	88,173			

This ratio expresses the operating surplus as a percentage of total operating revenue.

1a. Adjusted Operating Surplus Ratio

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The Adjusted Operating Surplus Ratio adjusts for the resulting distortion in the disclosed operating result for each year.

10,282	12%	12%	10%
88,173			

2. Net Financial Liabilities Ratio

Net Financial Liabilities	(22,376)	(25%)	(8%)	(2%)
Total Operating Revenue	88,173			

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.

3. Asset Sustainability Ratio

Net Asset Renewals	12,675	75%	84%	76%
Infrastructure & Asset Management Plan required expenditure	16,870			

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 16. Uniform Presentation of Finances

\$ '000	2017	2016
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	88,173	82,628
less Expenses	(76,500)	(72,745)
Operating Surplus / (Deficit)	11,673	9,883
less Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	12,675	9,528
less Depreciation, Amortisation and Impairment	(16,870)	(13,634)
less Proceeds from Sale of Replaced Assets	(2,049)	(559)
Subtotal	(6,244)	(4,665)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	4,931	8,256
less Amounts Received Specifically for New and Upgraded Assets	(2,524)	540
less Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	(363)	-
Subtotal	2,044	8,796
Net Lending / (Borrowing) for Financial Year	15,873	5,752

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 17. Operating Leases

\$ '000	2017	2016
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Lease Payment Commitments of Council

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment.

No contingent rentals were paid during the current or previous reporting periods.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease return or acquire the equipment leased

No lease contains any escalation clause

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

Not later than one year	300	385
Later than one year and not later than 5 years	287	415
Later than 5 years	-	-
	587	800

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 18. Superannuation

\$ '000

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2016/17; 9.50% in 2015/16). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2015/16) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 19. Interests in Other Entities

\$ '000

All joint ventures and associates are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

	Council's Share of Net Income		Council's Share of Net Assets	
	2017	2016	2017	2016
Joint Ventures	400	539	6,059	5,659
Total	400	539	6,059	5,659

(i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

(a) Carrying Amounts

Name of Entity	Principal Activity	2017	2016
Southern Region Waste Resource Authority (SRWRA)	Waste Disposal	5,971	5,558
Council Solutions	Procurement	88	101
Total Carrying Amounts - Joint Ventures & Associates		6,059	5,659

Southern Region Waste Resource Authority (SRWRA)

The Southern Region Waste Resource Authority was established under Section 43 of the Local Government Act to provide and operate services for the management of waste and waste facilities under its control on behalf of its constituent councils.

The SRWRA owns and operates the Southern Region Waste Disposal Depot on behalf of the Cities of Holdfast Bay, Marion and Onkaparinga.

The City of Marion has an equal voting right and a 30% interest in the assets and liabilities of SRWRA. For the year ended 30 June 2017, the net assets of SRWRA total \$19,903,000. The City of Marion interest, totalling \$5,971,000 is disclosed below.

In 2006 the decision was taken to equity account for this investment due to a change in the operations of the business. Initial balances were brought to account through accumulated surplus.

Council Solutions

Established by the Cities of Adelaide, Charles Sturt, Marion, Onkaparinga, Salisbury and Tea Tree Gully in December 2012, this regional joint venture has been established for the purposes of providing a centre of excellence in procurement and to provide services to the Constituent Councils

The City of Marion has a 16.67% interest in the assets and liabilities of Council Solutions. For the year ended 30 June 2017, the net assets of Council Solutions total \$526,000. The City of Marion interest, totalling \$88,000 is disclosed below.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 19. Interests in Other Entities (continued)

\$ '000

(b) Relevant Interests

Name of Entity	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2017	2016	2017	2016	2017	2016
Southern Region Waste Resource Authority (SRWRA)	30%	30%	30%	30%	30%	30%
Council Solutions	17%	17%	17%	17%	17%	17%

(c) Movement in Investment in Joint Venture or Associate

	Southern Region Waste Resource Authority (SRWRA)		Council Solutions	
	2017	2016	2017	2016
Opening Balance	5,558	5,018	101	102
Share in Operating Result	413	540	(13)	(1)
Council's Equity Share in the Joint Venture or Associate	5,971	5,558	88	101

(d). Share of Joint Operations Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

(i) Capital Expenditures Payable

	2017	2016
Not later than one year	-	527
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	-	527

(ii) Operating Expenditures Payable

	2017	2016
Not later than one year	18	18
Later than one year and not later than 5 years	37	55
Later than 5 years	-	-
	55	73

Note 20. Non-Current Assets Held for Sale & Discontinued Operations

Council does not have any Non-Current Assets Held for Sale or any Discontinued Operations

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 21. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but knowledge & is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. LAND UNDER ROADS

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

2. POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

3. BANK GUARANTEES

Council currently has no guaranteed loans or other banking facilities advanced to community organisations and sporting bodies at reporting date.

4. LEGAL MATTERS

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 6 appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2017, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 24/10/17.

Council is unaware of any material or significant "non adjusting events" that should be disclosed.

Note 23. Related Party Transactions

\$ '000

2017

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the *Local Government Act 1999*. In all, 17 persons were paid the following total compensation:

The compensation paid to Key Management Personnel comprises:

Salaries, Allowances & Other Short-Term Employee Benefits	1,167
Post-Employment Benefits	74
Total	1,241

Amounts paid as direct reimbursement of expenses incurred on behalf of Council have not been included above.

Receipts from Key Management Personnel comprise:

Other than amounts paid as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.), Council received no receipts from Key Management Personnel.

Independent Auditor's Report to the Members of the Corporation of the City of Marion

Opinion

We have audited the financial report of the Corporation of the City of Marion (the "Council"), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the certification of financial statements as set out on pages 2 to 43.

In our opinion the accompanying financial report presents fairly, in all material respects, the Entity's financial position as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Chief Executive Officer is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Chief Executive Officer's Responsibilities for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011 and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of the financial report and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive Officer either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer.
- Conclude on the appropriateness of the Chief Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE TOUCHE TOHMATSU

Penny Woods
Partner
Chartered Accountants
Adelaide, 10 October 2017

Independent Assurance Report to the members of Corporation of the City of Marion

We have been engaged by the Corporation of the City of Marion (the "Council") to conduct a reasonable assurance engagement relating to the Council's compliance with the requirements of Section 125 of the Local Government Act 1999 in relation to the design and implementation of internal controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017 are in accordance with legislative provisions.

The Council's Responsibility for the Internal Controls

The Council is responsible for compliance with the material requirements of *Section 125 of the local Government Act 1999* in relation to the design and implementation of internal controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities are in accordance with legislative provisions.

Our Responsibility

Our responsibility is to express a conclusion on the Council's compliance with *Section 125 of the Local Government Act 1999* in relation to the design and implementation of internal controls, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the Australian Auditing and Assurance Standards Board, to express a conclusion whether, in our opinion, the Council has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to the design and implementation of internal controls for the period 1 July 2016 to 30 June 2017. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of internal controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these internal controls, assessing the risk that a material weakness exists, and testing and evaluating the design and implementation of internal controls on a sample basis based on the assessed risks.

Limitation on Use

This report has been prepared for the members of the Council in accordance with *Section 125 of the Local Government Act 1999* in relation to the design and implementation of internal controls. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

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Member of Deloitte Touche Tohmatsu Limited

Inherent Limitations

Because of the inherent limitations of any compliance procedure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement is not designed to detect all instances of non-compliance with the requirements as measured by the Section 125 of the Local Government Act 1999 in relation to the design and implementation of internal controls, as the engagement is not performed continuously throughout the period and the procedures performed in respect of compliance with requirements as measured by the Section 125 of the Local Government Act 1999 in relation to the design and implementation of internal controls are undertaken on a test basis.

The conclusion expressed in this report has been formed on the above basis.

Independence

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

Conclusion

In our opinion, the Council has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to the design and implementation of internal controls, established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017 are in accordance with legislative provisions.

DELOITTE TOUCHE TOHMATSU

Penny Woods
Partner
Chartered Accountants
Adelaide, 10 October 2017

City of Marion

General Purpose Financial Statements for the year ended 30 June 2017

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Marion for the year ended 30 June 2017, the Council's Auditor, Deloitte Touche Tohmatsu has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

Adrian Skull
CHIEF EXECUTIVE OFFICER

Greg Connor
PRESIDING MEMBER, AUDIT COMMITTEE

Date:

City of Marion

General Purpose Financial Statements for the year ended 30 June 2017

Statement by Auditor

I confirm that, for the audit of the financial statements of City of Marion for the year ended 30 June 2017, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

Penny Woods
Deloitte Touche Tohmatsu

Dated this day of 2017.



FINANCIAL REPORT

For the Financial Year Ended 30 June 2017

SOUTHERN REGION WASTE RESOURCE AUTHORITY

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SOUTHERN REGION WASTE RESOURCE AUTHORITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2017

CERTIFICATION OF FINANCIAL STATEMENTS

We have been authorised by the Southern Region Waste Resource Authority Board to certify the financial statements in their final form. In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and Australian Accounting Standards*.
- the financial statements present a true and fair view of the Authority's financial position at 30 June 2017 and the results of its operations and cashflows for the financial year.
- internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable throughout the financial year.
- the financial statements accurately reflect the Authority's accounting and other records.



.....
Mark Booth
Chairman



.....
Mark Hindmarsh
Executive Officer

Dated the 29th day of AUGUST 2017

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
INCOME			
User charges	2	11,617	9,294
Investment income	2	552	622
Other Income	2	244	631
Net gain - equity accounted Joint Venture	15	265	-
Total Income		12,678	10,547
EXPENSES			
Employee costs	3	1,194	1,025
Materials, contracts & other expenses	3	9,240	6,848
Depreciation, amortisation & impairment	3	949	784
Other Expenses	3	78	75
Net loss - equity accounted Joint Venture	15	-	20
Total Expenses		11,461	8,752
OPERATING SURPLUS / (DEFICIT)		1,217	1,795
Net gain (loss) on disposal or revaluation of assets	4	18	5
Amounts received specifically for new or upgraded assets		140	-
NET SURPLUS / (DEFICIT)		1,375	1,800
transfer to Equity Statement			
Other Comprehensive Income			
Changes in revaluation surplus - property, plant & equipment		-	-
Total Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		1,375	1,800

This Statement is to be read in conjunction with the attached Notes.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

		2017	2016
	Notes	\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	19,940	19,069
Trade & other receivables	5	2,025	867
Inventories	5	-	48
		<u>21,965</u>	<u>19,984</u>
Total Current Assets		<u>21,965</u>	<u>19,984</u>
Non-current Assets			
Equity Accounted Joint Venture	14	709	164
Property, Plant & Equipment	6	15,081	14,461
		<u>15,790</u>	<u>14,625</u>
Total Non-current Assets		<u>15,790</u>	<u>14,625</u>
Total Assets		<u>37,755</u>	<u>34,609</u>
LIABILITIES			
Current Liabilities			
Trade & Other Payables	7	2,529	1,365
Provisions	7	149	136
		<u>2,678</u>	<u>1,501</u>
Total Current Liabilities		<u>2,678</u>	<u>1,501</u>
Non-current Liabilities			
Provisions	7	15,174	14,580
		<u>15,174</u>	<u>14,580</u>
Total Non-current Liabilities		<u>15,174</u>	<u>14,580</u>
Total Liabilities		<u>17,852</u>	<u>16,081</u>
NET ASSETS		<u>19,903</u>	<u>18,528</u>
EQUITY			
Accumulated Surplus		19,903	18,528
TOTAL EQUITY		<u>19,903</u>	<u>18,528</u>

This Statement is to be read in conjunction with the attached Notes.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF CHANGES IN EQUITY for the financial year ended 30 June 2017

2017	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
Balance at end of previous reporting period		18,528	-	-	18,528
Adjustments due to compliance with revised Accounting Standards		-	-	-	-
Adjustments to give effect to changed accounting policies		-	-	-	-
Restated Opening Balance		18,528	-	-	18,528
Net Surplus/ (Deficit) for Year		1,375			1,375
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment		-	-	-	-
Transfers between reserves		-	-	-	-
Distributions to Member Councils		-	-	-	-
Balance at end of period		19,903	-	-	19,903

2016	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
Balance at end of previous reporting period		16,728	-	-	16,728
Adjustments due to compliance with revised Accounting Standards		-	-	-	-
Adjustments to give effect to changed accounting policies		-	-	-	-
Restated Opening Balance		16,728	-	-	16,728
Net Surplus/ (Deficit) for Year		1,800	-	-	1,800
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment		-	-	-	-
Transfers between reserves		-	-	-	-
Distributions to Member Councils		-	-	-	-
Balance at end of period		18,528	-	-	18,528

This Statement is to be read in conjunction with the attached Notes

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

		2017	2016
	Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Operating receipts		11,927	10,869
Investment receipts		552	621
<u>Payments</u>			
Operating payments to suppliers & employees		(10,279)	(8,898)
Net Cash provided by (or used in) Operating Activities	8 (b)	2,200	2,592
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		-	-
Sale of surplus assets		163	5
Distributions received from equity accounted Joint Venture	14	125	150
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(754)	(39)
Expenditure on new/upgraded assets		(863)	(2,739)
Capital contributed to equity accounted Joint Venture	14	-	(145)
Net Cash provided by (or used in) Investing Activities		(1,329)	(2,768)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Cash provided by (or used in) Financing Activities		-	-
Net Increase (Decrease) in cash held		871	(176)
Cash & cash equivalents at beginning of period		19,069	19,245
Cash & cash equivalents at end of period	8 (a)	19,940	19,069

This Statement is to be read in conjunction with the attached Notes

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian equivalents to International Financial Reporting Standards

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations (UIGs) and relevant South Australian legislation.

The Authority is a Local Government Authority Section 43 Regional Subsidiary under the control of City of Onkaparinga, City of Marion and the City of Holdfast Bay.

1.2 Historical Cost Convention

Except where stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

Southern Region Waste Resource Authority operates as a regional subsidiary pursuant to Section 43 of the SA Local Government Act 1999 and Section 25 of the Local Government Implementation Act 1999, and has its principal place of business at 112 Bakewell Dr, Seaford Heights SA 5169.

3 Income recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Authority obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at the Authority's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 10.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 1 - Significant Accounting Policies (cont)

5 Infrastructure, Property, Plant & Equipment

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use".

5.1 Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Authority includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant & equipment when completed ready for use.

5.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Authority for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. No capitalisation threshold is applied to the acquisition of land or interests in land.

Capitalisation threshold applied of \$1,000 for all asset classes. Any purchases greater than this amount are capitalised and depreciated on the Authority's asset register.

5.3 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Major depreciation periods for each class of asset are shown below. Depreciation on Landfill Construction assets are amortised proportionately to the rate of filling based upon the projected remaining airspace of landfill cells as at the beginning of the reporting period. The Authority annually assesses the remaining airspace of landfill cells and accordingly, depreciation and amortisation rates are adjusted to reflect these estimates. Depreciation periods for infrastructure assets have been estimated based on the best information available to the Authority, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Plant, Furniture & Equipment	3 to 10 years
Buildings	30 - 50 years
Waste Facility	10 to 15 years
Landfill Construction	Amortised proportionately to rate of filling

6 Payables

6.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 1 - Significant Accounting Policies (cont)

7 Employee Benefits

7.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

The Authority recognises all presently entitled liabilities as current liabilities regardless of whether it is expected to be paid within the preceding 12 months of reporting date.

7.2 Superannuation

The Authority makes employer superannuation contributions in respect of its employees to Statewide Super. The Scheme has two types of membership, each of which is funded differently.

Accumulation Fund Members

Accumulation fund members receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9.5% in 2016/17; 9.5% in 2015/16). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Members

Defined benefit scheme is where the benefit payable is based on a formula determined by the member's contribution rate, number of years of contribution and final average salary. The Authority makes employer contributions as determined by the scheme's Trustee based on advice from the Scheme's Actuarial. The most recent full actuarial investigation conducted by the Scheme's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to the Authority's contribution rates at some future time.

The Authority also makes contributions to other superannuation schemes selected by employees under the 'choice of fund' legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the new assets of the scheme, and no further liability attaches to the Authority.

8 Rehabilitation

Expenditures relating to ongoing rehabilitation and restoration reduce any provision previously established.

The Authority annually monitors the liability recorded for landfill rehabilitation and restoration estimates and makes adjustments to the liability as required to ensure an accurate projected cost of the liability is showing in the balance sheet. The Authority will be undertaking further detailed reviews of all rehabilitation and restoration liability costs in future years with the assistance of external consultants to ensure all projected costs have been independently verified.

9 Inventory

Inventory held by the Authority reflect materials stored on site which have either been purchased or gifted which will be used for future Cell and Capping construction works to be undertaken in future years.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 1 - Significant Accounting Policies (cont)

10 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax". Receivables and Creditors include GST receivable and payable. Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable. Non-current assets and capital expenditures include GST net of any recoupment.

Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

11 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with AIFRS.

12 New Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been used in preparing these reports.

The Authority is of the view that none of the new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

13 Valuation of Land and Building Assets

Land and Building assets held by the Authority were valued by Opteon (South Australia) Pty Ltd with an effective valuation date of 30 June 2014 applied for financial reporting purposes. Assets were valued to their market value based on the current zoning of the Onkaparinga Council Development Plan and Environmental Protection Agency (EPA) constraints and assessed market values based on highest and best use. All purchases made post 30 June 2014 have been recorded at Cost.

14 Consolidation of Asset Classes

During the 2016/17 financial year, the Authority undertook a consolidation of a number of asset classes in Note 6 of the Financial Statements. There was no impact to the financial performance or position of the Authority as a result of the consolidating asset classes.

The Authority undertook a review of the recognition basis for each constructed landfill cell to determine the most appropriate and reliable method to measure the consumption of constructed landfill airspace and recognition of capital works for asset depreciation purposes. It was determined that consolidating all existing landfill sites into a single cell is the most reliable and accurate method of measuring landfill activities given that the site is now operated as one large single cell site. As a result, the WDV of all landfill cell assets was consolidated as at 1 July 2016 and renamed 'Super Cell' in Note 6.

A review of the ongoing capping obligations for the site is being undertaken in the 2017/18 financial year. Any changes to key assumptions or estimates will be applied in the 2017/18 financial year once the review has been completed.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 2 - INCOME

	Notes	2017 \$'000	2016 \$'000
USER CHARGES			
Landfill Operations		11,617	9,294
		<u>11,617</u>	<u>9,294</u>
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		488	552
Banks & other		22	27
Investment property rental income		42	43
		<u>552</u>	<u>622</u>
OTHER INCOME			
Movement in Landfill Liabilities		-	228
Other Income		88	307
Southern Recycling Centre		156	96
		<u>244</u>	<u>631</u>

Note 3 - EXPENSES

EMPLOYEE COSTS			
Salaries and Wages		1,042	951
Employee leave expense		26	11
Superannuation		90	77
Workers' Compensation Insurance		50	43
Less: Capitalised and distributed costs		(14)	(57)
Total Operating Employee Costs		<u>1,194</u>	<u>1,025</u>
Total Number of Employees		11	10

(Full time equivalent at end of reporting period)

MATERIALS, CONTRACTS & OTHER EXPENSES

Prescribed Expenses

Auditor's Remuneration			
- Auditing the financial reports		16	19
Board Expenses		37	43
Operating Lease Rentals - cancellable leases		-	3
Subtotal - Prescribed Expenses		<u>53</u>	<u>65</u>

Other Materials, Contracts & Expenses

Contractors		238	227
Fuel		135	104
Equipment Hire		19	12
Maintenance		299	391
Legal Expenses		14	55
Levies paid- EPA Levy		8,018	5,582
Professional services		20	41
Southern Recycling Centre		60	10
Sundry		384	361
Subtotal - Other Materials, Contracts & Expenses		<u>9,187</u>	<u>6,783</u>
		<u>9,240</u>	<u>6,848</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 3 - EXPENSES (cont)

	Notes	2017 \$'000	2016 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Landfill Construction		488	401
Buildings & Waste Facility		99	45
Plant & Equipment		362	338
Impairment	6	-	-
		<u>949</u>	<u>784</u>
OTHER EXPENSES			
Transfer to Provision of Cell 3-1 & 3-2 Capping		<u>78</u>	<u>75</u>
		<u>78</u>	<u>75</u>

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

PROPERTY, PLANT & EQUIPMENT			
Proceeds from disposal		163	5
Less: Carrying amount of assets sold		<u>(145)</u>	<u>-</u>
Gain (Loss) on disposal		<u>18</u>	<u>5</u>
NET GAIN (LOSS) ON DISPOSAL OF ASSETS		<u>18</u>	<u>5</u>

Note 5 - CURRENT ASSETS

CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		3,787	1,304
Short Term Deposits & Bills, etc		<u>16,153</u>	<u>17,765</u>
		<u>19,940</u>	<u>19,069</u>
TRADE & OTHER RECEIVABLES			
Accrued Revenues		19	25
Debtors - general		1,994	823
Prepayments		<u>12</u>	<u>19</u>
		<u>2,025</u>	<u>867</u>
INVENTORIES			
Stores & Materials		-	48
		<u>-</u>	<u>48</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 6 - PROPERTY, PLANT & EQUIPMENT

	2016				2017			
	\$'000				\$'000			
	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	1,427	400	-	1,827	1,427	400	-	1,827
Buildings	560	780	(41)	1,299	560	3,825	(351)	4,034
Waste Facility		312	(211)	101	-	-	-	-
Plant & Equipment	-	4,220	(2,720)	1,500	-	4,150	(2,358)	1,792
Motor Vehicles	-	74	(13)	61	-	-	-	-
Office Equipment	-	126	(113)	13	-	132	(102)	30
Landfill Construction:								
Landfill Cell 3-1 & 3-2	-	5,293	(5,293)	-	-	-	-	-
Landfill Cell's 3-1 & 3-2 Capping	-	828	(828)	-	-	-	-	-
Cell 3-3 & 3-4 (Lower)	-	3,705	(3,264)	441	-	-	-	-
Cell 3-3 & 3-4 (Lower) Capping	-	2,755	(588)	2,167	-	-	-	-
Cell 4	-	3,607	(1,432)	2,175	-	-	-	-
Cell 4 (Capping)	-	1,727	(991)	736	-	-	-	-
Super Cell	-	-	-	-	-	7,436	(4,867)	2,569
Super Cell Capping	-	-	-	-	-	4,737	(1,777)	2,960
Post Clsoure Rehabilitation	-	5,733	(5,733)	-	-	5,851	(5,740)	111
Future Restoration Costs	-	4,028	(2,384)	1,644	-	4,159	(2,495)	1,664
Work in Progress	-	2,497	-	2,497	-	94	-	94
TOTAL PROPERTY, PLANT & EQUIPMENT	1,987	36,085	(23,611)	14,461	1,987	30,784	(17,690)	15,081
Comparatives	1,987	33,320	(18,693)	16,614	1,987	33,320	(18,693)	16,614

This Note continues on the following pages.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 6 - PROPERTY, PLANT & EQUIPMENT

	2016 \$'000	CARRYING AMOUNT MOVEMENTS DURING YEAR							2017 \$'000
		\$'000							
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Adjustments	Transfer	CARRYING AMOUNT
		Capital	Renewals						
Land	1,827	-	-	-	-	-	-	-	1,827
Buildings	1,299	714	-	-	(99)	-	2,120	-	4,034
Waste Facility	101	-	-	-	-	-	(101)	-	-
Plant & Equipment	1,500	-	732	(145)	(356)	-	61	-	1,792
Motor Vehicles	61	-	-	-	-	-	(61)	-	-
Office Equipment	13	-	23	-	(6)	-	-	-	30
Landfill Construction:									
Landfill Cell 3-1 & 3-2	-	-	-	-	-	-	-	-	-
Landfill Cell's 3-1 & 3-2 Capping	-	-	-	-	-	-	-	-	-
Cell 3-3 & 3-4 (Lower)	441	-	-	-	-	-	(441)	-	-
Cell 3-3 & 3-4 (Lower) Capping	2,167	-	-	-	-	-	(2,167)	-	-
Cell 4	2,175	-	-	-	-	-	(2,175)	-	-
Cell 4 (Capping)	736	-	-	-	-	-	(736)	-	-
Super Cell	-	126	-	-	(173)	-	2,616	-	2,569
Super Cell Capping	-	254	-	-	(197)	-	2,903	-	2,960
Post Closure Rehabilitation	-	118	-	-	(7)	-	-	-	111
Future Restoration Costs	1,644	131	-	-	(111)	-	-	-	1,664
Work in Progress	2,497	-	-	-	-	-	(2,019)	(384)	94
TOTAL PROPERTY, PLANT & EQUIPMENT	14,461	1,343	755	(145)	(949)	-	-	(384)	15,081
Comparatives	16,614	3,068	39	(60)	(784)	-	(4,416)	-	14,461

This Note continues on the following pages.

* Work in Progress transfer of \$0.384 million relates to asset contributed to the Southern Recycling Centre Joint Venture.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the financial year ended 30 June 2017

Note 7 - LIABILITIES

	Notes	2017 \$'000		2016 \$'000	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		2,469	-	1,190	-
Accrued expenses - other		60	-	175	-
		2,529	-	1,365	-
PROVISIONS					
Annual Leave		78	-	74	-
Long Service Leave		71	32	62	20
Post Closure Rehabilitation		-	3,772	-	3,654
Cell Capping - 3-1 & 3-2		-	2,474	-	2,396
Cell Capping - 3-3 & 3-4 (Lower)		-	2,845	-	2,755
Cell 4 Capping		-	1,892	-	1,727
Future Restoration Costs		-	4,159	-	4,028
		149	15,174	136	14,580

Movements in Provisions - 2017 year only (current & non-current)	Opening Balance	Additional Amounts Recognised/ (Derecognised)	Payments	Closing Balance
Post Closure Rehabilitation	3,654	118	-	3,772
Cell Capping -3-1 & 3-2	2,396	78	-	2,474
Cell Capping - 3-3 & 3-4 (Lower)	2,755	90	-	2,845
Cell 4 Capping	1,727	165	-	1,892
Future Restoration Costs	4,028	131	-	4,159
Total	14,560	582	-	15,142

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 8 - RECONCILIATION OF CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

	Notes	2017 \$'000	2016 \$'000
Total cash & equivalent assets	5	19,940	19,069
Less: Short-term borrowings		-	-
Balances per Cash Flow Statement		<u>19,940</u>	<u>19,069</u>

(b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Surplus (Deficit)	1,375	1,800
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	949	784
Net (Gain) loss in Equity Movement Joint Venture	(265)	20
Net (Gain) Loss on Disposals	(45)	(5)
	<u>2,014</u>	<u>2,599</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(1,018)	182
Net (increase) decrease in inventories	48	1
Net (increase) decrease in other current assets	-	-
Net increase (decrease) in trade & other payables	1,166	(49)
Net increase (decrease) in other provisions	(10)	(141)
Net Cash provided by (or used in) operations	<u>2,200</u>	<u>2,592</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge	-	-
- Non-cash grants & contributions	-	-
<i>Amounts recognised in Income Statement</i>	-	-
- Finance Leases	-	-
	<u>-</u>	<u>-</u>

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Corporate Credit Cards	18	18
------------------------	----	----

The Authority has no bank overdraft facility.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 9 - FINANCIAL INSTRUMENTS

Recognised Financial Instruments

Bank, Deposits at Call, Short Term	Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.
Deposits	
	Terms & conditions: Deposits are returning fixed interest rates of 1.25 - 2.5% (2016: 1.5 - 2.8%). Short term deposits have an average maturity of 90 days (2016: 90 days).
	Carrying amount: approximates fair value due to the short term to maturity.
Receivables - Gate Fees & Associated Charges	Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.
	Carrying amount: approximates fair value (after deduction of any allowance).
Liabilities - Creditors and Accruals	Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Authority.
	Terms & conditions: Liabilities are normally settled on 30 day terms.
	Carrying amount: approximates fair value.

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Authority.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Authority is the carrying amount, net of any provision for doubtful debts. All investments are made with the SA Local Government Finance Authority and the ANZ Bank. There is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of the Authority's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that the Authority will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Policy (LGA Information Paper 15), liabilities have a range of maturity dates based on cash inflows.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Most of the Authority's financial instruments are at fixed rates. Any such variations in future cash flows will not be material in effect on either the Authority's incomes or expenditures.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 9 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2017	Floating Interest Rate \$'000	≤ 1 year \$'000	Fixed interest maturing in > 1 year ≤ 5 years \$'000	> 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial Assets						
Fair Value through P&L						
Cash Assets	3,787	16,153	-	-	-	19,940
Loans & Receivables						
Receivables	-	-	-	-	2,025	2,025
Total	3,787	16,153	-	-	2,025	21,965
<i>Weighted Average Interest Rate</i>	<i>1.25%</i>	<i>2.50%</i>				
Financial Liabilities						
Payables	-	-	-	-	2,529	2,529
Total	-	-	-	-	2,529	2,529
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	3,787	16,153	-	-	(504)	19,436
2016	Floating Interest Rate \$'000	≤ 1 year \$'000	Fixed interest maturing in > 1 year ≤ 5 years \$'000	> 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial Assets						
Fair Value through P&L						
Cash Assets	1,304	17,765	-	-	-	19,069
Loans & Receivables						
Receivables	-	-	-	-	867	867
Total	1,304	17,765	-	-	867	19,936
<i>Weighted Average Interest Rate</i>	<i>1.50%</i>	<i>2.80%</i>				
Financial Liabilities						
Payables	-	-	-	-	1,365	1,365
Total	-	-	-	-	1,365	1,365
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	1,304	17,765	-	-	(498)	18,571

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the financial year ended 30 June 2017

Note 10 - COMMITMENTS FOR EXPENDITURE

	2017 \$'000	2016 \$'000
	<u>Notes</u>	
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Resource Recovery Facility	-	527
	<u>-</u>	<u>527</u>
These expenditures are payable:		
Not later than one year	-	527
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>527</u>
Other Expenditure Commitments		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	55	73
	<u>55</u>	<u>73</u>
These expenditures are payable:		
Not later than one year	18	18
Later than one year and not later than 5 years	37	55
Later than 5 years	-	-
	<u>55</u>	<u>73</u>

NOTE 11 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL PERFORMANCE

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. Potential Insurance Losses

The Authority insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

2. Legal Expenses

All known costs have been recognised.

Note 12 - EVENTS OCCURRING AFTER REPORTING DATE

There were no events subsequent to 30 June 2017 that need to be disclosed in the financial statements.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 13 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Authority prepared on a uniform and consistent basis. The uniform presentation represents a simplified version of reporting under the Government Finance Statistics (GFS) framework of the Australian Bureau of Statistics.

	2017 \$'000	2016 \$'000
Income	12,678	10,547
<i>less</i> Expenses	(11,461)	(8,752)
Operating Surplus / (Deficit)	<u>1,217</u>	<u>1,795</u>
<i>less</i> Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	754	39
Depreciation, Amortisation, Impairment and Movement in Landfill Provisions	(1,027)	(859)
Proceeds from Sale of Replaced Assets	-	-
	<u>(273)</u>	<u>(820)</u>
<i>less</i> Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	863	2,739
Amounts received specifically for New and Upgraded Assets	-	-
Proceeds from Sale of Surplus Assets	(163)	(5)
	<u>700</u>	<u>2,734</u>
Net Lending / (Borrowing) for Financial Year	<u><u>790</u></u>	<u><u>(119)</u></u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 14 - DISCLOSURES OF RELATED PARTY TRANSACTIONS

The Key Management Personnel include the Chair of the Board, Chief Executive and other officers prescribed under Section 112 of the *Local Government Act 1999*. In all, 4 persons were paid the following total compensation:

	2017 \$'000
Salaries, allowances & other short term benefits	420
Post-employment benefits	-
Long term benefits	39
Termination Benefits	-
TOTAL	459

Transactions with Related Parties:

The following transactions occurred with Related Parties:

Related Party Entity	Sale of Goods and Services (\$'000)	Amounts Outstanding from Related Parties (\$'000)	Description of Services Provided to Related Parties
City of Onkaparinga	4,080	343	Provision of waste disposal services
City of Holdfast Bay	697	35	Provision of waste disposal services
City of Marion	1,776	167	Provision of waste disposal services

Amounts recorded as outstanding from Related Parties are recorded in Trade and other receivables in Note 5.

The Related Parties disclosed above are equity owners of the Authority and are referred to as Member Councils. Member Councils have equal representation on the Board of the Authority and accordingly have significant influence on the financial and operating decisions of the Authority. No one Member Council individually has control of those policies.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the financial year ended 30 June 2017

Note 15 - EQUITY ACCOUNTED JOINT VENTURE

Southern Recycling Centre (SRC)

The Authority has entered into a joint venture arrangement with Integrated Waste Services Pty Ltd to operate the Southern Recycling Centre located on the Authority's landfill site.

	2017 \$'000	2016 \$'000
The Authority's respective interests are:		
- interest in operating result:	49.99%	49.99%
- ownership of equity	49.99%	49.99%
the proportion of voting power	50.00%	50.00%
<u>Movement in Investment in Joint Operation:</u>		
Opening Balance	164	189
New Capital Contributions	405	145
Share in Operating Result	71	124
Equity Adjustment	194	(144)
Distributions Received	(125)	(150)
Share in Equity of Joint Operation	709	164

Expenditure Commitments

There were no expenditure commitments at reporting date that required to be recognised in the financial statements.

Contingent Liabilities

There were no contingent liabilities at reporting date that required to be recognised in the financial statements.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Note 16 - FAIR VALUE MEASUREMENTS

The Authority measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Land assets.

The Authority does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

(a) **Fair value hierarchy**

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information according to the relevant level in the fair value hierarchy. This hierarchy categorises fair value measurements into one of three possible levels based on the lowest level that a significant input can be categorised into. The levels are outlined below:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair value of assets and liabilities that are not traded in an active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Authority selects valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the association are consistent with one or more of the following valuation approaches:

- *Market approach*: uses prices and other relevant information generated by market transactions involving identical or similar assets or liabilities.
- *Income approach*: converts estimated future cash flows or income and expenses into a single current (i.e. discounted) value.
- *Cost approach*: reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Authority gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

Note 16 - FAIR VALUE MEASUREMENTS (Cont.)

The following tables provide the fair values of the Authority's assets measured and recognised on a recurring basis after initial recognition, categorised within the fair value hierarchy.

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2017					
Recurring fair value measurements					
Infrastructure, Property, Plant & Equipment					
- Land	6	-	1,427	-	1,427
- Buildings	6	-	560	-	560
Total financial assets recognised at fair value		-	1,987	-	1,987

2016					
Recurring fair value measurements					
Infrastructure, Property, Plant & Equipment					
- Land	6	-	1,427	-	1,427
- Buildings	6	-	560	-	560
Total financial assets recognised at fair value		-	1,987	-	1,987

(b) **Disclosed fair value measurements**

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used.

	Fair Value Hierarchy Level	Valuation Technique	Inputs Used
There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.	2	Market Value	Observable sales of similar properties – both vacant land and land with improvements

SOUTHERN REGION WASTE RESOURCE AUTHORITY

GENERAL PURPOSE FINANCIAL STATEMENTS For the year ended 30 June 2017

Statement by Auditor

I confirm that, for the audit of the financial statements of the Southern Region Waste Resource Authority for the year ended 30 June 2017, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulation 2011*.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Luke Williams CPA Registered Company Auditor
Partner

31 / 08 / 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of the Southern Region Waste Resource Authority

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of the Southern Region Waste Resource Authority ("the Authority"), which comprises the balance sheet as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by the Executive Officer and the Chairman.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Authority as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility for the Financial Report

The Authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 and for such internal control as the Authority determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Authority is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Luke Williams CPA Registered Company Auditor
Partner

31 / 08 / 2017

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under Professional Standards Legislation

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOUTHERN REGION WASTE RESOURCE AUTHORITY

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE SOUTHERN REGION WASTE RESOURCE AUTHORITY

We have audited the compliance of the Southern Region Waste Resource Authority ("the Authority") with the requirements of *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Authority to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017 have been conducted properly and in accordance with law.

The Authority's Responsibility for Internal controls

The Authority is responsible for implementing and maintaining an adequate system of internal controls, in accordance with *Section 125 of the Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, with acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Auditor's responsibility

Our responsibility is to express an opinion on the Authority's compliance with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Authority to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with the law, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Authority has complied with Section 125 of the Local Government Act 1999 in relation only to the internal controls specified above for the period 1 July 2016 to 30 June 2017. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these controls, assessing the risk that a material weakness exists, and testing and evaluating the design of controls on a sample basis based on the assess risk.

Limitation of Use

This report has been prepared for the members of the Authority in Accordance with *Section 129 of the Local Government Act 1999* in relation to the Internal Controls Specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Authority, or for any purpose other than which it was prepared.

Inherent Limitation.

Due to the inherent limitations of any compliance procedure, it is possible that fraud, error or non-compliance may occur and not to be detected. An assurance engagement on controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Independence

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the Authority has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to Internal controls established by the Authority relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the authority have been conducted properly and in accordance with law for the year ended 30 June 2017.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Luke Williams CPA Registered Company Auditor
Partner

31 / 08 / 2017

**Council Solutions Regional Authority
General Purpose Financial Reports
for the year ending 30 June 2017**

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Council Solutions Regional Authority
Certification Of Financial Statements
for the year ending 30 June 2017

I have been authorised by the Council Solutions Regional Authority Board to certify the financial statements of the Council Solutions Regional Authority in their final form. In my opinion:

- The accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- The financial statements present a true and fair view of the Council Solutions Regional Authority's financial position at 30 June 2017 and the results of its operations and cash flows for the financial year.
- Internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year.
- The financial statements accurately reflect the Council Solutions Regional Authority's accounting and other records.



Catherine Cooper
Chair Of The Board

Date: 22/08/2017

COUNCIL SOLUTIONS REGIONAL AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2017

		2017	2016
	Notes	\$'000	\$'000
INCOME			
Investment Income	2	6	10
Management Fees	2	1,167	933
Other Income	2	61	110
Total Income		<u>1,234</u>	<u>1,053</u>
EXPENSES			
Materials, contracts & other expenses	3	1,310	1,058
Total Expenses		<u>1,310</u>	<u>1,058</u>
OPERATING SURPLUS / (DEFICIT)		<u>(76)</u>	<u>(5)</u>
NET SURPLUS / (DEFICIT)		<u>(76)</u>	<u>(5)</u>
Total Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		<u>(76)</u>	<u>(5)</u>

This Statement is to be read in conjunction with the attached Notes.

COUNCIL SOLUTIONS REGIONAL AUTHORITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		334	267
Receivables		469	390
Total Current Assets	4,7	803	657
Total Assets		803	657
LIABILITIES			
Current Liabilities			
Trade & Other Payables		222	28
Other Current Liabilities		55	27
Total Current Liabilities	5,7	277	55
Total Liabilities	5,7	277	55
NET ASSETS		526	602
EQUITY			
Accumulated Surplus		383	459
Share Capital		143	143
TOTAL EQUITY		526	602

This Statement is to be read in conjunction with the attached Notes.

COUNCIL SOLUTIONS REGIONAL AUTHORITY
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2017

	Initial Contribution by Owners	Accumulated Surplus	Total
2017	\$'000	\$'000	\$'000
Opening Balance	143	459	602
Net Surplus for Year	-	(76)	(76)
Balance at end of period	143	383	526

	Initial Contribution by Owners	Accumulated Surplus	Total
2016	\$'000	\$'000	\$'000
Opening Balance	143	464	607
Net Surplus for Year	-	(5)	(5)
Balance at end of period	143	459	602

STATEMENT OF CASH FLOW
for the year ended 30 June 2017

	2017	2016
Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<u>Receipts</u>		
Operating receipts	1,150	856
Investment Income	6	10
<u>Payments</u>		
Operating payments to suppliers & employees	(1,089)	(1,045)
Net Cash provided by (or used in) Operating Activities	67	(179)
Net Increase (Decrease) in cash held	67	(179)
Cash & cash equivalents at beginning of period	267	446
Cash & cash equivalents at end of period	334	267

This Statement is to be read in conjunction with the attached Notes

Council Solutions Regional Authority

Notes to and forming part of the Financial Statements for the year ending 30 June 2017

Note 1 - Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

Council Solutions Regional Authority is a Regional Subsidiary under Section 43 and Schedule 2 of the Local Government Act 1999. The Constituent Councils and their respective share of equity are as follows:

Constituent Council	Equity Share
Adelaide City Council	16.67%
City of Charles Sturt	16.67%
City of Marion	16.67%
City of Onkaparinga	16.67%
City of Salisbury	16.67%
City of Tea Tree Gully	16.67%

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 1 May 2011.

1 Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs. All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 Income recognition

Management Fee Income is recognised when the Constituent Councils enter into the purchase of a good or service from a Supplier contracted to provide the Authority (or in the case of some prior contracts that were created jointly between the six constituent Council) with a Management Fee.

3 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at the Authority's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition.

4 Infrastructure, Property, Plant & Equipment

The Authority did not procure any non-current assets during the reporting period and does not hold any non-current assets as at the reporting date.

5 Employee Benefits

All employees are employed through Adelaide City Council, one of the Constituent Councils. Those employees are then contracted to the Authority.

Council Solutions Regional Authority

Notes to and forming part of the Financial Statements

for the year ending 30 June 2017

6 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax":

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

7 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with Australian Accounting Standards.

8 Critical Accounting Estimates and Judgements

The Authority evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the authority.

Accounts receivable are reviewed at each reporting date to establish the collectability.

9 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been used in preparing these reports.

AASB 7	Financial Instruments – Disclosures
AASB 9	Financial Instruments
AASB 15	Revenue from Contracts with Customers
AASB 17	Leases
AASB 1058	Income of Not-for-Profit Entities

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-5, AASB 2015-6 and AASB 2015-7.

(Standards not affecting local government have been excluded from the above list.)

The Authority is of the view that other than AASB 16 and AASB 1058, none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

Accounting Standard AASB 1058 Income of Not-for-Profit Entities may have a material effect on the amounts disclosed in these reports, particularly in revenues from grants & subsidies, but does not commence until the 2019/20 financial period, and it is not the Authorities' intention to adopt this Standard early.

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Note 2 - INCOME

	2017 \$'000	2016 \$'000
INVESTMENTS		
Interest Income	6	10
	<u>6</u>	<u>10</u>
REBATES		
Management Fees	1,167	933
	<u>1,167</u>	<u>933</u>
OTHER INCOME		
Reimbursements	61	110
	<u>61</u>	<u>110</u>

Note 3 - EXPENSES

	2017 \$'000	2016 \$'000
MATERIALS, CONTRACTS & OTHER EXPENSES		
Advertising	2	11
Audit Fees	4	4
Catering	2	3
Contractors	73	73
Consultant Fees	253	199
Entertainment Costs	-	1
Fringe Benefits Tax	-	8
Insurance	32	26
IT Expenses	20	3
Legal Fees	48	75
Membership Fees & Subscriptions	12	1
Motor Vehicle	1	17
Recruitment	-	15
Reimbursements - Salary & Wages	775	539
Rent	30	24
Sitting Fees	39	25
Sundry	14	30
Telephone	1	1
Training and Development	4	3
	<u>1,310</u>	<u>1,058</u>

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Note 4 - CURRENT ASSETS

	2017 \$'000	2016 \$'000
CASH & CASH EQUIVALENTS		
Cash at Bank	334	267
	<u>334</u>	<u>267</u>
RECEIVABLES		
Accounts Receivables	271	282
Accrued Income	196	106
Prepaid Expenses	2	2
	<u>469</u>	<u>390</u>
TOTAL CURRENT ASSETS	<u>803</u>	<u>657</u>

Note 5 - LIABILITIES

	2017 \$'000	2016 \$'000
TRADE & OTHER PAYABLES		
Creditors	218	24
Expenses Accrued	4	4
	<u>222</u>	<u>28</u>
OTHER CURRENT LIABILITIES		
Payable to Adelaide City Council	55	27
	<u>55</u>	<u>27</u>
TOTAL LIABILITIES	<u>277</u>	<u>55</u>

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Note 6 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet.

	2017	2016
	\$'000	\$'000
Cash at Bank	334	267
Balances per Cash Flow Statement	334	267

(b) Reconciliation of Change in Net Assets to Cash
from Operating Activities

Net Surplus	(76)	(5)
Net (increase)/decrease in Receivables	(79)	(186)
Net increase/(decrease) in Current Liabilities	222	12
Net Cash provided by (or used in) operations	67	(179)

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Note 7 - FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Authority's exposure to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on those applicable financial assets and liabilities is as follows;

2016-17

	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instruments	Fair Value of Fixed Interest rate instruments maturing within One Year	Fair Value of Fixed Interest rate instruments maturing Due > 1 less 5 Yrs	Fair Value of Fixed Interest rate instruments maturing Due > 5 Yrs	Fair Value of Non-Interest Bearing Instruments
		\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash	1.8%	334	-	-	-	-
Receivables	0.0%	-	-	-	-	469
Total Financial Assets		334	-	-	-	469
Financial Liabilities:						
Creditors and Provisions	0.0%	-	-	-	-	277
Total Financial Liabilities		-	-	-	-	277

2015-16

	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instruments	Fair Value of Fixed Interest rate instruments maturing within One Year	Fair Value of Fixed Interest rate instruments maturing Due > 1 less 5 Yrs	Fair Value of Fixed Interest rate instruments maturing Due > 5 Yrs	Fair Value of Non-Interest Bearing Instruments
		\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash	1.8%	267	-	-	-	-
Receivables	0.0%	-	-	-	-	390
Total Financial Assets		267	-	-	-	390
Financial Liabilities:						
Creditors and Provisions	0.0%	-	-	-	-	55
Total Financial Liabilities		-	-	-	-	55

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Note 7 - FINANCIAL INSTRUMENTS

(b) Credit Risk

Credit Risk represents the loss that would be recognised if other entities failed to perform as contracted.

The Authority's exposure to credit risk is limited to receivables - the Authority's maximum exposure is disclosed in the financial statements net of any provision for doubtful debts

(c) Net Fair Value

The net fair value of a financial instrument is defined as its value net of all costs to settle the asset and liability.

The financial assets and liabilities as stated or referred to in notes (a) and (b) above, are stated at their face value (less provision for doubtful debts if applicable).

Due to the nature of financial instruments held in the Authority, the cost associated with their settlement would not be material and have not been considered.

Note 8 - RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL (KMP)

The Key Management Personnel of the Council include the Chair of the Board, the Board and the CEO.

	\$'000
Salaries, allowances & other short term benefits paid by Council Solutions to KMP	261

No qualifying related party disclosures have been identified in relation to the 2016-17 financial year

Council Solutions Regional Authority
Certification Of Auditor Independence
for the year ending 30 June 2017

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Council Solutions Regional Authority for the year ended 30 June 2017, the Council's Auditor, Ian G McDonald, has maintained its independence in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

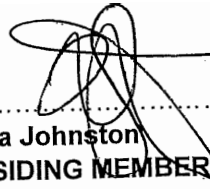
This statement is prepared in accordance with the requirements of Regulation 22(3) (b) Local Government (Financial Management) Regulations 2011.



Catherine Cooper
CHAIR

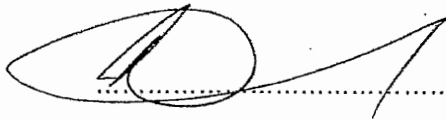
Date:

29/8/17.



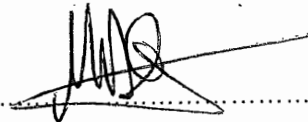
Tanya Johnston
PRESIDING MEMBER OF AUDIT COMMITTEE

Date: 22/8/2017



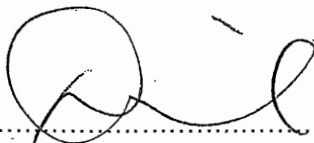
Mark Dowd
CHIEF EXECUTIVE OFFICER
City of Onkaparinga

Date: 31/8/2017



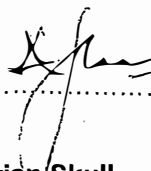
Mark Goldstone
CHIEF EXECUTIVE OFFICER
City of Adelaide

Date: 21/8/17



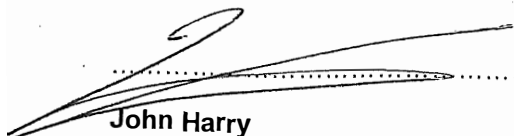
Darren Birbeck
ACTING CHIEF EXECUTIVE OFFICER
City of Charles Sturt

Date: 22/8/2017



Adrian Skull
CHIEF EXECUTIVE OFFICER
City of Marion

Date: 25-8-2017



John Harry
CHIEF EXECUTIVE OFFICER
City of Salisbury

Date:

24/8/2017



John Moyle
CHIEF EXECUTIVE OFFICER
Tea Tree Gully

Date:

17/8/2017

Council Solutions Regional Authority

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2017

STATEMENT BY AUDITOR

We confirm that, for the audit of the financial statements of the Council Solutions Regional Authority for the year ended 30 June 2017, we have maintained our independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

A handwritten signature in blue ink, reading "Ian G McDonald".

Ian G McDonald FCA

Dated this 11th day of August 2017

Council Solutions Regional Authority Independent Auditor's Report

We have audited the attached financial statements, being a general purpose financial report, of Council Solutions Regional Authority for the year ended 30 June 2017.

Opinion

In our opinion, the financial statements of the Authority are properly drawn up:

- a) to present fairly the financial position of the Authority as at the 30 June 2017 and the results of its operations for the period then ended, and;
- b) according to Australian Accounting Standards.

Basis for Opinion

For the audit of the Authority we have maintained our independence in accordance with the relevant ethical requirements of APES 110 Section 290. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information – Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report is prepared to assist the authority to meet the requirements of Local Government Act 1999 together with the Local Government (Financial Management Regulations 2011). As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members.

Responsibilities of Management for the Financial Report

The Board of Management is responsible for the preparation of the financial report in accordance with Local Government Act 1999 together with the Local Government (Financial Management Regulations 2011) and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the association's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

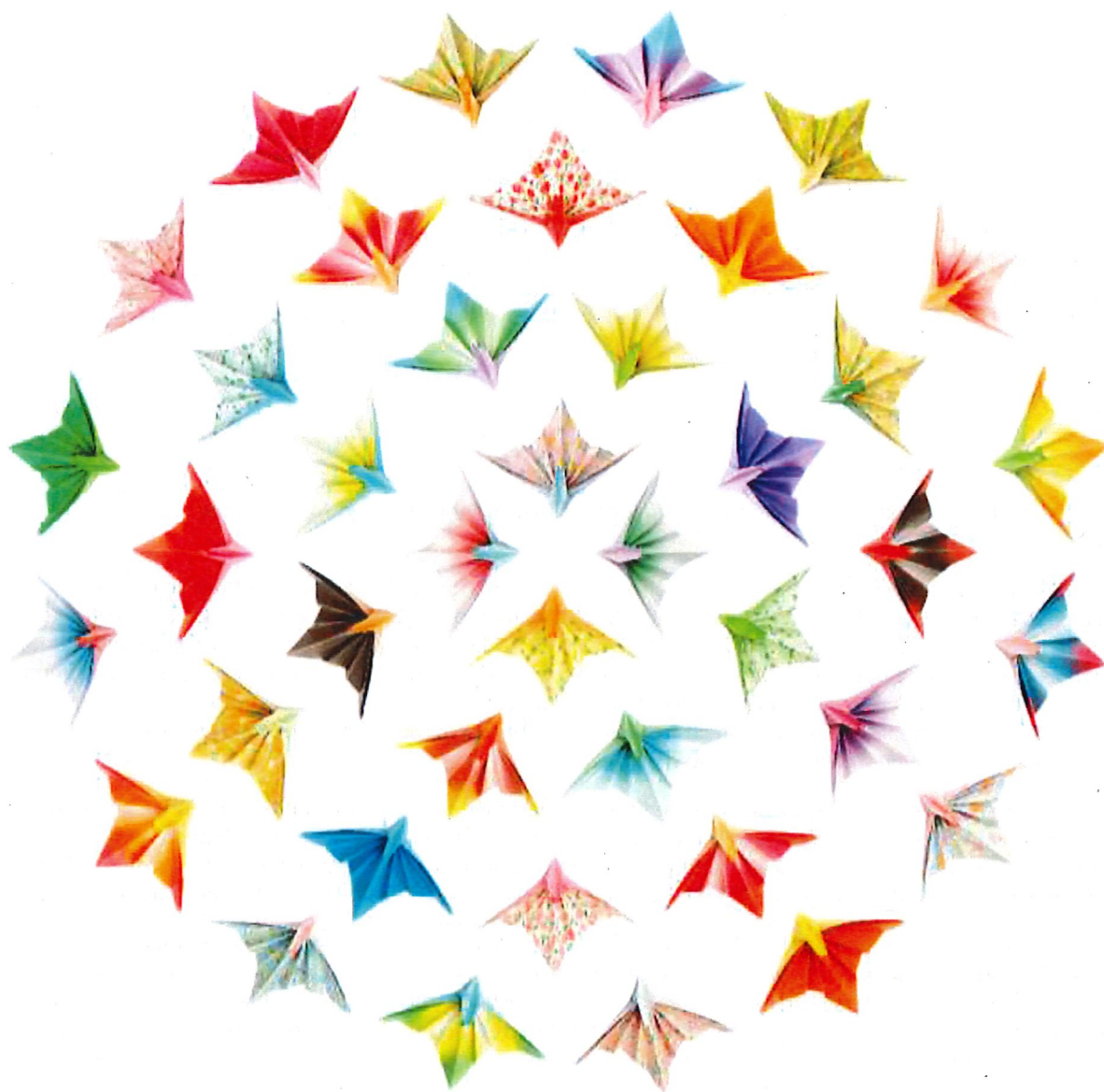
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Ian G McDonald FCA
Registered Company Auditor

Dated at Grange this 18th day of September 2017

Deloitte.



Corporation of the City of Marion

Management letter

Year ended 30 June 2017

STRICTLY PRIVATE & CONFIDENTIAL

5 October 2017

Mr Kris Hanna
Mayor
Corporation of the City of Marion
245 Sturt Road
STURT SA 5047

Dear Sir

Matters arising from the Audit of the Corporation of the City of Marion for the year ended 30 June 2017

We have completed our audit of the Corporation of the City of Marion ("the Council") for the year ended 30 June 2017, and our Report to the Finance and Audit Committee and Elected Members was discussed at the Finance and Audit Committee meeting on 10 October 2017. That report included the most significant internal control, accounting and other matters which came to our attention during the 30 June 2017 audit. This report provides a discussion on certain matters concerning the company's internal control and accounting practices which came to our attention during our field work in connection with the audit for the year ending 30 June 2017 and our recommendations for improvements.

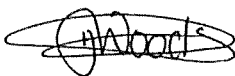
You will appreciate that our normal audit procedures are designed primarily to enable us to form an opinion on the financial statements as a whole and therefore do not necessarily bring to light at each audit all the weaknesses in internal control or accounting practice which a special investigation might do. Recommendations for improvements should be assessed by you for their full commercial impact before they are implemented.

We have prepared this report solely for the use of the Council's management. As you know, this report forms part of a continuing dialogue between the Council and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept any responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and staff throughout the Council for their assistance and cooperation during the course of our audit.

We shall be pleased to discuss with you any matters mentioned in this report.

Yours faithfully



Penny Woods
Partner

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1 Introduction and scope of work

We have completed both the statutory audit of the Corporation of the City of Marion ("the Council") and the ASAE 3100 engagement with respect to the Council's compliance with *Section 125 of the Local Government Act* for the year ended 30 June 2017. The scope of our audit was set out in our audit engagement letter dated 31 May 2017 and the audit service plan dated 19 May 2017.

During the audit, every effort was made to identify audit, accounting, internal and IT control deficiencies, disaster recovery and other issues which would be of benefit to the Council and its controlled entities.

In accordance with our normal practice, we write to draw your attention to those matters which came to our attention during the audit for the year ended 30 June 2017.

2 Update on Prior Year Findings

Some of the prior year findings have been re-raised in the current year. Refer to section 3 below.

Observation	Recommendation	Prior Year Response	Status Update 30 June 2017
2.1 Fringe benefit tax policy			
<p>LIA-TAX-0008</p> <p>There is no formal documented Fringe Benefits Tax procedure used in preparation of the annual return. The procedure is in progress of being documented however has not yet been finalised.</p>	<p>Deloitte recommends that a Fringe Benefits Tax procedure be finalised to ensure a standard procedure is followed in the preparation of all future returns.</p>	<p>Finance have now documented the procedures to be used in the preparation of all future Fringe Benefits Tax returns. These procedures were compiled during the process of preparing the 2015/16 return and are now fully documented and in place.</p>	<p>Our recommendation has been implemented and no further issues have been identified. Deloitte considers this matter completed.</p>
2.2 Petty cash reconciliation			
<p>ASS-PET-0004</p> <p>Deloitte note that petty cash reconciliations are being performed on a daily basis, but are not always evidenced with the signature of an independent person.</p>	<p>Deloitte recommends that the practice of crosschecking and signing petty cash reconciliations on a daily basis are reviewed by management. In addition, the person reviewing should be independent from the preparer. Although a fraud performed in this manner would likely be detected regardless of this control, implementing this would greatly decrease the risk of fraud occurring and the time-lapse between occurrence and detection.</p>	<p>All cash handling procedures and processes are currently being reviewed and updated to standardise processes where possible across all sites. This includes having a daily independent sign off of the petty cash float.</p>	<p>Our recommendation has been implemented and no further issues have been identified. Deloitte considers this matter completed.</p>

3 Audit Findings – Internal Controls

3.1 Background

Amendments to the *Local Government Act 1999* (the "Act") require local government auditors to provide separate formal opinions in relation to:

- The financial statement audit; and
- Financial internal controls audit as prescribed in Section 125 of the Act.

Implications for Councils

To comply with these changes Council has implemented an internal control framework as that prescribed in the South Australian Local Government Financial Management Group ("SALGFMG") Better Practice Model – Financial Internal Controls.

Deloitte has tested the design and implementation for an agreed sample of internal controls representing 50% of the population of core controls implemented by Council based on our rotation plan and profiling of internal controls in our audit plan.

Objectives

We have provided you with the following risk rating matrix and details of the results of our testing and recommendations for improvement as part of the services as determined by the scoping agreed on between City of Marion management and Deloitte.

3.2 Overview

Sample controls within the Better Practice Model as developed by the SALGFMG have been tested by Deloitte. Any control deficiencies identified by Deloitte on the controls tested have been summarised below.

Summary	Strategic Planning	Revenue	Expenses	Assets	Liabilities	External Contracts	Governance	Total
Number of controls tested	8	28	37	62	6	0	0	141
Findings	0	1	0	4	0	0	0	5
No Findings	8	27	37	58	6	0	0	136

Risk Matrix

The Risk Ratings provided in this report were based on the criteria below and have been determined in accordance with the Local Government Act – Better Practice model.

Likelihood	5 (almost certain)					
	4 (likely)					
	3 (possible)	3.2.3				
	2 (unlikely)					
	1 (rare)	3.2.1 3.2.2 3.2.4				
		1 (insignificant)	2 (minor)	3 (moderate)	4 (major)	5 (critical)
		Consequence				

Key	
	Extreme
	High
	Moderate
	Low

The Corporation of the City of Marion

Observation	Implication	Recommendation	Management Response
3.2.1 Grant attraction procedure			
REV-GRA-0001 There is no formal grant attraction procedure at present, however management are addressing the issue and are working towards implementing a functioning system.	The lack of a formal grant attraction procedure could cause grant income to not be claimed on a timely basis, or not be claimed at all. However this issue is already being addressed by management by way of a grant management review.	Deloitte recommends that the formal grant attraction procedure be finalised.	Council has set up an External Funding Attraction Program in 2017/18, overseen by the External Funding Attraction Steering Committee to monitor applications.
3.2.2 Policy for issuing funds to clubs			
ASS-LOA-0001 There were no specific reference details in the policy specific for issuing funds to clubs or community groups in accordance with the Delegations of Authority and in compliance with the Conflicts of Interest Policy.	The Council may issue grants inappropriately and not in accordance with the Delegations of Authority or Conflicts of Interest Policies.	Deloitte recommends that the policy be amended such that there is specific reference in the policy to issuing funds in accordance with the delegations of authority and conflicts of interest policies.	Grant funds are currently issued by way of Council Resolution at General Council Meetings, with no delegations in place, meaning that this is the only way for them to be issued. Elected Members are required to declare any conflicts of interest at the commencement of any General Council Meetings.
3.2.3 Grant acquittal			
ASS-LOA-0009 ASS-LOA-0002 Formal follow up procedure is not conducted in a timely fashion for community grant acquittals resulting in outstanding acquittals.	Given the nature of original approvals around grants, Deloitte believe that the lack of follow up implementation will not result in a serious misconduct of business. The risk of incorrect use of funds by recipients of City of Marion grants relates to an operational business risk and not a financial statement material misstatement risk. The dollar amounts of any grants not acquitted will not have a material impact on the financial statements.	Deloitte has noted that outstanding community grant acquittals are followed up by management. It is recommended that the final follow-up (i.e. once they are overdue) is completed in a more timely fashion.	Agree with the recommendation and management will put in place a proactive process to follow up community grant recipients prior to the final due date to ensure they meet grant acquittal deadlines. The Community Grant Guidelines (which include timeliness of follow up, and consequences of not providing an acquittal) are being reviewed by Council at its September forum.

Observation	Implication	Recommendation	Management Response
3.2.4 Debtor Masterfile			
<p>ASS-DEB-0012</p> <p>There is no way of generating a report in the system which shows changes to debtor Masterfile. It is possible to see the date a debtor was edited by clicking into each individual debtor however details of the change cannot be seen i.e. whether it was name, address etc.</p>	<p>Deficiency in this control means there is no formal way of monitoring changes to the debtors master file data.</p>	<p>Deloitte recommends that changes to the debtor master file are reviewed and supported with documented evidence of review.</p>	<p>The majority of changes to the Debtor Masterfile are initiated within finance due to address details being incorrect. This can be done by way of cross referencing council's other databases, and in some instances online research. Monitoring the accuracy of these changes is done by way of reviewing outstanding debts and making sure they are followed up in a timely fashion.</p>

The Corporation of the City of Marion



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Corporation of the City of Marion

Report to the Finance and Audit Committee and
Elected Members for the year ended 30 June 2017

5 October 2017



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5 October 2017

Mr Greg Connor
Chair, Finance & Audit Committee
Corporation of the City of Marion
245 Sturt Road
STURT SA 5047

Dear Sir

We are pleased to present this report to the Finance and Audit Committee and Elected Members of the Corporation of the City of Marion ("City of Marion" or "the Council") in connection with the year end audit as of 30 June 2017.

We have substantially completed our audit and subject to the satisfactory resolution of the matters detailed in the Executive Summary we expect to issue an unmodified audit report. Included in the attached report are matters arising from our audit of the financial report of the Corporation of the City of Marion for the year ended 30 June 2017 which we consider appropriate for the attention of the Finance and Audit Committee ("the Committee") and Elected Members. These matters have been discussed with management of the Council and their comments have been included, where appropriate.

We look forward to the Committee meeting on 10 October 2017 where we will have the opportunity to discuss this report. In the interim, should you require clarification on any matter in this report please do not hesitate to contact us.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit.

Yours faithfully

A handwritten signature in black ink, appearing to read "Penny Woods", enclosed within a circular scribble.

Penny Woods
Audit Partner








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Member of Deloitte Touche Tohmatsu Limited

We have prepared this report solely for the use of the Corporation of City of Marion and it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

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|  | F. Independence |
|  | G. Financial Reporting Update |

Executive Summary

Purpose

This report has been prepared to assist the Finance and Audit Committee and Elected Members in fulfilling its governance obligations relating to the City of Marion for the year ended 30 June 2017.

This report includes only those matters which have come to our attention as a result of our audit procedures which we believe require the attention of the Finance and Audit Committee and Elected Members.

Scope

We have conducted an audit of the financial report of the City of Marion for the year ended 30 June 2017 ("financial report") in accordance with the requirements below with the objective of expressing an opinion on the financial report.

- Australian Auditing Standards
- *Local Government Act 1999*
- *Local Government (Financial Management) Regulations 2011*

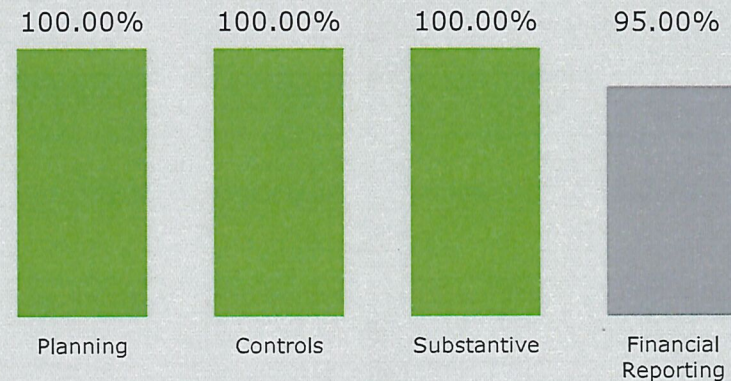
We have also conducted a compliance audit of the Council with the requirements of *Section 125 of the Local Government Act 1999* in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017 are in accordance with legislative provisions.

Status

Our audit of the financial report is substantially complete. We expect to issue unmodified audit opinions on the financial report, grant audit, audit of the Workers Compensation Declaration and ASAE 3100 engagement with respect to the Council's compliance with Section 125 of the Local Government Act subject to the completion of:

- appropriate procedures relating to subsequent events up to the date of our audit opinion
- receipt of the signed written representation letters from management
- adoption of the accounts by the Council and signing of Certification of the financial report by the Chief Executive Officer and Mayor.

We have not identified any uncorrected misstatements that, in our judgement, either individually or in aggregate, could have a material effect on the financial report for the year ended 30 June 2017.



Executive Summary

Internal Controls

In performing our audit we have not identified any significant deficiencies in internal control relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial report.

We have however, noted a number of control observations as part of our engagement on the compliance with section 125 of the Local Government Act 1999. These findings are summarised in our letter to management circulated separately.

No matters relating to fraud, concerning either employees or management came to our attention.

Summary of uncorrected misstatements

We have not identified any uncorrected misstatements for the year ended 30 June 2017.

Summary of uncorrected disclosure deficiencies

We detected no uncorrected disclosure deficiencies in the financial report

A. Audit focus areas

Audit focus areas

Other focus areas

Internal control

Data analytics

Misstatements and deficiencies

Independence

Financial Reporting Update

Our audit procedures were focused on those areas of the Council's financial report that were identified and assessed as audit risks. These areas were identified as a result of:



- The risk assessment processes undertaken during the planning phase and throughout our engagement






- Our understanding of the business risks faced by the City of Marion, obtained through our prior experiences providing services to the Corporation of the City of Marion as well as a number of other Councils across South Australia and Australia
- Discussion with management during the course of our audit

We detail on the following pages the areas of focus which we have identified as relevant to our audit that include significant risks and other areas of interest that we are required to and/or have determined should be, communicated to you.



A. Audit focus areas

Infrastructure, Property, Plant and Equipment

Audit focus areas	Areas of Audit Focus	Risk Factors	Controls Testing	Data Analytics	Use of Specialists
Other focus areas	The majority of Infrastructure, Property, Plant & Equipment gets re-valued on an annual basis at a value equal to depreciated replacement cost per Council policy. In the 2017 financial year the revaluation resulted in a net increase in revaluation surplus of \$29.3m				
Internal control					
Data analytics	<div>Summary of response and findings Deloitte performed the following:</div> <div>Evaluation of the assumptions made by your independent experts (Maloney’s and APV’s) in their valuation reports, by comparing the assumptions they have made with prior year valuation reports and understanding any material variances. We also obtained control reliance by performing extensive testing around key controls in the property, plant and equipment business cycle.</div> <div>Our detail testing covered the following areas:<ul style="list-style-type: none">• existence of fixed assets• additions of fixed assets• disposal of fixed assets</div> <div>We have also performed the following procedures:<ul style="list-style-type: none">• Developing an expectation of depreciation expenditure in accordance with policy.• Review of the reconciliation of the fixed asset register to the financial statements.• Involvement of our internal valuation specialist in assessing the reasonableness of the overall valuation methodology used by council’s valuers.</div> <div>We noted no issues through our testing for the year ending 30 June 2017.</div>				
Misstatements and deficiencies					
Independence					
Financial Reporting Update					



A. Audit focus areas

Rates Revenue and Grant Income

Audit focus areas	Areas of Audit Focus	Risk Factors	Controls Testing	Data Analytics
Other focus areas				
Internal control				
Data analytics				
Misstatements and deficiencies		<p>Rate revenue has been identified as a significant transaction cycle given the size of the account balance.</p> <p>Grant revenue has been identified as a material account balance in relation to recognition requirements as set out in AASB 1004 (Contributions). In accordance with this standard local government councils are required to recognise the revenue at the point where:</p> <ul style="list-style-type: none"> - The Council has a right to receive the revenue, or - The Council has control over the grant funding. 		
Independence				
Financial Reporting Update				
		<p>Summary of response and findings Deloitte performed the following:</p> <p>Rate Revenue Given the stability of rate revenue, we have established an expectation of the overall rate revenue using published rates and Valuer General reports to support property valuations.</p> <p>No issues in relation to rate revenue were noted.</p> <p>Grant Income Based on the above, we have assessed the revenue recognised during the current year and ensured no grant revenue was inappropriately deferred to the statement of financial position. There has been a substantial increase in grant income in the current year which is due to the timing of receipts of the Financial Assistance Grants. Amounts for half of the 2017/18 Financial Assistance Grants have been brought forward and paid in the current financial period, and subsequently deducted by the funding body from the amounts to be paid in the period ending 30 June 2018.</p> <p>We noted no issues through our testing for the year ending 30 June 2017.</p>		

A. Audit focus areas

Expenditure

Audit focus areas	Areas of Audit Focus	Risk Factors	Controls Testing	Data Analytics
Other focus areas	Internal control	Given the volume, magnitude and public accountability of Council expenditures the preventative and detective controls over expenditures, including the budgetary cycle were given consideration.		
Data analytics	Summary of response and findings Deloitte performed the following: Detailed testing has been performed over operating expenditure. For employee costs, an expectation was developed using staff numbers, average pay and known increases awarded. Depreciation expenditure was analysed for each asset category for compliance with the Council approved policy which also included an assessment of the useful lives and residual values of the fixed assets. No issues in relation to these account balances were noted.			
Misstatements and deficiencies				
Independence				
Financial Reporting Update				

B. Other audit focus areas

Key audit matters

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and deficiencies

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update

Non-compliance with applicable laws and regulations

In performing our audit of the City of Marion for the year ended 30 June 2017 we have not become aware of any instances of non-compliance with applicable laws and regulations that would have an impact on the determination of material amounts and disclosures in the financial report.

Use of specialists

As planned, specialists assisted in the audit to the extent we considered necessary:

- **Valuation specialists** have been consulted in the evaluation of property and infrastructure valuations

C. Internal controls

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Objective

We were engaged to perform a compliance audit of the Council with the requirements of Section 125 of the Local Government Act 1999 in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017 are in accordance with legislative provisions.

Summary of internal control

The 31 business processes are divided into 6 risk categories including Assets, Liabilities, Expenses, Revenue, Strategic Financial Planning and External Services. The Better Practice Model provided by the South Australian Local Government Financial Management Group (SALGFMG) identifies risks for each business process and suggests several controls to address each risk. In total there are 491 controls, of which 233 are considered "Core" and 258 are considered "Additional".

Summary of results

We have performed the control assessment on a rotation basis for each of six risk categories. For the financial year ended 30 June 2017, we have selected the risk categories of Revenue and Expenses as well as scoping in controls that fit the following profile:

- control activities which are different from last year and different from the Better Practice Model
- control activities which have different assessors or reviewers from last year
- control activities which have a rating for assessor or reviewer which are equal or less than 2
- control activities which the rating for assessor and reviewers are different by 2 or more
- control activities which had findings identified from last year
- control activities which are significant to the statutory audit

In performing our audit of the Council for the year ended 30 June 2017 whilst we have not identified any significant deficiencies in internal controls relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial report for the year ended 30 June 2017, we noted a number of control observations as part of our engagement on the compliance with section 125 of the Local Government Act 1999. These findings are summarised in our letter to management circulated separately.

C. Internal controls

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Future Considerations

The Council has conducted a risk analysis and implemented 219 of 233 core controls in accordance with the recommendations of the Better Practice Model, in order to comply with Section 125 of the Local Government Act 1999. We recommend that management perform further risk profiling analysis on these core controls to identify, and further reduce the key controls required to address the risks specific to the council.

Not all the core controls have been implemented due to alternative or mitigating controls being identified. In addition the Council has adopted additional Governance, Ethics and ICT (GEI) controls which are not required by the Better Practice Model, however show a strong culture of internal control at the Council.

D. Data analytics

Journal Entry Testing

Key audit matters

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Through the use of our proprietary software 'My Analytics' we were able to apply a data driven approach to journal entry testing in order to improve audit detection risk. The technique enabled analysis of the complete journal entry population with a specific focus on manual journals and assisted us in addressing the risk of management override of controls. Provided below is a summary of the tailored tests we executed and the criteria we considered.

Test 1:	Contained numbers which ended in round numbers with rounding basis "000"	Test 6:	Self-review posting
Test 2:	Had a value greater than performance materiality	Test 7:	End of Month (EOM) Weekend
Test 3:	Posted to a cash account	Test 8:	Contained a Key Word identified as a risk
Test 4:	Round numbers or consistent ending numbers	Test 9:	Posted on a Public Holiday'
Test 5:	Posted on a weekend	Test 10:	Posted to Revenue Account

The journal entries that met 2 or more of the criteria above were then discussed with management and agreed to supporting documentation where necessary. All journal entries identified for further investigation had appropriate explanations and supporting evidence.

E. Summary of uncorrected misstatements and disclosure deficiencies

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Summary of uncorrected misstatements

We have not identified any uncorrected misstatements that we believe could, either individually or in aggregate, have a material effect on the financial report for the year ended 30 June 2017.

Summary of disclosure deficiencies

No material uncorrected disclosure deficiencies were detected in the financial report.

F. Independence Declaration



10 October 2017

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Mr Greg Connor
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
STURT SA 5047

Dear Sir

Auditor's Independence Declaration to the Corporation of the City of Marion

In accordance with the Local Government (Financial Management) Regulations 2011, I am pleased to provide the following declaration of independence to the councillors of the Corporation of the City of Marion.

I confirm that, for the audit of the financial statements of the Corporation of the City of Marion for the 30 June 2017 financial year, I have maintained my independence in accordance with the requirements of APES 110—Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, and in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

Yours faithfully

Deloitte Touche Tohmatsu

Penny Woods
Partner

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Member of Deloitte Touche Tohmatsu Limited

F. Independence Letter

Key audit matters

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and deficiencies

Independence

Financial Reporting
Update

10 October 2017

Mr Greg Connor
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
STURT SA 5047

Dear Sir

Independence letter for the Finance and Audit Committee

Deloitte Touche Tohmatsu ("Deloitte") has prepared the following letter to facilitate our communication with the Finance and Audit Committee of the Corporation of the City of Marion (the "Council") and to assist you in meeting your requirements under the *Local Government Act 1999* to communicate matters to the members of Council regarding Auditor independence.

To the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Local Government Act or of any applicable code of professional conduct in relation to the audit for the financial year ended 30 June 2017.

We are not aware of any relationships between Deloitte and the Council that, in our professional judgment, may reasonably be thought to bear on our independence.

This report is intended solely for the information and use of the Council and management for the purposes stated herein, and is not intended to be and should not be used or relied upon by any other person or by any person for any other purpose.

Should you have any queries or wish to discuss this matter further please do not hesitate to contact me on 8407 7085.

Yours faithfully

Deloitte Touche Tohmatsu

Penny Woods
Partner

G. Financial reporting update

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Financial reporting
update

There continues to be constant developments in financial reporting mainly driven by harmonisation of international accounting practices. We continue to provide regular analysis of the latest accounting developments through our IAS Plus website, www.iasplus.com/en. We have set out below some of the recent accounting developments that are of relevance to the Corporation of the City of Marion and impact the financial report for June 2017 and beyond.

H.1 Standards in issue that are mandatory for the year ended 30 June 2017

The following new and revised Accounting Standards and amendments have been issued by the Australian Accounting Standards Board ("AASB") which must be applied that are of relevance to the Corporation of the City of Marion:

Standard/Interpretation	Effective date	Applicable date
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15, ED 260 Income of Not-for-Profit Entities	1 January 2018	30 June 2019
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020

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**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

Originating Officer: David Harman, Unit Manager Statutory Finance and Payroll
Manager: Ray Barnwell, Manager Finance and Contracts
General Manager: Vincent Mifsud, General Manager, Corporate Services
Subject: Debtors Report
Report Reference: FAC101017R7.4

REPORT OBJECTIVES AND EXECUTIVE SUMMARY:

The purpose of this report is to provide the Finance and Audit Committee (FAC):

(1) an annual summary report on Sundry Debtors and Rates Debtors in line with the year-end accounts, and

(2) an explanation as to how postponed rates debts are reflected in the annual accounts

RECOMMENDATIONS (1):

DUE DATES

That the Finance and Audit Committee:

1. Notes this report.

10 Oct 2017

BACKGROUND

Council Debtors

Council has two types of debtor categories that it manages:-

1. Sundry Debtors
2. Rates Debtors

DISCUSSION

Sundry Debtors

Sundry Debtors (shown as 'Debtors – General') and Rates Debtors are included under "Trade and Other Receivables" in the Financial Statements in Note 5(b), with Rates Postponed for State Seniors being separately identified.

The total for 'Debtors – General' also includes fines (parking, animal and statutory) along with amounts receivable from Council's insurers (Workers Compensation and Income Protection reimbursements) - the total combined amount reflected in the Statements being \$1,463k.

At the 30 June 2017, Council's Sundry Debtors made up a total of \$1,030,150 (Appendix 1) with \$83,029 (8%) in the 90+ Days category. The overdue amounts in the 90+ Days category have increased from the prior year total of \$38,394 (3%).

Of the total 90+ Days outstanding amount, \$37,482 has been subsequently settled. After working through our follow-up actions, we are now reviewing a number of aged debts with our debt collection agency.

During the year, no outstanding debts were authorised by Council to be written off.

Rates Debtors

Rates Debtors have moved from a balance of \$2,012,388 (2.8% of total annual rates) at 30 June 2016 to \$2,210,204 (3.0% of total annual rates) (Appendix 2). The amount postponed has increased to \$145,312 which represents the 2016/17 rating amounts (including interest) for eligible people who have applied for rate postponement.

The increase in arrears relates to a number of properties that have gone through the full legal collection process without success (refer to Rates Debtors debt collection process below). Due to overdue rates charges being applied annually these amounts continue to build up over time.

Debt Collection Process

Sundry Debtors

A debt recovery procedure exists which includes the following key steps in regards to debt collection:

- Monthly statements sent out directly to debtors
- Debtor Reports sent monthly to responsible officer (ie. originating officer)
- Reminder letters are sent to debtors once outstanding debt reach 60+ days

- Follow up phone calls and emails are sent to debtor by Sundry Debtors Officer as required
- Outstanding debt 90+ days is referred to the originating officers for follow-up with the debtor
- If no payment is made a letter is issued to the debtor requesting payment within 48 hours to avoid legal recovery action being taken
- If payment is not received within 7 days, instruction is given to the Debt Collection Agency to commence recovery proceedings
- Payment plans are put in place if appropriate to enable collection of outstanding debt

Rates Debtors

The following key steps are taken in regards to debt collection:

- Overdue Notice issued approximately one week after the last day to pay.
- If debt is not paid it will be assessed for referral to the Debt Collection Agency based on criteria including > \$500 and 2 instalments overdue, or no arrangement in place.
- Council will refer the debt to the Debt Collection Agency who then proceed with letters of demand requesting payment or a payment arrangement.
- If no payment or arrangement is made, Council will instruct the Debt Collection Agency to commence legal proceedings for recovery of the debt.
- Payment plans can be put in place at any time.

Council's rating policy provides support and assistance to eligible ratepayers through a number of different options including:

- Postponement of Rates – Hardship
- Postponement of Rates – Seniors

Postponed rates debts are included as a component of "Trade and Other Receivables" in Current Assets and separately disclosed in Note 5(b) to the Financial Statements.

It should also be noted that legislation allows Council to be given high priority to recover any outstanding debts, including accumulated interest, from the proceeds on the disposal of a property.

CONCLUSION

This report provides the Finance and Audit Committee with an annual summary report on Sundry Debtors and Rates Debtors as at the end of the 2016/17 financial year.

Appendix 1: Sundry Debtors at 30 June 2017

Appendix 2: Rates Debtors Report at 30 June 2017

Debtor	Total Balance	Current	30 Days	60 Days	90 Days	90+ Days	Percentage of total 90+ day balance	Comments for 90+ Day balances
General Total	68,991.78	6,520.02	370.35	61,858.40	.01	243.00	0%	Made up of 2 out of 13 debtors, with none individually significant.
Neighbourhood Centres Total	19,455.11	7,454.88	1,400.00	2,120.00	100.00	8,380.23	10%	Made up of 6 out of 22 debtors in this category with three of these totalling \$7448.73. 3 debtors totalling \$4,488.73 have been subsequently settled.
Regulatory Services Land Clearing Total	3,692.46	.00	.00	.00	200.62	3,491.84	4%	Made up of 7 out of 8 debtors. Discussion for setting up a payment plan is in progress for one debtor totalling \$1,725.35. 2 debtors totalling \$458.65 have been subsequently settled.
City Property Facilities Total	127,595.93	108,253.38	10,281.44	1,071.43	1,203.75	6,785.93	8%	Made up of 6 out of 32 debtors in this category with three of these totalling \$5,604.93. One account totalling \$950.00 will be sent to the debt collectors due to payment plan not being met. 4 debtors totalling \$3,758.87 have been subsequently settled.
Civil Services Private Works Total	61,419.90	14,049.40	915.00	1,650.00	2,080.00	42,725.50	51%	Made up of 23 out of 42 debtors in this category, with four of these totalling \$18,880.00 relating to works not commenced, awaiting payment with none of the remainder being individually significant. 10 debtors totalling \$22,042.50 have been subsequently settled.
Swim Centre Debtors Total	2,729.85	411.00	.00	.00	835.15	1,483.70	2%	Made up of 4 out of 5 debtors. 2 debtors totalling \$1,201.20 have been subsequently settled.
Grants & Subsidies Total	686,448.27	486,448.27	200,000.00	.00	.00	.00	0%	
Environmental Health Inspections Total	9,748.61	2,024.01	587.50	814.20	121.40	6,201.50	7%	Made up of 51 out of 74 debtors in this category, with none individually significant. 7 debtors totalling \$595.00 has subsequently been settled in July.
Regulatory Services Other Total	10,643.00	.00	201.00	2,278.00	.00	8,164.00	10%	Made up of 70 out of 100 debtors in this category with one account totalling \$3,471.00 on a payment plan which is being met. 23 debtors totalling \$2,808.00 have been subsequently settled.
Development Services Total	4,042.50	.00	.00	1,100.00	.00	2,942.50	4%	Made up of 8 out of 9 debtors in this category, with none individually significant. One debtor totalling \$385.00 has been subsequently settled.
Living Kurna Cultural Centre Total	11,812.44	8,153.70	1,748.25	353.49	234.00	1,323.00	2%	Made up of 5 out of 24 debtors, with none individually significant. One debtor totalling \$456.00 has been subsequently settled.
Local Government Total	10,654.44	10,654.44	.00	.00	.00	.00	0%	
Economic Development Total	5,977.95	3,777.95	2,200.00	.00	.00	.00	0%	
Marion Cultural Centre Total	6,937.68	3,505.18	2,144.50	.00	.00	1,288.00	2%	Made up of 1 out of 11 debtors in this category. \$1,288.00 has been subsequently settled.
Total	1,030,149.92	651,252.23	219,848.04	71,245.52	4,774.93	83,029.20		
Total Aging Profile		63%	21%	7%	0%	8%		

Category	Description
Employees	Anything that relates to CoM employees.
General	Anything that does not fit into one of the below categories.
Neighbourhood Centres	For hire of rooms in Neighbourhood Centres, etc. - usually charged out at an hourly rate. Also includes cultural workshops and tours.
Regulatory Services Land Clearing	When council has had to clear land due to non-compliance of owner.
Sporting Clubs & Other Leases	Rent, electricity, water, maintenance, etc. charged out to lessees.
Civil Services Private Works	Repairs or modifications to infrastructure (footpaths, kerbs, driveway inverts). Can be at resident request.
Swim Centre Debtors	Outdoor Swimming Centre - used for lane hire, school visits, etc.
Grants & Subsidies	Government grants and subsidies.
Environmental Health Inspections	Food Inspection fees.
Regulatory Services Other	Vehicle Impoundment fees and other regulatory services.
Supplier Refunds	Where a supplier owes the City of Marion funds. This category is used to keep track to ensure we have received payment for credits.
Development Services	Includes contribution from residents and/or developers for the removal and/or replacement of Council Street Trees and significant trees.
Living Kurna Cultural Centre	Relates to programs run through the LKCC.
Environmental Health Testing	Environmental testing fees.
Local Government	Transactions with other Local Government corporations.
Communications	Anything related to communications.
Economic Development	Events, etc. relating to economic development within the City of Marion.
Marion Cultural Centre	Hiring of the Marion Cultural Centre.

*any category that does not have any outstanding invoices will not be displayed.

Rates Report - Collection of Rates to 30 June 2017

ANALYSIS OF OUTSTANDING RATES AS AT 30 JUNE 2017

	<u>Note</u>			% of Total Annual Rates
CURRENT	1	-\$	647,504	-0.9%
OVERDUE	2	\$	1,866,659	2.6%
ARREARS	3	\$	822,923	1.1%
POSTPONED	4	\$	145,312	0.2%
LEGALS	5	\$	22,814	0.0%
			<hr/>	
		\$	2,210,204	3.0%
			<hr/>	
TOTAL ANNUAL RATES FOR 2016/17		\$	72,519,891	
			<hr/>	

Note 1: Current

Current rates represent the total amount of rates levied in the current financial year that are not yet due for payment. For example at 1st January this represents Quarter 3 & Quarter 4 rates unpaid.

Note 2: Overdue

Overdue rates represent rates levied in the current financial year that remain unpaid past their due payment date. For example on 1st January, this represents rates from Quarter 1 and Quarter 2 that remain unpaid.

Note 3: Arrears

Rates in arrears represent rates and charges levied in previous financial years that remain unpaid .

Note 4: Postponed

Postponed rates represent any rates amount due by seniors that have been granted a deferral, until the eventual sale of their property, as allowable under the Local Government Act. Interest is charged on these deferred rates and is recoverable when the property is sold.

Note 5: Legals

Legals represent any legal fees, court costs that have been incurred by Council in the collection of rates in the current financial year. These amounts represent costs that have been on-charged to the defaulting ratepayers and are currently outstanding.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

Originating Officer: John Stewart, Treasury Accountant
Manager: Ray Barnwell, Manager Finance & Contracts
General Manager: Vincent Mifsud, General Manager Corporate Services
Subject: Investment Performance 2016/17
Report Reference: FAC101017R7.5

REPORT OBJECTIVE AND EXECUTIVE SUMMARY

Section 140 of the Local Government Act requires Council to review the performance of its investments on an annual basis. This report is reviewed by the Finance and Audit Committee and will be presented to Council for adoption at its General Council Meeting on 24 October 2017.

A summary of the 2016/17 Investment Performance is provided at Appendix 1 for the Committee's information, showing that Council recorded a favourable result against the benchmark indicator for the 10th consecutive year.

RECOMMENDATION

DUE DATE

That the Finance and Audit Committee:

- 1. Notes the Investment Performance Report 2016/17.**

10 October 2017

BACKGROUND AND DISCUSSION

Decision making regarding investments are carried out under the guidance and limitations set within Council's Treasury Management Policy.

Compliance with Treasury Management Policy (Investments)

Council has complied with all elements of the Treasury Management Policy. Compliance has been achieved against the following major policy requirements;

Policy Requirement	Review
Council funds available for investment will be lodged 'at call' or having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term.	Investments in Fixed Term Deposits were made between a range of 30-270 days with an average maturity of 95 days and an average return of 2.68%. The average 'at call' rate of return was 1.68%. No Fixed Term Deposits were required to be broken during the year.
In the case of Fixed Term Investments, the term should not exceed a point in time where the funds could otherwise be applied to cost-effectively defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.	The variable interest rate borrowing facility was not required to be accessed.
Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.	<p>The Council supports the Local Government Finance Authority of South Australia (LGFA) for the placement of investment funds. The LGFA is a statutory authority established for the benefit of Councils in South Australia. Utilising the services of the LGFA provides an efficient means of investing surplus funds and a source of highly competitive interest rates. All deposits made with the LGFA are also guaranteed by the Treasurer of South Australia.</p> <p>To ensure Council continues to receive competitive rates for investments, quotations are regularly obtained from authorised institutions on investments of \$1,000,000 or more where the period of investment exceeds 30 days. During 2016/17 all surplus funds were invested with the LGFA, who, on all occasions offered the most competitive interest rates.</p>
Investments fixed for a period greater than 12 months to be approved by Council.	No Investments were placed for a period greater than 12 months.
The Policy indicates where surplus funds can be invested and that if they are invested in choices outside of the Policy, Council approval is required.	All surplus funds invested during the 2016/17 financial year were invested with the LGFA which is an allowable option under the Policy.
The Policy indicates investment activities that Council would not participate such as shares in private/public companies, listed or unlisted property trusts and derivatives.	No investments were placed in such options.

Performance against Benchmarks

Reserve Bank Cash Rate

Council earned \$929,060 of interest on its investments in 2016/17 at an average rate of return of 2.51%, a favourable outcome compared to the benchmark indicator (average Reserve Bank cash rate) of 1.52%.

Bank Bill Swap Rate (BBSW)

The Finance and Audit Committee commented, when reviewing the 2014/15 Investment Report, that it would also be useful to benchmark against commercial rates being offered.

The BBSW is the rate at which banks will lend to each other. It is a short term swap rate, and reflects a compilation and average of market rates supplied by domestic banks regarding specific maturities of bank bills. The BBSW is published daily and therefore an annual average index can be readily calculated for comparative purposes.

The most common index applied is the 90 Day BBSW which also closely aligns with Council's average maturity of 95 days. For the 2016/17 financial year, the 90 Day BBSW was 1.77%. Council's annual rate of return of 2.51% is also favourable compared to the BBSW indicator.

Interest on Investments Budget Performance

The performance of Interest on Investments is also monitored and managed against the Budgeted forecast. The actual value of investment interest of \$929,060 was a favourable variance against a final revised budget forecast of \$854,000.

Finance Audit Committee Advice

Administration welcomes any Finance and Audit Committee feedback prior to forwarding to Council the Investment Performance Result for 2016/17.

CONCLUSION:

The investment performance for 2016/17 was satisfactory when compared to relevant benchmark indicators. Investments were placed exercising due care and diligence and in strict accordance with Council's Treasury Management Policy.

Appendix 1**Investment Performance 2016/17****Interest on Investments**

Interest on investments for 2016/17 was \$929,060. Recent interest on investment history reveals the following:

	2012/13	2013/14	2014/15	2015/16	2016/17
Total Interest (including LGFA Bonus)	\$1,144k	\$793k	\$888k	\$696k	\$929k
LGFA Bonus	\$63k	\$87k	\$86k	\$109k	\$90k

The increase of interest on investments in 2016/17 can be mainly attributed to the increase in the average amount invested per day, increasing from \$25.1m in 2015/16 to \$37.1m in 2016/17. This would indicate that funds were able to be kept on deposit for longer periods in 2016/17, prior to being required to meet payment obligations for wages, creditors and progress payments for major capital projects.

The breakdown by Institution of the above total interest of \$929k for 2016/17 was as follows;

Term Deposits

LGFA \$924k Annual Average Rate of Return 2.59% which includes the annual LGFA bonus distribution. Best rate was 2.79% over 180 Days – last experienced Mar 2016 (spanning Financial Years).

Other Institutions \$Nil

Sub-Total \$924k

Operating Account

BankSA \$5k Annual Average Rate of Return 0.36%

Total **\$929k**

Competitive quotes were sourced during the financial year and all investments were placed with the LGFA who provided the best competitive rates in all instances.

Peak Value of Investments

Investments peaked in June 2017 at \$47,141,266. The peak value of investments history reveals the following:

2012/13	2013/14	2014/15	2015/16	2016/17
\$33.4m	\$30.9m	\$34.9m	\$30.1m	\$47.1m
Dec 2012	Jun 2014	Sep 2014	Mar 2016	June 2017

Traditionally investments reach their peak in the first half of the financial year due to a portion of ratepayers paying their rates in full rather than paying quarterly. Large grant revenue receipts and the timing of significant Capital Expenditure projects also have an impact on investment balances.

Annual Rate of Return on Investments

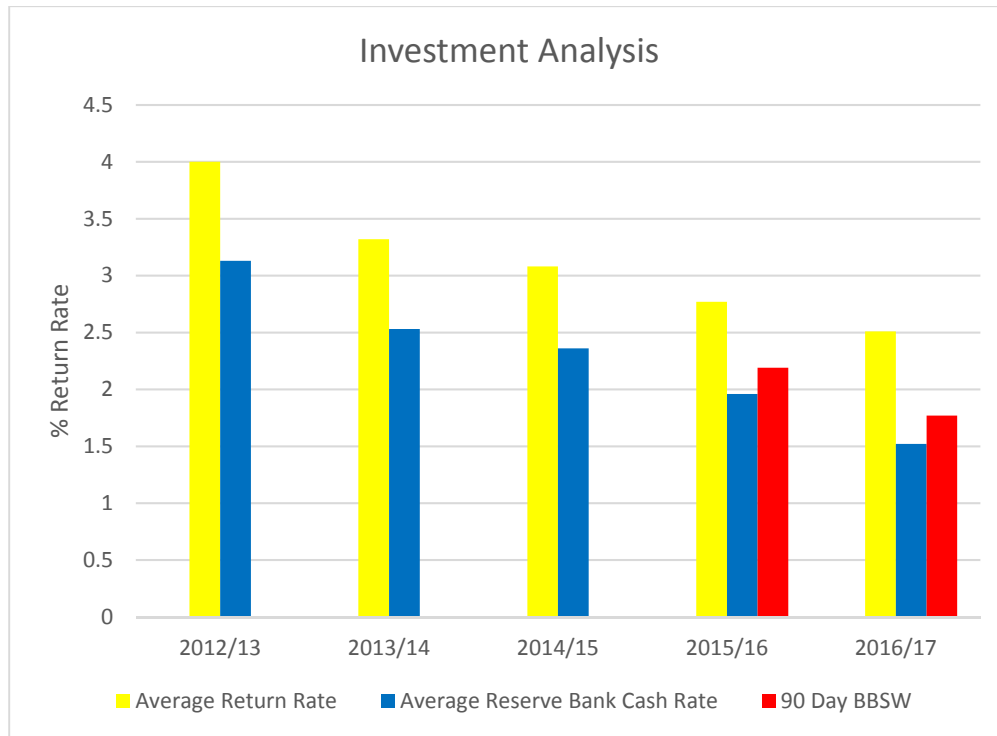
Council's Investment performance is measured against a recommended benchmark and submitted for consideration by Council on an annual basis. This is in accordance with guidelines contained in the "Investment Policy & Review of Investments" document published by the South Australian Local Government Financial Management Group.

The benchmark indicator referred to above that measures our investment performance, is the average annual Reserve Bank cash rate. The following change to the cash rate occurred in 2016/17;

Date	Fluctuation	Revised Rate
3/8/2016	-0.25%	1.50%

The annual rate of return on investment for the City of Marion in 2016/17 was 2.51% compared to the annual average bench mark rate of 1.52%, providing reassurance that funds invested by City of Marion were well managed. The following table and graph summarises Council's history of annual rate of return on investments.

	2012/13	2013/14	2014/15	2015/16	2016/17
Annual Rate of Return	4.00%	3.32%	3.08%	2.77%	2.51%
Average Reserve Bank Cash Rate	3.13%	2.53%	2.36%	1.96%	1.52%
Benchmark Variation	+0.87%	+0.79%	+0.72%	+0.81%	+0.99%



The Council's annual rate of return includes the annual bonus paid by Council's principal investment financial institution – LGFA. The bonus amount paid to Councils by LGFA is based on a combination of Council's investment and borrowing activity for the prior year.

The table indicates a positive variation in each financial year. The 2016/17 result is the tenth consecutive year of a favourable outcome being reported.

Council's General Bank Account earned an average rate of 0.36% in 2016/17, which is factored into the benchmark result. The inclusion of the General Bank Account earnings in the overall investment performance does make it more challenging to achieve a positive benchmark performance. As a result, it is important that the Treasury Management function monitors and minimises any potential negative impact.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
10 October 2017**

Originating Officer: Ray Barnwell, Manager Finance and Contracts
General Manager: Vincent Mifsud, General Manager, Corporate Services
Subject: Edwardstown Redevelopment Project Update
Report Reference: FAC101017R7.6

REPORT OBJECTIVE

The purpose of this report is to provide the Finance and Audit Committee (FAC) with a brief update on the status and development of the Edwardstown Soldiers Memorial Recreation Ground (Edwardstown Oval) Project.

EXECUTIVE SUMMARY

The FAC considered a Section 48 prudential report on this major project at a Special Finance and Audit Committee meeting held on 22 February 2016 (SFAC220216R01). Following this meeting Council considered and endorsed the \$8m major project at a Special General Council Meeting held on 8 March 2016 (SGC080316R02), subject to the successful application for \$4m matching funding through the National Stronger Regions Fund.

Council has subsequently obtained \$4m funding through the Commonwealth Community Development Grants Programme and with matching funding in place is committed to the redevelopment of Edwardstown Oval. Detailed designs and costings have been developed, with the \$8m project currently out to tender with a view to construction commencing in December 2017.

There is a strong focus on facilitating increased community use at the site and council staff have been working closely with the clubs and a newly elected skills-based board (the Edwardstown Soldiers Memorial Community Club Board (EMSCC)) who will manage the redeveloped facility, to develop the management model and business plan for the facility. This has led to some changes in the management model initially proposed in the Section 48 report.

The key changes centre on the funding of a fulltime facility manager on an ongoing basis to drive the community based management model. Council originally forecast to fund only the first 2 years of the transition phase. However, the original report noted there may be an ongoing requirement for Council to subsidise this position, depending on the overall growth, and the capacity of the Committee of Management and clubs to pay for this position on an ongoing basis. The funding capacity of the affiliate clubs and the Committee has been re-assessed and it is now expected that Council will need to support the role by funding the position on an ongoing basis.

The changes outlined in this report will require additional operational funding from Council of \$100k per annum, totalling just over a \$1m over the term of Council's Long Term Financial Plan (LTFP).

Council has sufficient capacity within its LTFP to support the proposed management model.

RECOMMENDATION**DUE DATE**

The Finance and Audit Committee notes the report.

10 October 2017

BACKGROUND AND DISCUSSION

Following the Special Finance and Audit Committee meeting in February 2016 Council considered and endorsed the \$8m Edwardstown Oval major project at a Special General Council Meeting held on the 8 March 2016 (SGC080316R02), subject to the successful application for \$4m matching funding through the National Stronger Regions Fund.

Council has obtained \$4m funding through the Commonwealth Community Development Grants Programme. A funding deed received from the Department of Infrastructure and Regional Development was executed in December 2016 following Council endorsement at its General Council Meeting in November 2016 (221116R11).

With matching funding in place and Council committed to the redevelopment of Edwardstown Oval, detailed designs and costings have been developed over the past 9 months, with the project currently out to tender with a view to construction starting in December 2017.

The new management model will see the EMSCC operate the multi-use facility in collaboration with the affiliate clubs, which will enable greater opportunities to expand the revenue of the site along with increased usage by the wider community. The design and purpose of the building is specifically for the use by multiple user groups at the same time to ensure maximum utilisation, activation and participation by varied community groups.

Administration have worked in collaboration with the EMSCC board to develop a business plan for the facility. At its General Council Meeting on 8 August 2017(GC080817F02) Council endorsed the proposed management model and business plan for the facility.

The management model and business plan developed has led to some changes from the original proposed model, details of which are noted below;

1. Facility Manager

Following further assessment, it is now felt that a fulltime on-going position is required to drive the community based management model. The facility manager position has gone from being fulltime Year 1 and 2 in the original management model to being fulltime throughout the 10 years of the new model. When Council considered the section 48 Prudential Management report it was advised that a Facility Manager would need to be employed by Council for at least the first 2 years.

In addition, Council originally forecast to fund only the first 2 years of the transition phase, in the new proposed model Council will be funding the role on an ongoing basis.

Having assessed the funding capacity of the affiliate clubs it is deemed that council will need to support the role by fully funding the position on an ongoing basis.

2. Subsidy for Initial 3 years

Council has now endorsed funding of up to \$70,000 to be incorporated into Council's Long Term Financial Plan over the next 3 years to fund a Community Value Subsidy required to support the EMSCC during its transition to a new management model. This amount totalling \$70,000 over the next three years is to ensure the EMSCC are operationally sustainable.

3. Council \$4m Contribution funded from Reserves

It should also be noted that Council will not be borrowing its \$4m contribution as indicated in the section 48 report but will utilise funding available from its reserves. This will eliminate the forecast funding requirement for interest on borrowings of \$951k in the original section 48 report.

One other minor financial impact on Council is a change in increased rent revenue to Council from the EMSCC which equates to \$115k over the next 10 years.

4. Further Developments

Council at its General Council Meeting on 8 August 2017 (GC080817F02) has also endorsed an allocation up to \$155,000 to be funded from Council's Asset Sustainability Reserve (General fund) for the purchase of various furniture, fittings and equipment that were not included in the original building scope.

At a Special General Council Meeting on 12 September 2017, (GC120917F01) Council endorsed an additional allocation of up to \$275,300 towards the Edwardstown Oval Redevelopment Project to fund the installation of a loop path and UCI compliant fence bringing the total allocation from Council's Asset Sustainability Reserve to \$4,430,300.

The financial impact of the changes outlined above have resulted in an additional operational funding requirement from Council of \$100k per annum totalling just over a \$1m over the term of Council's LTFP.

Council has sufficient capacity within its LTFP to support the proposed management model.

CONCLUSION

This report provides an update to the FAC on the progress of the redevelopment of Edwardstown Soldiers Memorial Recreation Ground (Edwardstown Oval). A request for tender is currently in progress and a report will be coming to Council in November 2017 at the conclusion of the Request for Tender process, for approval to award the construction contract. Construction is set to commence in December 2017.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

Originating Officer: Sherie Walczak, Unit Manager Risk

Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Corporate Risk Profile

Report Reference: FAC101017R7.7

EXECUTIVE SUMMARY:

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

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

- The identification and management of high rated risks, the control environment and further actions to mitigate risk materialisation and impact to Council.
- The quarterly and annual reports presented to Council.

BACKGROUND

The Corporate Risk Profile was last reported to the Finance and Audit Committee at its meeting on 28 February 2017 (FAC280217R8.4) as a result of the biennial desktop risk review undertaken in 2016. This resulted in a Corporate Risk Profile which linked to the overarching Community Vision themes of Liveable, Prosperous, Valuing Nature, Innovative, Engaged and Connected and a 7th theme of a Council of Excellence.

The Committee acknowledged that the report was a summary of a detailed register however, they would have liked to have seen the detail behind the summary. They also acknowledged that it was positive that there were no extreme risks however it was a concern that some risks remain unchanged as high. The Unit Manager Risk responded that there were some risk ratings that will not decrease unless there is investment in systems and resources. The Committee noted that the extra resources required to mitigate these risks should be considered a priority, as it was not good practice that for three years running the risk ratings of high had remained unchanged. The Committee recommended that all risks that exceed Council's risk appetite (e.g. above medium) should be reported to Council on a quarterly basis.

This feedback was incorporated into the Corporate Risk Profile and was reported to the Council at its meeting on 8 August 2017 (GC080817R07). Feedback indicated a level of concern with the number of high rated risks and the item was adjourned until the 24 October 2017 General Council meeting to enable a review of the risk assessments.

DUE DATES

RECOMMENDATION

That the Finance and Audit Committee;

- 1. Note the progress reported to date and provide feedback on the report outlining high level risks**

10 Oct 2017

PROCESS UNDERTAKEN

The Unit Manager Risk led a comprehensive review of the Corporate Risk Register. Critical documents, including the City of Marion Strategic Plan 2017-2027 and Environmental Scan (March 2017), informed the review. Division specific workshops were facilitated and validation meetings were undertaken by Manager Corporate Governance, Unit Manager Risk and the Risk Coordinator. These were held with Senior Leadership Team risk owners and incorporated Unit Managers where available, given time limitations. The main focus of the reviews were to ensure the accuracy and relevance of the risks, the current risk rating, the outlined further actions to mitigate the risk and the subsequent forecasted risk rating.

OUTCOMES

The revised Corporate Risk Register consists of 110 risks with risk ratings outlined in Table 1.

Inherently, 16 are rated as extreme, 77 rated as high, 17 as medium and 0 as low. After consideration of our documented controls, the risk ratings decrease which demonstrates the value of the risk management program. Currently, 0 rated as extreme, 14 as high, 83 as medium and 13 as low. There are a number of further actions identified in the Corporate Risk Register, once actioned, these risk ratings decrease to 0 rated as extreme, 1 as high, 61 as medium and 48 as low.

Table 1: Impact of Corporate Risk Management

Corporate Risk	Inherent	Current	Forecast	Overall Impact*	
Extreme	16	0	0	↓	Risk --> Tolerance
High	77	14	1	↓	
Medium	17	83	61	↑	
Low	0	13	48	↑	
Total:	110	110	110		

* from Inherent Risk Rating to Forecast Risk Rating

One risk remains with a high forecasted rating, 'Failure to meet Work Health Safety statutory and legislative requirements to ensure provision of a safe workplace'. Significant progress has been made since February 2017, with the introduction of a technological solution for a Work Health Safety management system called SkyTrust. However, implementation of the core modules of this system will occur via a staged approach over the 12 months until June 2018.

An extract of the Corporate Risk Register, filtered to present the 14 risks currently rated as high, is attached as Appendix A. This will be produced quarterly and submitted to Council for review.

Comparison of our industry counterparts was also undertaken via analysis of the *Australian Local Government 2017 Risk Report*, produced by AON Risk Solutions, and the *Local Government CEO's Ranking of the Top Risks in the Sector*, produced by Local Government Risk Services. This resulted in a revised Corporate Risk Profile, attached as Appendix B, which will be reported annually to Council. This previously illustrated the highest risks aligned to the themes outlined in the City of Marion Strategic Plan but now reports the City of Marion's risks and how they align to the sector's top rated risks. It should be noted that two of the sector's top risks, Financial Sustainability/Stability and Human Resources Management, are rated as medium or low by the City of Marion. This provides assurance to Council that the risk management program is working well to mitigate risks and reduce the risk exposure against the sector's highest rated risks.

CONCLUSION

The new annual and quarterly reporting, being the Corporate Risk Profile and the extract of high risks from the Corporate Risk Register respectively, will provide Council with an understanding of the industry sector risks and how the City of Marion is rated against these risks. This, together with a detailed summary of all currently high-rated risks including the further actions to mitigate these risks, will provide a greater level of assurance for Council and all key stakeholders.

APPENDIX

Appendix A Corporate Risk Register – extract showing current high risks
Appendix B Corporate Risk Profile – benchmark against top risks in the sector

2017 Corporate Risk Register - extract showing current HIGH risks

APPENDIX A

Risk Owner (ELT)	Strategic Link	Ref	Work Team	Risk Description	Risk Causes /Sources	Potential Consequences	INHERENT Level of Risk			Current Controls in Place	CURRENT Level of Risk			Further Controls	Due Date	Action Owner	FORECAST Level of Risk		
							Likeli-hood	Conse-quence	Risk Rating		Likeli-hood	Conse-quence	Risk Rating				Likeli-hood	Conse-quence	Risk Rating
Corporate Services	Council of Excellence	GOV08	Governance	WHS Management: Failure to meet Work Health Safety statutory and legislative requirements to ensure provision of a safe workplace	- Lack of specialist WHS personnel/advice - Lack of Due Diligence training - Inadequate WHSMS - Poor training in WHSMS	1. Criminal Charges 2. Incarceration 3. Financial Penalty 4. Reputation Risk	Likely	Severe	EXTREME	1. WHS Management System (implementation of Skytrust) 2. Trained & competent staff 3. SWMS, SWPs, SOPs, JSEAs, Risk Assessments undertaken 4. Site supervisors oversight of Workers 5. Regular team meetings (Toolbox) 6. Policies, procedures & processes 7. Staff awareness raised 8. Site observations	Unlikely	Severe	HIGH	1.Implementation of Stage 1, 2 and 3 of Skytrust 2.WHS KPI Action Plan 16/17	1.30/06/18 2.30/06/18	1.UM Risk 2.UM Risk	Unlikely	Severe	HIGH
City Development	Liveable	ASY02	Asset Systems	Property & Infrastructure: Failure to appropriately maximise CoM assets and asset management planning, to ensure appropriate acquisition, renewal, maintenance, management and disposal	- Lack of lifecycle and whole of life controls utilised in corporate decision making. - Limited renewal planning. - Lack of clarity regarding service standards - Poor implementation of data held within the CoM asset register - Change in strategic priorities from EMs - Increased workload/ inadequate staffing levels/specialised skills - Inadequate funds allocated for management of assets - Increased quality expectations from the community, Australian Standards and legislation	1.Asset deterioration/ failure 2.Poor decision making leading to financial burden 3.Downturn in staff morale 4.Non compliance with legislation, regulations and industry standards 5.Dissatisfied community 6.Increased costs of ongoing maintenance, delays and penalties 7.Excessive service cuts and/or excessive rates rises to meet the commitments	Likely	Severe	EXTREME	1. Asset Management Plan 2. Asset Mgt Plan incorporated in 2017/18 budgets 3. Strategic Plan 4. Capital working group meetings 5. Valuations and Long Term Financial Plan (LTFP) 6. Asset management schedules 7. Meeting of compliance obligations 8. Building checks 9. Continual improvement in understanding lifecycle/whole of life costs & data (storage and recovery)	Possible	Severe	HIGH	1. Annual review and update of Asset Management Plan - ref AMIP Practice Area 6 2. Review asset condition inspection regime - ref AMIP Practice Area 11 3. Review Asset Valuation process - ref AMIP Practice Area 10 4. Develop 'Single point of truth' for all asset data - ref AMIP Practice Area 9 5. Finalise the review and setting of asset service levels - ref AMIP Practice Area 8 6. Implementation of appropriate Asset Management governance - ref AMIP Practice Area 7	1.30/06/17 2.31/12/17 3.30/11/17 4.30/06/18 5.30/06/18 6.30/11/17	1.UM Asset Systems 2.UM Asset Systems 3.UM Asset Systems 4.UM Asset Systems 5.UM Asset Systems 6.UM Asset Systems	Rare	Severe	MEDIUM
City Development	Liveable	CHS01	Community Health & Safety	Business Continuity & Community Safety: Failure to deliver Health & Safety outcomes for the Community (eg: Public & Environmental Health/ Animal/ Bushfire / Parking/ Litter & Local Nuisance Management & Council By-Laws)	- Lack of strategic direction - Inadequate number of appropriately qualified and/or trained staff including administrative/business support staff - Inadequate Community education - Inadequate staff supervision and training - non compliant schedule of inspections - absent, out-dated and/or ineffective policies, procedures & processes - Insufficient budget - Inadequate equipment	1. Lost opportunity to increase the safety & health of the Community 2. Failure of Council to fulfil legislative responsibilities 3. Lack of accountability 4. Exposure to Litigation/Penalties/Costs 5. Delayed service improvement 6. Low staff morale	Likely	Severe	EXTREME	1.Implementation of Management Plans 2. Annual reporting to State Government 3. Professionally qualified EHO staff 3. Appropriately trained staff Periodic audits by Dog & Cat Management Board 4. Legislatively compliant with supporting policies, procedures and processes 5. Majority of current content within Plans can be delivered within existing staff resources 6. Staff attend Customer Experience Training & aggressive people training 7. Grant funding opportunities are sought where available 8. Partnering with other internal and external stakeholders	Unlikely	Severe	HIGH	1. Implement outcomes of Service Review into Management of Parking and Abandoned Vehicles 2. Scope future Service Reviews into all other services provided by the Community Safety Inspectorate	1.31/08/18 2.30/08/18	1.UM Commas HS 2.UM Comms HS	Rare	Severe	MEDIUM
Corporate Services	Council of Excellence	CON03	Contracts	Contractor Management: Failure to manage contractors appropriately to ensure that contractual obligations are met	- Inadequate awareness for the procurement and contracting process - Inconsistent approach for the procure-to-pay process - lack of knowledge regarding corporate requirements for contract management - lack of training regarding contractor management	1. Death or critical injury to Workers, Contractors or member of Public 2. Weak internal controls and process assurance 3. Ineffective financial monitoring of contracts/budgets 4. Inappropriate contractor management 5. Inability to engage quality contractors 6. Non-performance of contractors 7. Ineffective use of staff resources 8. Lack of integrity in the process, frequent 'work arounds' 9. Disruption to works impacting CoM & team 10. Disruption to works impacting local community 11. CoM exposure to liability 12. Reputation damaged through adverse media coverage	Likely	Severe	EXTREME	1. Procurement and Contractor Management policy & procedures (reviewed 2016) 2. Staff training provided in procurement & contractor management 3. Business Partnering approach 4. Internal customer satisfaction surveys (every project) 5. Annual procurement planning (aligned to projects etc.) 6. Contracting centralised through the Contracts Team 7. Existing Procurement and Contractor Management Policies and Procedures (including tender evaluation, contractor induction, site inspections); Tender Board process for contracts greater than \$100,000 8. Recruitment of appropriately skilled staff within Contracts Team	Unlikely	Severe	HIGH	1. Transition contractor surveillance and monitoring into SkyTrust and formalise the Audit/Observation program	1.30/06/18	1.UM Risk	Rare	Severe	MEDIUM
City Services	Council of Excellence	CSE01	Civil Services	WHS Management: Failure to appropriately manage high risk activities by CoM Staff (underground services, excavation, confined space, hot works etc.)	- Absent, outdated or inadequate SWMS, SWPs, SOPs, Risk Assessments (due to under resourcing, inappropriate time management, low team/organisational prioritisation, insufficient investment in Worker safety)	1. Death or critical injury to Workers, Contractors or member of Public 2. Disruption to works impacting CoM & team 3. Disruption to works impacting local community 4. CoM exposure to liability 5. Officers' exposure to criminal litigation 6. Reputation damaged through adverse media coverage 7. Impact of work i.e. Spills, dust, water quality, gas leak	Likely	Severe	EXTREME	1. WHSMS Policies, Procedures & Hazardous Work Handbooks 2. Hazard Register identifying hazards works/risk 3. SWMS, SWPs, SOPs and Risk Assessments 4. Site supervisors sign-off of Permit where required 5. JSEA undertaken prior to commencement of work 6. Site supervisors oversight of Workers 7. Regular monitoring/review of outstanding CAPA register	Unlikely	Severe	HIGH	1. Ensure all outstanding WHS/hazard documentation is updated and relevant for migration onto WHS management software system (95% complete)	1.30/09/17	1.UM Civil	Rare	Severe	MEDIUM
City Services	Council of Excellence	CSE02	Civil Services	Contractor Management: Failure to appropriately manage high risk activities by Contractors (underground services, excavation, confined space, hot works etc.)	- Ineffective procurement processes that evaluate Contractors' WHS practices/ performance - Inconsistent / Ineffective WHS induction of contractors - Ineffective monitoring and evaluation of Contractors' WHS practices/ performance	1. Death or critical injury to Workers, Contractors or member of Public 2. Disruption to works impacting CoM & team 3. Disruption to works impacting local community 4. CoM exposure to liability 5. Officers' exposure to criminal litigation 6. Reputation damaged through adverse media coverage	Almost Certain	Severe	EXTREME	1. Procurement & Contractor Management policy & procedures 2. Team trained in Procurement & Contractor Management 3. Tender evaluation process 4. Contractor induction 5. Site inspections	Unlikely	Severe	HIGH	1. Ensure all outstanding WHS/hazard documentation is updated and relevant for migration onto WHS management software system (95% complete)	1.30/03/17	1.UM Civil	Rare	Severe	MEDIUM
City Services	Connected	CSE03	Civil Services	Property & Infrastructure: Lost opportunity or inability to create, renew, manage and maintain infrastructure assets (roads, drainage, footpaths etc.)	- Inadequate asset management planning - Lack of funds allocated in internal budgets - Reduction in external grant funding - Inability to access appropriate materials - Change in strategic priorities from EMs - Access to qualified staff	1. Asset deterioration/failure 2. No new assets 3. Dissatisfied community 4. Early/late asset renewal 5. Higher costs of ongoing maintenance vs renewal 5. Stormwater flooding	Likely	Severe	EXTREME	1. Asset Management Plan 2. Civil budget 3. Civil works program 4. Budget for Asset Management Plan and Civil Works program 5. Streetscape Policy & service delivery standards	Unlikely	Severe	HIGH	1. Implement the results of the Asset Management Review	1.30/06/19	1.UM Civil	Rare	Severe	MEDIUM
Corporate Services	Council of Excellence	GOV06	Governance	WHS Management: Exposure of CoM's Officers under the WHS Act to criminal litigation	- Failure to advise and train staff of WHS obligations - Lack of management support - Lack of Due Diligence training - Inadequate WHSMS - Poor training in WHSMS - Poor WHS systems management	1. Criminal Charges 2. Incarceration 3. Financial Penalty 4. Reputation Risk	Likely	Severe	EXTREME	1. Skilled and experience WHS Staff 2. Implementation of WHSMS 3. Specialist WHS Coordinator 4. Due diligence training undertaken in 2016 (inc GMs) 5. Thinks Safe Live Well safety management system 6. Ongoing consultation, training and advice to staff across CoM 7. ELT Support and briefings on emerging risk issues 8. Implementation of WHS management system (sky trust) 9. WHS induction new staff 10 monthly reporting to Council, ELT and SLT regarding hazard and incident management	Unlikely	Severe	HIGH	1.Implementation of Stage 1, 2 and 3 of Skytrust 2.WHS KPI Action Plan 16/17 3.WHS training with Elected Members	1.30/06/18 2.31/10/17 3.12/09/17	1.UM Risk 2.WHS Coordinator 3.Mgr CG	Rare	Severe	MEDIUM

2017 Corporate Risk Register - extract showing current HIGH risks

APPENDIX A

Risk Owner (ELT)	Strategic Link	Ref	Work Team	Risk Description	Risk Causes /Sources	Potential Consequences	INHERENT Level of Risk			Current Controls in Place	CURRENT Level of Risk			Further Controls	Due Date	Action Owner	FORECAST Level of Risk		
							Likeli-hood	Conse-quence	Risk Rating		Likeli-hood	Conse-quence	Risk Rating				Likeli-hood	Conse-quence	Risk Rating
City Development	Council of Excellence	DSE02	Development & Regulatory Services	Major Projects - Compliance & Management: Failure to deliver significant projects, legislative reviews and/or priority workloads against tight timeframes e.g.: Housing Diversity DPA & new Public Development & Infrastructure Act	<ul style="list-style-type: none"> - poor communications - poor resourcing/data/systems - lack of specialised skills across work units - increased workload of team - inadequate budgets 	1.Non compliance with relevant legislation/ regulations 2.Reputational damage 3.Political exposure 4.Dissatisfied Community 5.CoM exposure to liability 6.Officers' exposure to criminal litigation	Likely	Major	HIGH	1.Professionally qualified staff 2.Regular review of resources/capacity 3. Relevant and updated policies process and procedures in place 4.Initial assessment by Team Leaders - work triage 5. Allocation of applications at Development Assessment Group (DAG), where initial issues are flagged 6. Planning assessment checklists 7. Regular briefings to staff on legislative changes 8. Inspections prior, during and after application 9. Annual accreditation for building inspectors, CPD records etc. 10. Compulsory white card certificates held by Building Inspectors to allow entry to all building sites 11. Selection criteria for position profiles require appropriate qualifications, specialised skills (e.g.: site contamination etc.) and experience 12. Accreditation with AIBS of at least level one to sign off on own work 13. Refer to case law in planning decisions 14. Access legal advice to provide assistance when required (Section 7 applications in particular)	Possible	Major	HIGH	1.Review of team/individuals workloads due to new structure and number of newly recruited staff 2.Ensure specific training undertaken re new Public Development and Infrastructure Act 3.Ensure specific training undertaken re Development Applications going on-line	1.30/10/17 2.31/12/17 3.31/12/17	1.Mgr D&S 2.Mgr D&S 3.Mgr D&S	Unlikely	Major	MEDIUM
City Development	Valuing Nature	ESU03	Environmental Sustainability	Environmental Management/Climate Change: Failure to understand and plan for the projected impacts of climate change.	<ul style="list-style-type: none"> - Lack of awareness for climate change issues - Poor project management - Inadequate communication - Poor inter-departmental working 	1.Catastrophic damage during extreme weather (e.g. flooding) 2. Cost of remedial flood works 3. Cost of flood mitigation works 4. Dissatisfied community	Likely	Major	HIGH	1.Resilient South partnership 2.Professionally qualified staff 3.Education via events, networking, workshops etc. 4. Development of Community relationships	Possible	Major	HIGH	1.Review of climate change projections/observations and use of pathways approaches in adaptation planning. 2.Seek funding from State Government and Council Business Plan for adaptation works	1.31/12/18 2.31/12/18	1.UM ES 2.UM ES	Unlikely	Major	MEDIUM
Corporate Services	Council of Excellence	GOV02	Governance	Governance Risks: Potential dysfunction between Council and Administration resulting in poor decision making and unfunded, unplanned initiatives gaining Council endorsement, poor corporate governance and prudential management.	<ul style="list-style-type: none"> - Administration managing requests from Council without due consideration and adequate time. - Council and Administration failing to communicate with each other. - New initiatives going straight to Council without following procedures through due diligence (e.g. Asset Management, Finance, Governance, Risk, Environmental Sustainability, Contracts, Strategic Management etc.). - Some Councillors have differing perspectives of their role on Council, decisions being made that are Ward based, rather than whole of Council perspective State Government Elections March 18 Local Government Elections November 18	1. Unsustainable initiatives 2. Strategic plan misalignment 3. Process Errors 4. Lack of funding and negative financial implications 5. Lack of or misuse of resources 6. Impact on the delivery of other project/initiatives 7. Staff stress 8. Low staff morale	Likely	Major	HIGH	1. Process of unfunded initiatives 2. Staff provide frank and fearless advice 3. Annual workshop for Council & Finance & Audit Committee 4. Council Meeting Procedures training during induction 5. Annual self evaluation effectiveness survey 6. GM's induction on governance processes 7. CEO and Mayor relationship 8. fortnightly planning (Mayor and Manager Corp Governance) for matters before Council 9. Due diligence and prudential report to Council	Possible	Major	HIGH	1.EM Training Program - 5th Tuesday of month	1.30/11/18	1.Mgr CG	Unlikely	Major	MEDIUM
Corporate Services	Council of Excellence	GOV10	Governance	Business Continuity & Community Safety: Failure in Council's ability to prevent, prepare, respond to and promote resilience in the community in the event of an emergency i.e. earthquake, flood, extreme heat, bushfire and terrorism	<ul style="list-style-type: none"> - Absent, outdated or inadequate Community Emergency Plan, failure to undertake risk assessment and undertake mitigation activities for known hazards 	1. Death or critical injury to Workers, Contractors or member of Public 2. Disruption to works impacting CoM & team 3. Disruption to works impacting local community 4. CoM exposure to liability 5. Officers' exposure to criminal litigation 6. Reputation damaged through adverse media coverage	Possible	Severe	HIGH	1. Flood prevention activities 2. CSI Fire prevention activities 3. DAP/Building Fire Committee 4. Community education 5. CoM Emergency Response Plan 6. Workplace Emergency Management Plans 7. i-Responda training 8. On-call team 9. Reviewed Business Continuity Plan 10.Community Development activities	Unlikely	Severe	HIGH	1.Implementation of a Community Emergency Response Plan based on the PPRR model 2. Review and implement the new Crowded Place Risk Assessment and Notification Processes issued by SAPOL	1.30/06/18 2.30/06/18	1.UM Risk 2.UM Risk	Rare	Severe	MEDIUM
Corporate Services	Council of Excellence	ICT02	ICT	ICT/Cyber Security & Continuity Of Provision: Inappropriate use, ineffective or absent ICT system solutions to support data management to ensure accurate data collection, appropriately manage Council business and ensure informed decision making	<ul style="list-style-type: none"> - Human error - Poor capture of data - Increased workload of team - Lack of specialised skills across work units - Reluctance to use Corporate System databases versus personal spreadsheets - Inadequate funds allocated in internal budgets for system improvements and ICT computer skills development for staff - Lack of ICT training for staff (no corporate ICT Trainer role) - Lack of mobility tools for outdoor staff - Ineffective use of end user reporting and query tools 	1.Non compliance with related regulations/ legislation 2.Poor decision making 3.Failure to deliver identified IT outcomes 4.Failure to address business issues. 5.Inability to provide innovation and improve efficiencies 6. Lack of data integrity	Likely	Major	HIGH	1. ICT Steering Committee meets quarterly to discuss major initiatives and priorities 2. ICT working in line with the Strategic Management Framework, ICT Strategic Themes and Work Area Plan 3. Core application systems user groups in place with ICT business unit account manager roles (engagement partners / project co-ordinators) 4. Vendor management Reviews of required software enhancements and faults 5. Clarified roles and responsibilities of software ownership (org wide versus departmental) 6.Regularly reviewed policies, procedures & processes	Possible	Major	HIGH	1.Embed ICT Digital Transformation Plan into annual business plan and budget process, and update ICT Roadmap accordingly 2.Regularly review and assess suitability and effectiveness of current systems, processes, people and data in relation to business needs (e.g. current asset management review) 3.Internal Audit Review actions	1.30/06/18 2.30/06/18 3.30/06/18	1.Mgr ICT 2.Mgr ICT 3.Mgr ICT	Unlikely	Major	MEDIUM
City Development	Liveable	OSR01	Open Space & Recreational Planning	Major Projects - Compliance & Management: Failure to deliver planned strategic objectives in addition to new high level projects	<ul style="list-style-type: none"> - Increased EM & community expectations and perceptions - State driven initiatives i.e.: Fund My Neighbourhood (Oct 2018) - Council changes work program and priorities - Inadequate provision of appropriate play spaces throughout the CoM - Lack of identifiable outcomes for grants received - Increased pressure and reliance on Council to provide open space due to higher density housing - Lack of clarity on service levels - Poor external & internal communication/consultation - Lack of adequate resources to carry out works programmed 	1. Skewed strategic & operational alignment 2.Lack of Council endorsement/adherence to process gives potential for poor decision making 3. Poor consultation process 4. Mismatch to community expectations 5. Non-compliance with Australian Standards/legislative requirements, 6. Failure of budget process/carryover provision 7. Failure to manage service levels/revenue costs 8. Failure of IT graphic design solutions 9. Deteriorating open space assets 10. Loss of experienced staff/resources	Likely	Major	HIGH	1.Review of Play Space Strategy & playspace condition audit 2.Work Area Plans & Budget Reviews 3.Open Space Asset Management Plan 4.Long Term Financial Plan to align with WAP 5.Professional Development Plans for team members 6.Use of project management methodology including consultation processes 7.Full scoping of project to create accurate/relevant project initiation document (PID) 8. Clearly identified roles & responsibilities within project team 9.Regular team/partnership meetings 10.Regular monitoring and Review	Possible	Major	HIGH	1.Revised Play Space Program and associated budget to be compiled and adopted. 2.Development of Open Space Plan linked to Open Space Policy to provide strategic and operational alignment from 2018 3.Working Group to report to Council on State Initiative - 'Fund My Neighbourhood Plan' 4. Ensure staffing 'FTE' matches with Open Space projects for Business Plan/3 year plan/external funded projects	1.30/09/17 2.31/12/17 3.30/10/17 4.30/06/18	1.UM OSR 2.UM OSR 3.UM OSR 4.UM OSR	Unlikely	Major	MEDIUM



CORPORATE RISK PROFILE 2017/18

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APPENDIX B

Property & Infrastructure

		Inherent	Current	Forecast
ASY02	Failure to appropriately maximise CoM assets and asset management planning, to ensure appropriate acquisition, renewal, maintenance, management and disposal	EXTREME	HIGH	MEDIUM
CSE03	Lost opportunity or inability to create, renew, manage and maintain Infrastructure assets (roads, drainage, footpaths etc)	EXTREME	HIGH	MEDIUM

WHS Management

		Inherent	Current	Forecast
GOV08	Failure to meet Work Health Safety statutory and legislative requirements to ensure provision of a safe workplace	EXTREME	HIGH	HIGH
GOV06	Exposure of CoM's Officers under the WHS Act to criminal litigation	EXTREME	HIGH	MEDIUM
CSE01	Failure to appropriately manage high risk activities by CoM Staff (underground services, excavation, confined space, hot works etc)	EXTREME	HIGH	MEDIUM

Financial Sustainability & Stability

		Inherent	Current	Forecast
FIN01	Failure to meet statutory and legislative requirements (eg: LG Act, AASBs, GST, FBT, grant funding)	EXTREME	MEDIUM	MEDIUM
GOV05	Failure to ensure appropriate Fraud and Corruption management processes to prevent, detect and respond to alleged fraud and/or corruption	HIGH	MEDIUM	LOW

Governance Risks

		Inherent	Current	Forecast
GOV02	Potential dysfunction between Council and Administration resulting in poor decision making and unfunded, unplanned initiatives gaining Council endorsement	HIGH	HIGH	MEDIUM
GOV03	Inappropriate, ill-advised or incorrect staff decision/action or advice	HIGH	MEDIUM	MEDIUM

ICT/Cyber Security & Continuity Of Provision

		Inherent	Current	Forecast
ICT02	Inappropriate use, ineffective or absent ICT system solutions to support data management to ensure accurate data collection, appropriately manage Council business and ensure informed decision making	HIGH	HIGH	MEDIUM
ICT03	Failure to maintain Cyber Security assurance across all CoM systems and worksites	HIGH	MEDIUM	LOW

Contractor Management

		Inherent	Current	Forecast
CON03	Failure to manage contractors appropriately to ensure that contractual obligations are met	EXTREME	HIGH	MEDIUM
CSE02	Failure to appropriately manage high risk activities by Contractors (underground services, excavation, confined space, hot works etc)	EXTREME	HIGH	MEDIUM

Business Continuity & Community Safety

		Inherent	Current	Forecast
CHS01	Failure to deliver Health & Safety outcomes for the Community (eg: Public & Environmental Health/ Animal/ Bushfire / Parking/ Litter & Local Nuisance Management & Council By-Laws)	EXTREME	HIGH	MEDIUM
GOV10	Failure in Council's ability to prevent, prepare, respond to and promote resilience in the community in the event of an emergency ie earthquake, flood, extreme heat, bushfire and terrorism	HIGH	HIGH	MEDIUM

Major Projects - Compliance & Management

		Inherent	Current	Forecast
DSE02	Failure to deliver significant projects, legislative reviews and/or priority workloads against tight timeframes eg: Housing Diversity DPA & new Public Development & Infrastructure Act	HIGH	HIGH	MEDIUM
OSR01	Failure to deliver planned strategic objectives in addition to new high level projects	HIGH	HIGH	MEDIUM

Environmental Management /Climate Change

		Inherent	Current	Forecast
ESU03	Failure to understand and plan for the projected impacts of climate change.	HIGH	HIGH	MEDIUM
ESU01	Failure to deliver environmental services that meet community expectations and environmental need	HIGH	MEDIUM	MEDIUM

Effective HR

		Inherent	Current	Forecast
HRE05	Ineffective strategic work force planning	HIGH	MEDIUM	LOW
HRE04	Non compliant, inappropriate and/or ineffective Human Resource processes to deliver key HR requirements & initiatives	HIGH	MEDIUM	MEDIUM

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

Originating Officer: Deborah Horton, Governance Quality Coordinator

Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Internal Audit Program FY2018 and FY2019

Report Reference: FAC101017R7.8

REPORT OBJECTIVES

To seek the Finance & Audit Committee's (FAC) comment regarding the proposed updated Internal Audit (IA) Plan for financial years 2018 and 2019.

EXECUTIVE SUMMARY

The FAC was presented a proposed draft IA plan at its last meeting and after consideration, requested the following to occur;¹

- Complete the review of the risk registers and report back to the Committee
- Include better connections of the key risks within the Internal Audit Plan (IAP)
- Include inherent and residual risks and some risks with high inherent risk ratings may be considered as part of the plan.
- Further scope the Data Asset Management Review with hours and costs
- Circulate a further draft IAP out of session (before the next Committee meeting)

An updated proposal is attached addressing the above suggesting five IA projects (plus the actual plan) for 2017/18 including;

- Contractor Management
- Regulatory – Fines and Enforcement (cognisant of 'Accounts Receivable' audit undertaken/completed February 2017 and impending internal service review)²
- Volunteer Management
- Business Continuity and IT Disaster Recovery
- Planning Assessment

The IA Plan has been developed to provide independent assurance that Council's risk management, governance and internal control processes are operating effectively. It focuses on risks with an inherent and/or residual risk rating. Projects not included in the 2017/19 plan were considered a lower priority due to various factors including; project maturity, timing and best value from KPMG's experience.

The Data Asset Management Review has been removed from the program and consideration is being given for this work to be completed within another program of Council, but the Internal Auditors will address system and data management risks as part of each review completed.

¹ Refer to Finance and Audit Committee Meeting 15 August 2017 (FAC150817R8.3)

² Refer to Finance and Audit Committee Meeting 28 February 2017 (FAC280217R8.7)

Due to the timing of this work, the IA Plan was not circulated to the Committee out of session. The FAC is requested to review the Plan and provide feedback. If the IA Plan is agreed too, scoping of the projects will commence as a priority.

RECOMMENDATIONS

DUE DATES

That the Finance & Audit Committee:

- | | |
|-------------------------------------------------------------------------------------------|--------------------|
| 1. Note this report. | 10 OCT 2017 |
| 2. Provide feedback on the Internal Audit Plan for FY2018 and FY2019 (Appendix 1). | 10 OCT 2017 |



City of Marion

Two-year internal audit program

(FY2018 & FY2019)

5 October 2017

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Introduction

The City of Marion (CoM) has engaged KPMG to deliver internal audit services for a two-year period from 1 July 2017 to 30 June 2019 via a contract extension following an initial two-year contract period (July 2015 – June 2017). This document outlines the proposed internal audit plan for the CoM for the next two years.

Approach:

Our approach for development of the two-year internal audit plan has been based on consideration of the following:

- CoM's overall strategic management framework artefacts and key objectives
- CoM's corporate risk profile which captures key risks by functional area and identifies controls and mitigation actions (updated by CoM in Sept 2017)
- Completed internal audit projects undertaken over the previous two years
- Auditor-General findings based on the "Examination of governance arrangements in local government: February 2017" pertaining to the City of Marion
- Emerging themes and risks based on our risk and assurance work with other local and state government and private sector organisations
- Consultation with the CoM's Executive and Senior Leadership Team members and key governance team members
- Development of a draft two-year internal audit plan for review by the Executive Leadership Team and subsequent review and endorsement by the Finance and Audit Committee

KPMG internal audit team:

The core KPMG internal audit team for the CoM will include the following personnel:

- Justin Jamieson – Partner
- Jared Lawrence – Director
- James Rivett – Manager
- Anneliese Pedler – Senior Consultant.

We strive to provide continuity in our teams because it allows our team members to build relationships with key stakeholders and also gain an understanding of the CoM over time which should help us to add value in our internal audit services.

Please note that Justin Jamieson will be the Engagement Partner for the internal audit services and will have overall oversight of the services and will attend key Audit Committee and Executive Management meetings. Jared Lawrence will be responsible for the overall delivery of the internal audit program. James Rivett and Anneliese Pedler will play a key role managing and delivering individual internal audit projects. We will also utilise additional resources 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.

We will work closely with the CEO and General Managers (Executive Leadership Team) and Senior Leadership Team and also on a day-to-day basis, work with a one-team philosophy with the CoM team members responsible for management and coordination of internal audit (i.e. Governance).

Finance and Audit Committee – Internal Audit Oversight Role

The City of Marion has established a Finance and Audit Committee whose key activities include overseeing the internal audit.

The Finance and Audit Committee is a formally constituted Committee of Council pursuant to Section 41 and 126 of the Local Government Act 1999 and is responsible to Council.

The primary objective of the Finance and Audit Committee is to add value through the provision of advice to ensure the resources of the CoM is being used efficiently and effectively. The Committee aims to assist Council accomplish its objectives by contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

In respect to ongoing internal audit activities, the Committee's role includes:

- Reviewing, and providing information relevant to, the scope of the internal audit and service review programs, 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.*

- Critically analysing and following up any internal audit or service reviews report that raises significant issues and review management's response to, and actions taken as a result of issues raised.
- Reviewing the appropriateness of special assignments undertaken by the internal audit and service reviews provider at the request of the Chief Executive.
- Reviewing the level of resources allocated to service review and the scope of its services and authority.
- Facilitating liaison between the internal audit/service review provider, and external auditor to promote compatibility, to the extent appropriate, between their programs.

Please note that the Finance and Audit Committee's role include other functions including oversight of external audit, service reviews, internal controls and risk management systems, financial reporting and prudential requirements and other matters.

KPMG has developed the two-year internal audit plan with cognisance of the Finance and Audit Committee's oversight responsibilities outlined in the Finance and Audit Committee's Terms of Reference (adopted by Council on 1 November 2016).

Corporate Risk Profile

The following table provide a summary of the key risk areas identified by the CoM as part of its overall corporate risk profile based on high current (residual risk ratings). The CoM has a detailed corporate risk register which captures key corporate risks across all functional areas including current controls in place and planned mitigation actions to deliver a target risk level (contained in a separate risk register document). *Please note that the most recent review and iteration of the CoM's Corporate Risk Profile was completed in September 2017.*

#	Risk Area	Risk Description	Inherent Risk	Current Risk
1	Innovation & Strategy	Failure to appropriately maximise CoM assets and asset management planning, to ensure appropriate acquisition, renewal, maintenance, management and disposal	EXTREME	HIGH
2	Develop. & Reg Services	Failure to deliver Health & Safety outcomes for the Community (eg:Public & Environmental Health/ Animal/ Bushfire / Parking/ Litter & Local Nuisance Management & Council By-Laws)	EXTREME	HIGH
3	Finance & Contracts	Failure to manage contractors appropriately to ensure that contractual obligations are met	EXTREME	HIGH
4	Eng. & Field Services	Failure to appropriately manage high risk activities by CoM Staff (underground services, excavation, confined space, hot works)	EXTREME	HIGH
5	Eng. & Field Services	Failure to appropriately manage high risk activities by Contractors (underground services, excavation, confined space, hot works)	EXTREME	HIGH
6	Eng.& Field Services	Lost opportunity or inability to create, renew, manage and maintain Infrastructure assets (roads, drainage, footpaths etc)	EXTREME	HIGH
7	Development & Reg Services	Failure to deliver significant projects , legislative reviews and/or priority workloads against tight timeframes e.g. Housing Diversity DPA & new Public Development & Infrastructure Act	HIGH	HIGH
8	Innovation & Strategy	Failure to understand and plan for the projected impacts of climate change .	HIGH	HIGH
9	Corporate Governance	Potential dysfunction between Council and Administration resulting in poor decision making and unfunded, unplanned initiatives gaining Council endorsement	HIGH	HIGH
10	Corporate Governance	Exposure of CoM's Officers under the WHS Act to criminal litigation	EXTREME	HIGH
11	Corporate Governance	Failure to meet Work Health Safety statutory and legislative requirements to ensure provision of a safe workplace	EXTREME	HIGH
12	Corporate Governance	Failure in Council's ability to prevent, prepare, respond to and promote resilience in the community in the event of an emergency e.g. earthquake, flood, extreme heat, bushfire and terrorism	HIGH	HIGH
13	ICT	Inappropriate use, ineffective or absent ICT system solutions to support data management to ensure accurate data collection, appropriately manage Council business and ensure informed decision making	HIGH	HIGH
14	City Property	Failure to deliver planned strategic objectives in addition to new high level projects	HIGH	HIGH

Recommended IA projects (FY2018) - YEAR 1

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Recommended Internal Audit Projects FY2018

The recommended list of internal audit projects for FY2018, 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. Please note that asset management and work health and safety risks will be covered off via different review mechanisms outside of internal audit.

REF.	Internal Audit Project	Est. days	Start date	AC Target
18-01	Internal Audit Plan – This line provides for the development of the two-year internal audit plan for the CoM, based on consideration of the CoM’s Corporate Risk Profile, consultation with Executive and Management.	3	July '17	Out-of-session
18-02	Contractor Management - The objective of this internal audit project will be to assess the CoM’s overall management framework in place to manage contractors. It will include consideration of processes in place to manage compliance with contract obligations, supplier performance, relationship management, reporting and risks.	20	October '17	TBC
18-03	Regulatory – Fines and Enforcement - The objective of this internal audit will be to assess the risks and controls associated with the CoM’s overall management and administration of fines and enforcement processes, including fines waiving.	10	November '17	TBC
18-04	Volunteer Management - The objective of this internal audit project will be to assess arrangements in place to manage and oversee volunteers working with the CoM. It will include consideration of volunteer attraction, induction arrangements, ongoing management, as well as consider any opportunities to increase the value achieved through the volunteer workforce.	15	December '17	TBC
18-05	NDIS community care readiness review – This internal audit project will focus on the NDIS in relation to the City of Marion’s community care program, including an impact analysis of the NDIS on community care, any changes to service levels provided by the NDIS and a review of reporting to management on community care.	20-25	Jan '18	TBC
18-06	Planning Assessment - The objective of this internal audit will be to assess the risks and controls associated with the CoM’s planning assessment (please note that this internal audit will be delivered by a specialist planner who will be engaged directly by the CoM).	15	April '18	TBC

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. Project timing remains flexible and may change depending on organisational priorities. This will be confirmed at project scoping stage for each project. In addition, please note that whilst the projects listed in the program are to be undertaken, the program will retain a level of flexibility to reallocate resource and defer or replace projects based on key risk or control issues which may emerge through the course of the two-year program (we will agree any changes through the Finance and Audit Committee). We will also revisit the Internal Audit Plan at the end of year 1 to assess against any changes in the risk profile at that time.

Recommended IA projects (FY2019) – YEAR 2 Page 206

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Recommended Internal Audit Projects FY 2019

The recommended list of internal audit projects for FY2019, 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.

REF.	Internal Audit Project	Est. days	Start date	AC Target
19-01	Emergency Management - This internal audit project will look at the resilience of the CoM to the impact of emergencies, including understanding the key processes and controls in place associated with emergency management, through desktop review of documentation and stakeholder consultation.	18	July '18	TBC
19-02	IT Cyber Security – The focus of this project will be on the status of recommendations and actions based on the previous cybersecurity internal audit project conducted in 2016/17.	15	August '18	TBC
19-03	Procure-to-pay process - The objective of this internal audit project will be to assess the overall procure-to-pay process, based on the new policy and procedures implemented by the CoM in 2016. The internal audit project will focus on compliance against the policy, as well as an assessment of the overall efficiency and effectiveness on the new processes introduced.	15	October '18	TBC
19-04	Customer Experience (incl. complaints management) - This internal audit project will focus on the CoM's customer management strategies, planning and operations. It will also consider processes in place for managing customer complaints. Benchmarking against ISO 10002 Customer Satisfaction and Complaints Handling will be conducted.	20	January '19	TBC
19-05	Business Continuity and IT Disaster Recovery – This project will focus on the arrangements and adequacy of business continuity and IT disaster recovery 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.	18	February '19	TBC

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. Project timing remains flexible and may change depending on organisational priorities. This will be confirmed at project scoping stage for each project.

IA Projects Completed 2015-2017

The following table lists the internal audit projects which were undertaken in the last two financial years (i.e. FY2015 and FY2016).

REF.	Area	IA Project	2015/16	2016/17
16-01	Governance	Development of a two-year Internal Audit Plan	✓	-
16-02	Financial Controls	Payroll operations	✓	-
16-03	Asset Management	Capital works program delivery / carry overs	✓	-
16-04	Financial Controls	Purchase cards	✓	-
16-05	Financial Controls	Cash handling	✓	-
17-01	Governance	Corporate performance reporting*	-	✓
17-02	Financial Controls	Accounts receivable	-	✓
17-03	Information Technology	IT security – Cyber maturity assessment	-	✓
17-04	Governance	Policy framework review*	-	✓
17-05	Asset Management	Property portfolio management	-	✓

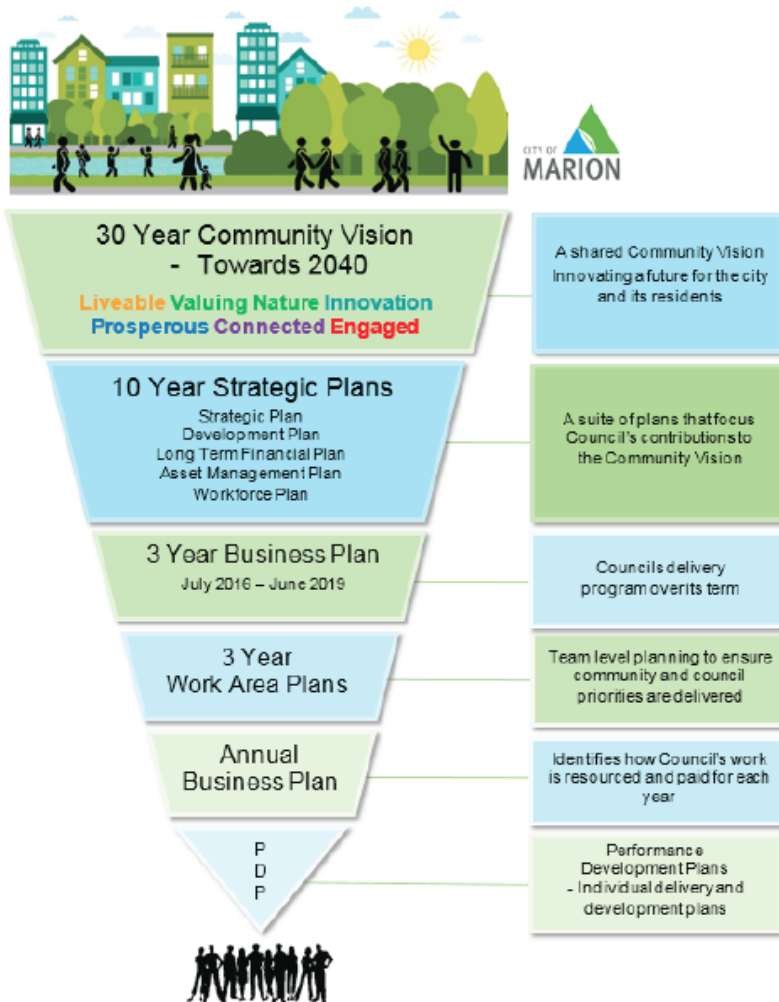
*Internal audit reports submitted to the City of Marion Finance and Audit Committee on the 15 August 2017.

The table below summarises City of Marion personnel who were involved in discussion and contributed to the Internal Audit Program

Name	Position
Adrian Skull	Chief Executive Officer
Abby Dickson*	General Manager, City Development
Vinnie Mifsud*	General Manager, Corporate Services
Tony Lines*	General Manager, City Services
Ray Barnwell	Manager, Finance
Fiona Harvey	Manager, Innovation and Strategy
Jaimie Thwaites	Acting Manager Corporate Governance
Deborah Horton	Unit Manager Performance & Improvement

*Consultation as part of a CoM ELT meeting.

Strategic Management Framework



Six themes of our Community Vision

These six themes represent the shared values and aspirations that will guide how our city develops

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.

VALUING NATURE

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.

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.

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.

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.

Disclaimers

Inherent Limitations

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

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

Third Party Reliance

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

Electronic Distribution of Report

This KPMG report was produced solely for the use and benefit of City of Marion and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated 5 October 2017 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report. Any redistribution of this report requires the prior written approval of KPMG and in any event is to be the complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree. Responsibility for the security of any electronic distribution of this report remains the responsibility of City of Marion and KPMG accepts no liability if the report is or has been altered in any way by any person.

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

Originating Officer: Deborah Horton, Governance Quality Coordinator

Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Internal Audit Program 2015 to 2017 Update

Report Reference: FAC101017R7.9

REPORT OBJECTIVES

To provide the Finance & Audit Committee (FAC) with an update on recommendations of the Internal Audit Program for the 2015 to 2017 financial years.

EXECUTIVE SUMMARY

The 2015 to 2017 Internal Audit Program identified 12 projects across the organisation. As at October, the Corporate Performance Report" is 90% complete and will be presented to the Finance and Audit Committee in December.

The 2015/16 and 2016/17 program to date has resulted in 56 recommendations being identified with 26 of these complete (46%), 23 on track (41%) and seven over-due (13%).

It is also anticipated that the Audit Committee will continue to receive updates (exception reporting) of the 2015/16 to 2016/17 program whilst the new 2017/18 to 2018/19 Internal Audit program is in operation.

RECOMMENDATIONS

DUE DATES

That the Finance & Audit Committee notes this report.

10 OCT 2017

DISCUSSION

At its meeting on 15 August 2017, the FAC requested an update on the Policy Review audit acknowledging that there was much work to be done within relatively short timeframes. The following provides a short precis of the status of actions as at 30 September 2017;

Policy Review

- Presentation at Strategic Leadership Team meeting regarding project and expected timeframes
 - Request for review of KPMG report
 - Acknowledgement of Framework
- Project schedule & actions created – implemented Work Area Plan (WAP) for monthly reporting
 - Policy framework completed
 - Policy register completed
 - Central repository completed

- Consultation with all SLT members for preliminary audit of policies and understanding of current policy practices.
- ICT support – repository created further discussions regarding security and integrity being investigated October.

Next steps:

- ELT input/approval re: corporate policy processes: creation, adoption, rescission, review.
 - To clarify and address
- Council input/approval re: Policy Review
 - Provide Council with Framework and Policy Review Process
 - Potential to discuss at a EM Forum
- Schedule policy 'work' from preliminary audit.

Monitoring Internal Audit Recommendations – overall status by exception

Table two below provides the status of recommendations from the 2015-2017 Internal Audit Program. There are no overdue recommendations that have been assessed as high risk.

Table two – Projects not yet complete status						
Project	Findings	On Track	Overdue	Completed	Not Commenced	Comments
Capital Works Program (2015/16)	8	4		4		The four yet to be completed relate to a broad review of Asset management. The Service Review itself was finalised and presented to the FAC in August (FAC150817) and have a due date of June 2018 hence they have moved from “overdue” to “on-track”.
Payroll (2015/16)	6		2	4		The two outstanding recommendations (both moderate risks) relate to process improvements relying upon software system upgrades, one relates to the new SharePoint system (which is not yet fully integrated) and another regarding BIS systems – staff are currently working in conjunction with ICT to get the best approach to meet Payroll and HR team needs in SharePoint.
Building Insurance & Asset Valuation (2015/16)	8	1		7		This outstanding recommendation (low risk) relates to further exploration regarding Council's insurance arrangements. A report on the LGA Insurance Scheme was considered at the 14 March 2017 Council meeting. Tender documentation was prepared and went to market at the end of May 2017. The tender has now closed and the tender evaluation is continuing to progress.
Cash Handling (2015/16)	8		1	7		The remaining recommendation relates to register systems being 'fit for purpose'. This is expected to be complete by December 2017.
ICT – Cyber Security Maturity (2016/17)	6	6				Recommendations from this audit have varying due dates between June '17 and June '18, all are currently considered on-track.
Accounts Receivable (2016/17)	4		3	1		Three recommendations (all low risk) are now overdue. The delay relates to exploring additional software functionality with developers and are currently in progress.
Project	Findings	On Track	Overdue	Completed	Not Commenced	Comments

Purchase Cards (2016/17)	2		1	1		The one outstanding recommendation, relates to the review of the Purchase Card Policy and review of low-use purchase cards. The review of the Policy will commence to align with the overall "Policy Review" Internal Audit.
Property Portfolio Management (2016/17)	7	7				The 7 recommendations (3 moderate and 4 low) are all being progressed.
Policy Review (2016/17)	7	5		2		Policy framework, register and repository all complete with intermittent integrity tests.

CONCLUSION

The Internal Audit Program provides assurance to Council (via the Committee) that projects produced by the organisation are operating in an efficient and effective matter.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE
10 OCTOBER 2017**

Originating Officer: Cass Gannon, Performance and Innovation Leader

Manager: Carol Hampton, Acting Manager Strategy and Innovation

General Manager: Fiona Harvey, Acting General Manager City Development

Subject: Improvements delivered from Service Review Program 2016/17 and Plan Update

Report Reference: FAC101017R7.10

REPORT OBJECTIVES

To provide the Finance and Audit Committee with a brief report outlining improvements that have been delivered as a result of the Service Review program to date (as requested at the 15 August 2017 meeting) and to provide an update on the tracking of the progress against the plan and the recommendations as a whole.

EXECUTIVE SUMMARY

The Service Review Program commenced in 2016/17. Since that time, 13 services have been reviewed and have resulted in a number of improvements being implemented. The tracking of the progress of these reviews can be found in Appendix 1. The 2017/18 plan is attached in Appendix 2.

RECOMMENDATIONS

DUE DATES

That the Finance and Audit Committee notes this report and appendices.

10 Oct 2017

ANALYSIS

The Service Review Program is an important aspect for ensuring value for money for residents. As at September 2017, the improvements to note as a result of the service reviews to date are as follows.

- The commitment and plan to transfer the management of the Living Kurna Cultural Centre to the Kurna people
- Organisational awareness and appetite of the need for better systems to capture data and use existing data to inform decision making and process management
- Validated the management model for the Marion Outdoor Swimming Pool
- Delivered a reduction of carryovers in the Drainage Program
- Improved stock management and elimination of manual processes in the Store
- A business case for the procurement of a Minutes and Agendas management system to significantly reduce manual processes
- Process improvements and reduced spend on recruitment
- The organisational focus as demonstrated by the resourcing of the Asset Management Team and investigation of a new Asset Management System


A key focus of the Service Review Program for 2017/18 is ensuring that the benefits are realised as a part of the reviews and can be reported on. Discussions with the Finance Team have commenced to establish how this can occur.


CONCLUSION


The Service Review Program to date has delivered a number of improvements for the City of Marion as noted. The progress to date of the implementation of the recommendations can be reviewed in Appendix 1.


LEGEND


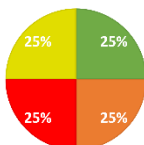







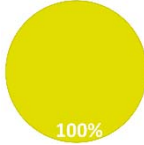

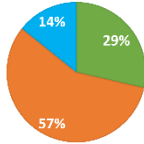

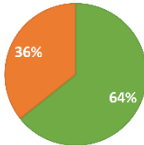


 = Completed

 = On track

 = Not on track

 = Not commenced

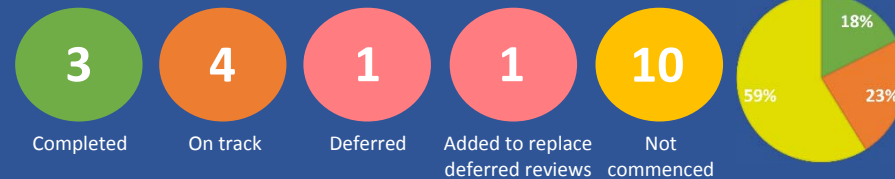
 = Not reported

Service Review	Total Recommendations	Recommendation Status (as at 22 September 2017)					Status Percentage
		Completed	On track	Not on track	Not commenced	Not reported	
 Governance Systems	4	1	1	1	1	-	
 Recruitment	1	-	1	-	-	-	
 Marion Outdoor Swim Centre	1	-	1	-	-	-	
 Libraries	4	4	-	-	-	-	
 Marion Celebrates Festival ¹	1	-	-	-	1	-	
 Drainage	7	2	4	-	-	1	
 Inventory Management and Recycling Depot (involved 2 services)	14	9	5	-	-	-	
 Parking Management and Regulation	1	-	1	-	-	-	

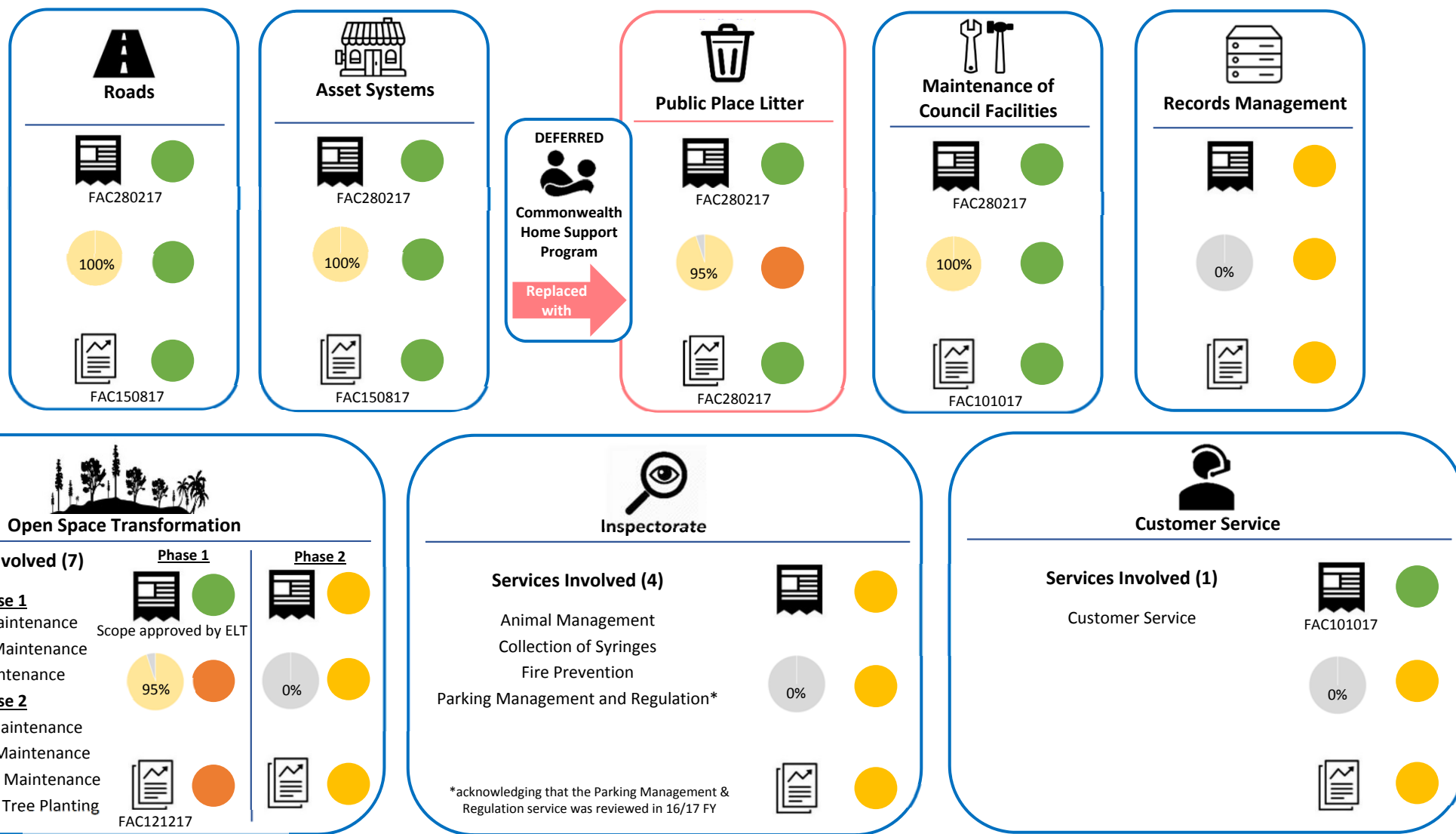
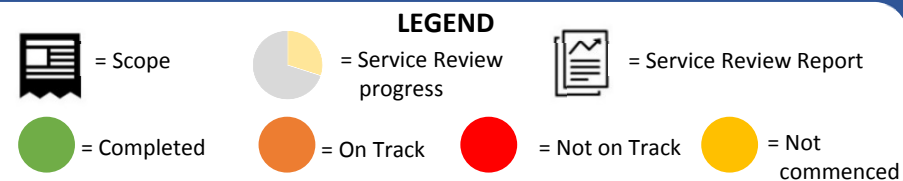
¹ As the Marion Celebrates Festival recommendation identified process improvements, it was decided to defer the implementation until closer to the planning of the 2019 festival (implementation to commence July 2018)

How are we progressing overall
with service reviews?

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Total
service reviews



How are we progressing per service review?



**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

Originating Officer: Cass Gannon, Performance and Innovation Leader

Manager: Carol Hampton, Acting Manager Innovation and Strategy

General Manager: Fiona Harvey, Acting General Manager City Development

Subject: Service Review – Scope – Customer Service

Report Reference: FAC101017R7.11

REPORT OBJECTIVES

To provide the Finance and Audit Committee with the draft scope for the 'Service Review – Customer Service' for their review and feedback.

EXECUTIVE SUMMARY

The Performance and Innovation Team have worked with the General Manager City Services and Manager Customer Experience to develop the draft scope for the 'Service Review – Customer Service'.

RECOMMENDATIONS

DUE DATES

That the Finance & Audit Committee;

1. Provide feedback on the Service Review – Scope – Customer Service (Appendix 1)

10 Oct 2017

BACKGROUND

Council considered the '2016 – 19 Business Plan' (GC270916R03) endorsing that for the 2017/18 financial year; *'Council undertake an evaluation and review of at least 12 services to ensure they continue to provide maximum value to our community now and in the future'*. One of the 12 services identified for review in 2017/18 is Customer Service.

ANALYSIS

The focus areas for the review are to:

- Identify opportunities to improve Customer Experience
- Assess team-resourcing profile against profile of calls coming in to better match resources and improve services
- Assess opportunity for greater first call resolution
- Assess the opportunity to reduce incoming calls through implementation of Interactive Voice Response to manage SOLO/waste calls without Customer Service Officer intervention
- Assess opportunity to provide additional support across organisation in off phone time where workload and staff times can't be matched

CONCLUSION

The draft scope has been prepared for the Finance and Audit Committee's review and feedback.

Report Reference: FAC101017R7.11

Details

Service Review Name:	Customer Service
Services Involved:	Customer Service
Senior Leadership Team Member:	Karen Cocks – Manager Customer Experience
Executive Leadership Team Member:	Tony Lines – General Manager City Services
Date:	September 2017
Service Description:	<p>The Customer Service Team assists external customers with enquiries through a variety of communication methods. These include the call centre, face-to-face interaction and online live chat. The Team facilitates this service by:</p> <ul style="list-style-type: none"> • Providing information about Council e.g. services, etc. • Processing payments • Initiating requests for service – customer event requests • Managing feedback and complaints • Acting as a communication medium between the customer and internal staff e.g. transferring calls, etc. <p>The Customer Service Team also administers organisational wide processes including:</p> <ul style="list-style-type: none"> • Administrative tasks e.g. preparing outgoing mail, ordering name badges, processing and balancing petty cash, etc. • Telephone programming e.g. changing numbers, adding new employees • Coordination and management of the 'after hours service' • Assisting with the administration and development of the Customer Event Request module in Open Office (lead by the ICT Department) • Coordination of the Special Event Permit application process

Service Review Scope

Areas of Focus

- Identify opportunities to improve Customer Experience when contacting the Customer Service Team at the Administration Building and deliver first point resolution
- Assess team-resourcing profile against profile of calls coming in to better match resources and improve services
- Assess opportunity for greater first call resolution
- Assess the opportunity to reduce incoming calls through implementation of Interactive Voice Response and other technological solutions to manage inquiries e.g. SOLO/waste calls, payments
- Assess opportunity to provide additional support across organisation in off phone time where workload and staff times can't be matched
- Assess and make recommendations regarding the physical space of the first point of Customer contact (desk, etc.)

Deliverables

- Service Review report with meaningful recommendations
- Implementation plan for recommendations
- Ability to measure key metrics to support management in decision making
- Capture the areas of broader opportunity to improve customer experience across the organisation

Constraints

- Availability of key stakeholders
- Ability to access and implement appropriate data and systems

Key Stakeholders

Internal

- General Manager City Services
- Manager Customer Experience
- Unit Manager Customer Service
- Customer Service Team
- High volume service users e.g. internal teams the Customer Service Team receive and transfer many requests to
- Information and Communication Technology Team
- Executive Leadership Team
- Finance and Audit Committee

External

- Nortel Avaya (telephone provider)
- Union
- Open Office (Customer Request Management system)

Timeframe

Item	Timeframe
Plan and undertake service review	September 2017 to December 2017
Present report and recommendations to Executive Leadership Team	January 2018
Present report and recommendations to Finance and Audit Committee	February 2018

Scope Approval

Senior Leadership Team Member

Karen Cocks – Manager Customer Experience

Signature: _____ Date: ____/____/____

Executive Leadership Team Member

Tony Lines – General Manager City Services

Signature: _____ Date: ____/____/____

Scope Feedback from Finance & Audit Committee

Finance & Audit Committee Date: ____/____/____

Feedback from Finance & Audit Committee

Feedback Outcomes

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

Originating Officer: Carol Hampton, Manager City Property

General Manager: Abby Dickson, General Manager City Development

Subject: Service Review – Report – Maintenance of Council Facilities

Report Reference: FAC101017R7.12

REPORT OBJECTIVES

To provide the Finance and Audit Committee with the report for the 'Service Review – Maintenance of Council Facilities'.

EXECUTIVE SUMMARY

City of Marion expends an average of \$2.8m per annum on property maintenance. Through the service review, it is anticipated that \$160k per annum in savings as well as improved efficiencies and customer service could be achieved.

Details of the recommendations, savings and proposed changes are detailed in the report 'Service Review – Maintenance of Council Facilities' (Appendix 1)

RECOMMENDATIONS

DUE DATES

That the Finance and Audit Committee;

- | | |
|------------------------------------------------------------------------------------------------------|------------------------|
| 1. Provides comment on the report 'Service Review – Maintenance of Council Facilities' (Appendix 1). | 10 October 2017 |
| 2. Notes the recommendations identified in the service review. | 10 October 2017 |
| 3. Supports the development of a business case for the employment of a handy person. | 10 October 2017 |

BACKGROUND

Council considered the '2016 – 19 Business Plan' (GC270916R03) endorsing that for the 2017/18 financial year; *'Council undertake an evaluation and review of at least 12 services to ensure they continue to provide maximum value to our community now and in the future'*.

One of the services identified for review was Maintenance of Council Facilities.

The scope of this service review was to improve the manner in which the City of Marion's building assets are maintained, ensuring proactive and cost effective provision of safe and fit for purpose buildings that meet the community's expectations.

ANALYSIS

An analysis of the 800 Customer Event Requests (CERs) and 2,100 invoices that form the basis for 2016/17 maintenance expenditure was undertaken to understand the demand, processes, sourcing and governance, this resulted in nearly 80 areas of findings and opportunities. It was determined to focus on the areas that financial cost savings could be quantified as well as changes that would make considerable improvement to customer service and efficiencies, this included the following key recommendations;

1. Allocate work requests to in house teams e.g. Civil, Open Space, instead of using external contractors
2. Utilise external handy persons to undertake work requests rather than engaging a technical contractor e.g. gutter cleaning
3. Review the business case to employ a handy person to undertake electrical requests and minor plumbing works
4. Improve contract management through improving scope of work, accessing a broader range contracts (regional, partnerships) to improve accountability and value
5. Reduce the administrative tasks of the Property Maintenance Officer to create capacity to improve contractor management
6. Improve asset maintenance through developing an asset maintenance plan/program which prioritises planned maintenance tasks
7. Establish targeted KPI's and associated goals to enable the monitoring and improvement of the service
8. Improve the end to end management of Customer Event System (CES)

In addition there were other findings and opportunities identified, while unable to be costed it was recognised these changes would improve the customer experience through more timely responses, reduced administrative tasks resulting in improved efficiency and improved monitoring and management of contractors. Further work is required to cost the improvements and prioritise implementation.

Some of the opportunities identified have the potential to have an impact across the organisation such as streamlining the online purchasing system, contracting (scope and procurement), contract management, as well will leveraging off the proposed asset management system.

Details of the recommendations, savings and proposed changes are detailed in the report 'Service Review – Maintenance of Council Facilities' (Appendix 1).

CONCLUSION

Through the service review, it is anticipated that \$160k per annum in savings as well as improved efficiencies and customer service could be achieved through implementing the recommendations identified.



Maintenance of Council Facilities Service Review Report

Version:	4
Date:	3 October 2017
Prepared by:	Carol Hampton Manager City Property

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1 Executive Summary

City of Marion expends an average of \$2.8m per annum on property maintenance. Through the service review, it is anticipated that \$160k per annum in savings, as well as improved efficiencies and customer service could be achieved. Details of the recommendations, savings and proposed changes are provided in this report.

The scope of the Maintenance of Council Facilities Service Review was to improve the manner in which the City of Marion's building assets are maintained, ensuring proactive and cost effective provision of safe and fit for purpose buildings that meet the community's expectations.

A number of more specific objectives were to be assessed as part of the review. These objectives focussed on community satisfaction, strategic asset management, contractors, policies and procedures, process efficiencies and cost effectiveness.

Progress against each of these objectives is summarised in 'table 1':

Table 1: Progress against service review objectives

Specific Objectives	Status
Community Satisfaction	
1. Represents value for money - achieving service levels that meet community needs and is financially sustainable	Community satisfaction with service levels on sporting and community clubs has been assessed and results to date indicate significant improvement over 12 months in the areas of customer service, however a decline in fit for purpose satisfaction. The survey responses relating to fit for purpose will be addressed through building condition audits and programmed asset management.
Strategic Asset Management	
2. Ensures building assets are proactively maintained	Proactive and strategic asset management practices are not in place for building and property assets. This has been highlighted through the Asset Management Service Review and will be included in scope for the ongoing Asset Management program. Data analysis conducted on all maintenance transactions identified a number of asset groups and potential assets that may be worth replacing.
3. Ensures effective systems and processes are utilised to manage building maintenance and renewal	A detailed review of systems and processes used by the maintenance team was undertaken and identified opportunities to improve efficiencies.
4. Ensures City of Marion's building assets are maintained at a safe level, are fit for purpose and comply with relevant WHS and building code standards	Building audits are currently undertaken on a systemic basis to identify key compliance risks or issues which are remediated. It is recommended a full building audit be undertaken in the next financial year to support development of a full asset condition data set. This will be identified in the 2018/19 budget process. This can then form the basis for a planned works program and ongoing programmed asset management and renewal.

Specific Objectives	Status
Cost Effectiveness and Efficiency	
5. Customers receive prompt and efficient service that provides good value for money, eliminates risk and satisfies customers	Current record keeping practices within the maintenance team do not allow for measurement of true response times and actual service levels. Changes to administrative processes to allow for service level reporting and the implementation of reporting are recommended as part of this review. This will provide efficiencies and improve customer satisfaction.
6. Manages contracts and contractors effectively ensuring value for money is achieved	Detailed analysis was undertaken on the costs and drivers of reactive maintenance works. A number of recommendations are made in this review to simplify processes, increase contractor management as a focus and improved sourcing. These recommendations should result in cost reductions of \$150K per annum once implemented.
7. Complies with City of Marion policies and procedures	The current processes implemented to ensure compliance drive a high transactional effort. Simplified processes have been developed as part of this review and it is recommended these are implemented to free up resource time to focus on contractor management.

The Community Satisfaction and Strategic Asset Management outcomes will be covered in the majority by the recommendations of the Asset Management Service Review. As a consequence this service review focussed its detailed analysis and recommendations on the cost effectiveness and efficiency of building maintenance management at the City of Marion.

2 Key Recommendations

An analysis of the 800 Customer Event Requests (CERs) and 2,100 invoices that form the basis for 2016/17 maintenance expenditure was undertaken to understand the demand, processes, sourcing and governance, this resulted in nearly 80 areas of findings and opportunities. It was determined to focus on the areas that financial cost savings could be quantified as well as changes that would make considerable improvement to customer service and efficiencies, this included the following key recommendations;

1. Allocate work requests to in house teams e.g. Civil, Open Space, instead of using external contractors
2. Utilise external handy persons to undertake work requests rather than engaging a technical contractor e.g. gutter cleaning
3. Review the business case to employ a handy person to undertake electrical requests and minor plumbing works
4. Improve contract management through improving scope of work, accessing a broader range contracts (regional, partnerships) to improve accountability and value
5. Reduce the administrative tasks of the Property Maintenance Officer to create capacity to improve contractor management
6. Improve asset maintenance through developing an asset maintenance plan/program which prioritises planned maintenance tasks
7. Establish targeted KPI's and associated goals to enable the monitoring and improvement of the service
8. Improve the end to end management of Customer Event System (CES)

In addition there were other findings and opportunities identified, while unable to be costed it was recognised these changes would improve the customer experience through more timely responses, reduced administrative tasks resulting in improved efficiency and improved monitoring and management of contractors. Further work is required to cost the improvements and prioritise implementation. Some of the opportunities identified have the potential to have an impact across the organisation such as streamlining the online purchasing system, contracting (scope and procurement), contract management, as well as leveraging off the proposed asset management system.

3 Approach

The purpose of the service review was to understand the current and desired future state of the property maintenance service and use this to identify opportunities to reach the desired future state. The desired future state is to move more work from reactive to a planned approach and to improve systems and processes.

This service review has also considered the recommendations made in the August 2017 KPMG Internal Audit.

The recent Communities Facility Satisfaction Survey provided information on lessee satisfaction with customer service and facility maintenance and this feedback was considered as part of this review.

An analysis of the CERs, invoices and expenditure was undertaken to understand the demand, processes, sourcing and governance, which resulted in a significant range of findings and opportunities.

In addition, staff met with three Councils (Salisbury, Tea Tree Gully and Charles Sturt) to understand how they manage maintenance, renewal and replacement of property related assets. Property portfolios varied considerably, the number and type of property assets that are managed and how they are managed, confirmed that formal benchmarking would not be of value. The contractor spend was similar with cleaning being a major expenditure for all Councils. However, experiences of other Councils were useful to understand. It was noted that some Councils use in house resources e.g. painters, electrician, while other outsource to contractors, effective contract management was an important aspect for all Councils, monitoring service requests and processes were inconsistently handled across the Councils.

4 Service Overview

City of Marion expends an average of \$2.8m per annum on property maintenance (this excludes staff and on costs).

On average 800 CERs and 3,000 invoices are processed annually. This provides an indication of the current demand for maintenance services.

City of Marion's property portfolio comprises of more than 90 properties including (but not limited to) those listed in 'table 2':

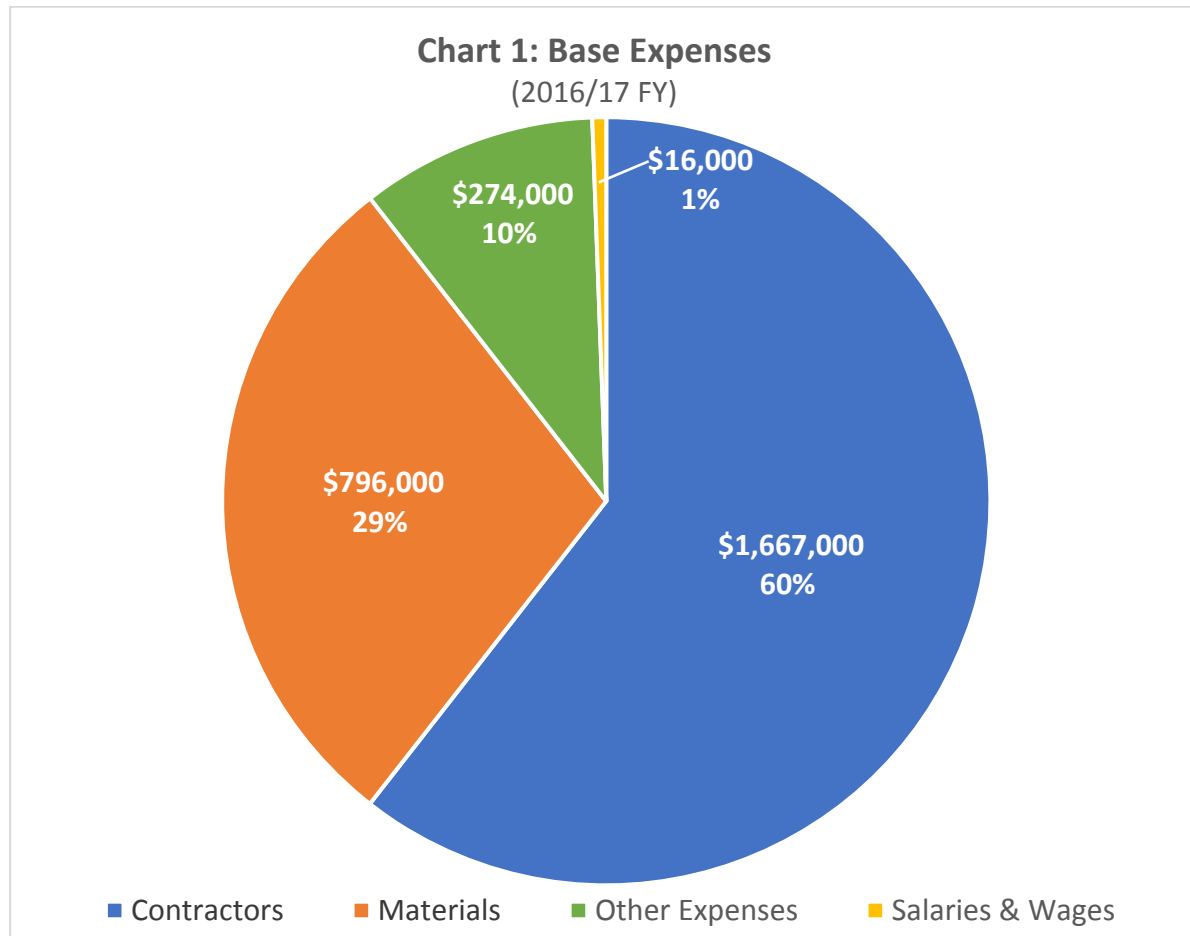
Table 2: Property Portfolio

<i>Council administration and depot buildings</i>	<ul style="list-style-type: none"> • Administration Centre • City Services
<i>Sports and recreation grounds</i>	<ul style="list-style-type: none"> • Club Marion • Glandore Recreation Centre • Edwardstown Soldiers Memorial Recreation Ground • Cove Sports and Community Club • Mitchell Park Sports and Community Club • Various soccer grounds, tennis and netball courts
<i>Cultural Centres and Libraries</i>	<ul style="list-style-type: none"> • Marion Cultural Centre • Living Kurna Cultural Centre • Cove Civic Centre • Parkholme Library
<i>Neighbourhood and Community Centres</i>	<ul style="list-style-type: none"> • Glandore Community Centre • Cooina Neighbourhood Centre • Mitchell Park Neighbourhood Centre • Trott Park Neighbourhood Centre
<i>Community properties</i>	<ul style="list-style-type: none"> • Community halls • Community centres • Meals on Wheels
<i>Kindergartens (leased to Department of Education and Child Development (DECD))</i>	
<i>Other</i>	<ul style="list-style-type: none"> • Sheds • Barbeques • Public toilets, etc.

In relation to management status, the City of Marion property list includes:

- CoM owned and occupied properties
- Non-commercial leases (sporting and community clubs lessees)
- Commercial leases (cafes, golf park)
- Leased/licenced from other parties (e.g. CoM as lessee) (includes sites for tank, stormwater infrastructure, phone tower etc.).

Expenditure for property maintenance is allocated across contractors, salaries and wages¹, materials and other expenses as shown in 'chart 1'.



A review of expenditure by site was undertaken, the highest expenditure occurs at the following sites:

- | | |
|---------------------------|------------------------------|
| 1. Administration Centre | 4. City Services |
| 2. Marion Cultural Centre | 5. Cove Civic Centre |
| 3. Marion Outdoor Pool | 6. Glandore Community Centre |

The maintenance costs for the wash bay at City Services has been identified as an area for further investigation.

In addition, it is noted that the Southern Depot costs an average of \$51k per annum to maintain, this provides an opportunity to review the cost of maintenance.

The main expenditure across all properties has been in the following areas:

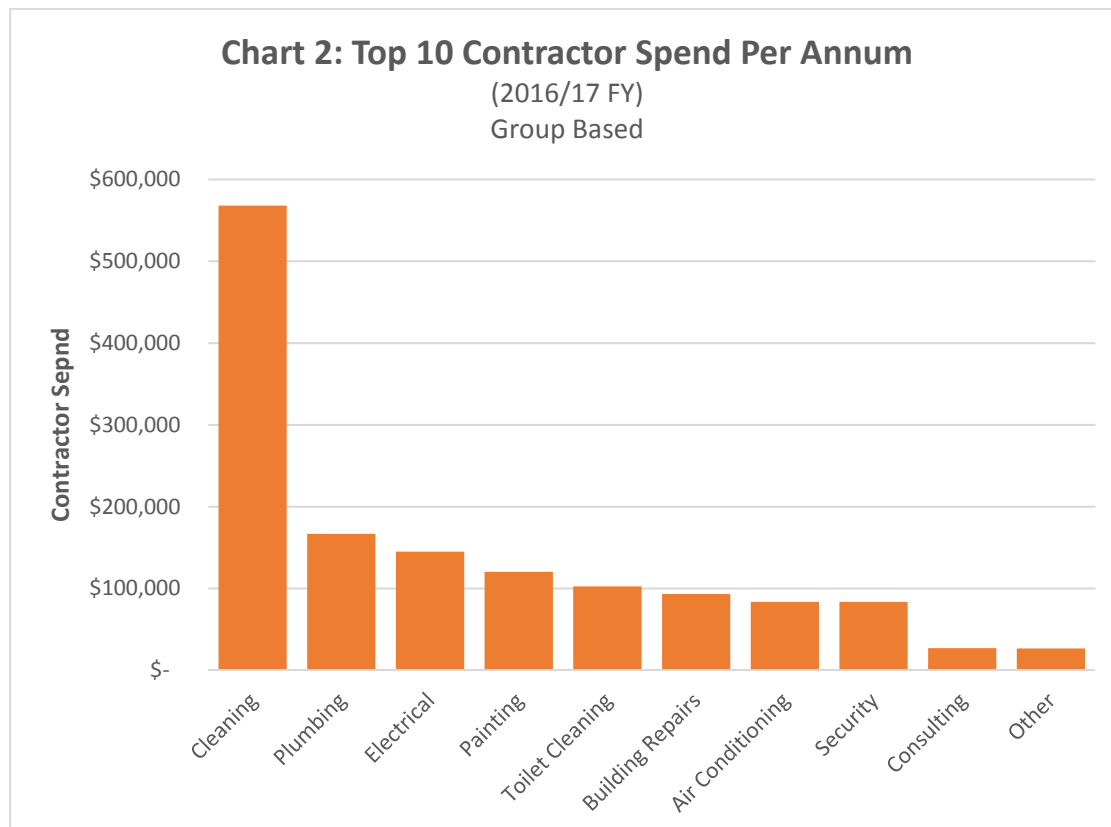
- | | | |
|---------------|---------------------|----------------------------|
| 1. Cleaning | 4. Painting | 7. Air Conditioning |
| 2. Plumbing | 5. Toilet Cleaning | 8. Security |
| 3. Electrical | 6. Building Repairs | 9. Consulting ² |

Each of these contracts provides an opportunity to ensure value for money is received.

¹ Includes in house internal charges only, does not include Land and Property Team salary and wages

² Consulting includes external contractors for the regular inspection of structures and assessment of the condition of assets on an ad hoc basis

The 2016/17 financial year contractor spend for property maintenance is shown in 'chart 2'.



Notes:

- Utilities have been excluded (water and electricity - while validation would be valuable, this has not been part of this review)
- Cleaning – the current cleaning contract covers several Councils and will be going out to tender early next year and will provide an opportunity to review service levels and achieve savings
- Painting – a higher than usual number of sites were repainted last year which has inflated the costs

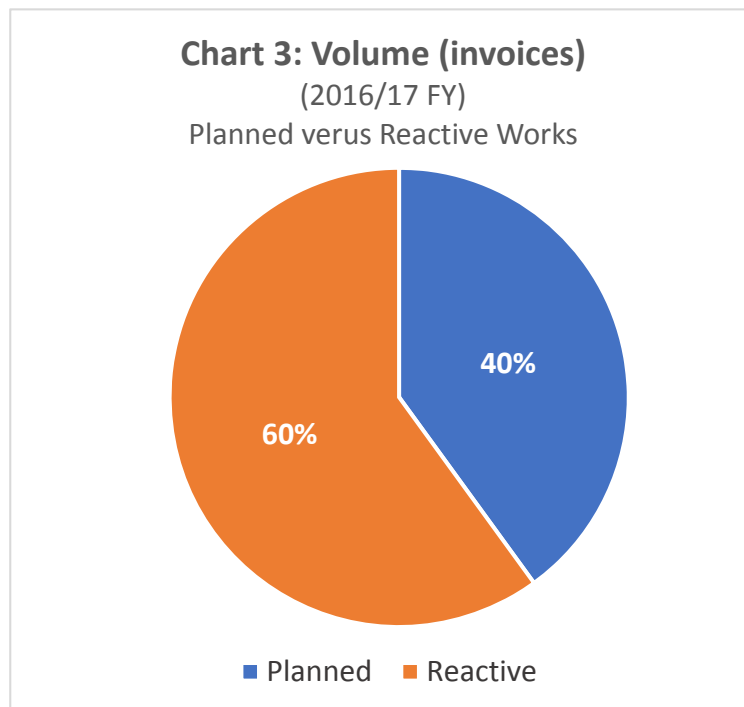
5 Current State of the Service

The Land and Property team undertakes a number of key processes to support the provision of maintenance services at the facilities and these can be summarised as:

- Responding to reactive maintenance requests
- Managing requests through City of Marion's CES
- Meeting contractors to scope work and arrange for quotes
- Raising on line requisitions to authorise contractors to undertake work and to monitor financial commitments
- Processing invoices to verify work undertaken and correct charges
- Managing contractors both on site and through contractual arrangements
- Scoping and managing contracts
- Building inspections (internal and external)
- Structural inspections (external)
- Developing Capital Works programs based on building inspections, compliance e.g. DDA, WHS, asbestos and customer feedback

The Land and Property Team operates, generally in a reactive manner. Based on an analysis of invoices for last financial year the allocation is 60% reactive and 40% planned maintenance (see 'chart 3'). For example, the replacement of light globes and clearing blocked gutters, while these requests will never be able to be eliminated they can be reduced through a planned maintenance and renewal program e.g. gutter cleaning.

The team has been working towards a more proactive and planned approach to the maintenance of facilities, through planned works e.g. gutter cleaning, targeted contracts and contractor management, but there is significant further opportunity in this space to increase the planned maintenance.



Sixty percent of requests are managed through the CES, it is evident by the number of invoices (3,000 per annum) versus the number of CES requests (800 per annum) that there is an opportunity to improve the monitoring and management of requests through ensuring that requests are managed through the CES.

The 2016/17 KPMG Internal Audit – Property Management identified:

1. Building asset maintenance is not effectively planned, implemented, reported and monitored
2. There is limited management reporting capability for the property portfolio
3. There is an opportunity to consider service delivery models for key maintenance activities

These recommendations have been verified through the financial analysis and are incorporated into proposed efficiencies and service improvements.

Other recommendations are provided based on awareness of inefficiencies and opportunity for improvement, the lack evidence and ability to quantify the opportunities is due in part to the limited management reporting, metrics and KPI's that currently exists.

6 Satisfaction with the Service

A review of CERs for the 2016/17 financial year show the average days to complete a request is 60 days. Currently, a request is not closed off until an invoice has been processed, consequently this is not an accurate reflection of the time being taken to complete a request. It also makes it difficult to monitor if a request has been actioned.

This process has recently been changed to reassign the action once a contractor has been engaged back to the requestor to confirm the request has been actioned. Further changes to this process are being implemented to improve the timeliness of raising purchase orders as well as setting service levels and KPI's.

Internal customers have not been formally surveyed as part of this review.

During both 2016 and 2017, City of Marion undertook a Community Facilities Satisfaction Survey with community and sporting groups. Both surveys had an average completion rate of 57%, an extract of the outcomes is shown in 'table 3'.

Table 3: Community Facilities Satisfaction Survey Outcomes (extract)			
	2016	2017	Change
Fit for purpose			
Satisfied	76.2	68.8	-7.4
Dissatisfied	21.4	28.2	+6.8
Don't know/not sure	2.4	3.1	-0.7
Customer Service			
Satisfied	73.8	90.3	+16.5
Dissatisfied	21.4	6.4	-15
Don't know/not sure	4.8	3.2	-1.6
Maintenance			
Satisfied	81	80.6	-0.4
Dissatisfied	16.7	19.2	-2.5
Don't know/not sure	2.5	-	-2.5

Overall satisfaction levels in customer service and maintenance are high.

Compared with the 2016 survey there has been a decrease in satisfaction in 'fit for purpose' facilities, with increased satisfaction level in customer service and a minor change in satisfaction with maintenance.

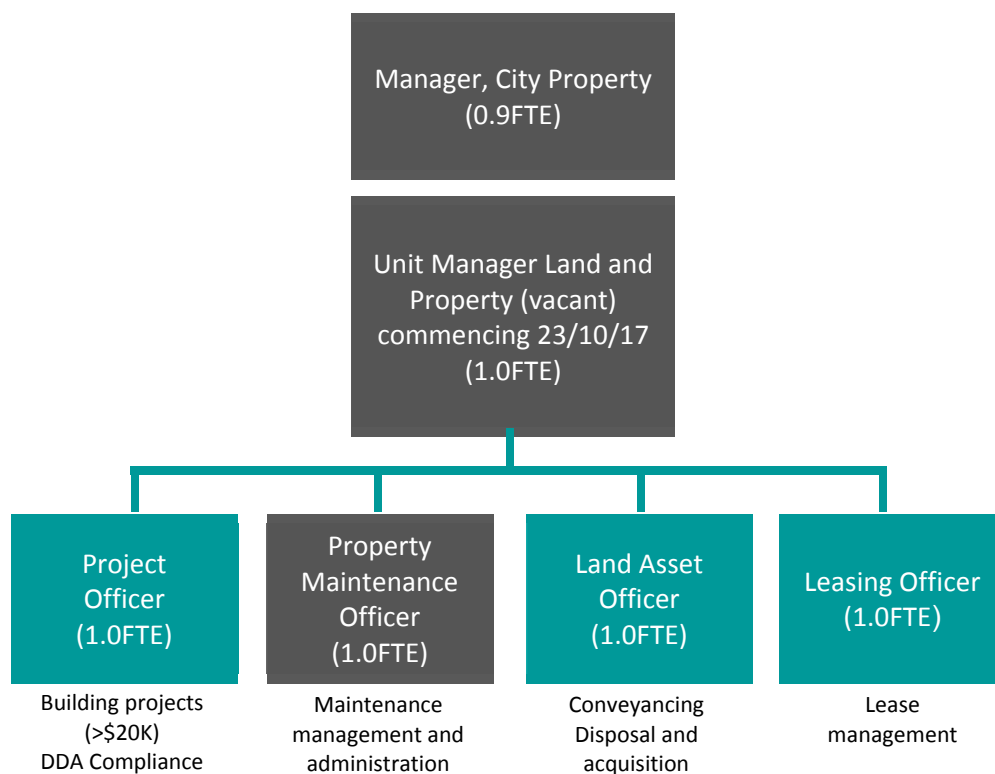
7 Service Review Objectives

The objectives of this review are set out in the Executive Summary.

City of Marion has a number of strategies and plans, which have been finalised or are currently being developed which interface with the property portfolio (refer 'appendix 1'). This reflects the interdependencies in relation to moving to developing a planned and proactive maintenance, renewal and replacement asset program, which prioritises planned maintenance tasks.

This review has focused on the maintenance services only, this is provided through the structure shown in 'diagram 1' (maintenance component is shaded in grey).

Diagram 1: Land and Property Team Structure



8 Analysis and Recommendations

The review has identified a range of improvements to increase efficiency and effectiveness of the service, improving customer service and value for money.

Due to the extensive range of opportunities to reduce administrative tasks and improve effectiveness the resourcing and the management model have not been considered in this review and will be undertaken as these changes are implemented.

The allocation of work to in house teams, the employment of a handy person and improved contractor management will produce savings and is recommended to be pursued.

Recommendation 1: Allocate work requests to in house teams e.g. Civil, Open Space, Hard Rubbish instead of using external contractors

A detailed analysis of the CERs identified that approximately 80 requests, valued at \$35k per annum, could be assigned to internal teams to be completed within their current capability and capacity, rather than being allocated to the Land and Property Team. The type of tasks that could be allocated include; gardening, minor concreting and bitumen works.

Changes have already been made at the Marion Cultural Centre where the theatre technicians are replacing the light globes in the site.

Estimated Cost Savings per annum	Risk	Complexity	Key Assumptions
\$21,000	Low	Low	<ul style="list-style-type: none"> Internal crews used to complete work that can be done in house Assumed labour costs will be absorbed, as teams will be able to complete within existing schedules Materials components of costs retained

Benefits and Opportunities	Risks and Issues
<p>Reduce work contracted out and allocate to Internal staff complete works that can be done in house e.g. gardening, rubbish removal, concreting, small bitumen works</p> <ul style="list-style-type: none"> Assumed labour costs will be absorbed as teams will be able to complete within existing capacity Material components of costs retained <p>It is estimated that this would be 1.5 jobs per week 5 hours per week spread across multiple teams</p>	<ul style="list-style-type: none"> Ability to absorb work without adding additional costs. Savings are generated through 70-80 jobs per annum which is less than one minor task per area per week - current experience with Open Space Team and Team Leaders in Civil have confirmed some work can be absorbed Industrial concerns on implementing changes at this point in time Do not gain support internally that this can be done with internal teams e.g. increased workload Initially a trial will be undertaken with a team, which will assist with assessing the impact as well as establishing KPI's. It is proposed to work with team leaders and incrementally implement change e.g. small bitumen works. Timeliness of completing work Some teams currently behind in work programs may not have capacity to take on additional work
<p>Reduce maintenance costs by approximately \$21k per annum</p> <p>Actual jobs worth \$35K in 16/17 however using average unit rates rather than individual job costs in the model results in costs being diluted so there is potential upside in this scenario</p>	<ul style="list-style-type: none"> Unable to monitor and demonstrate savings Working with the recently appointed Business Analyst to assist with setting up reporting on property maintenance with simple metrics for maintenance based on numbers of jobs, average costs of jobs as well as setting up a baseline will assist with improving management to improve targets

Benefits and Opportunities	Risks and Issues
Reduce number of CERs to be actioned by the Property Maintenance Officer by changing the action officer to go directly to the relevant team	<ul style="list-style-type: none"> • Increase in CERs and internal teams unable to manage increased workload. By monitoring CES requests and prioritising works the workload should be able to be managed • Urgent requests may not be able to be responded to in a timely manner and will need to be allocated to a contractor reducing the savings

Recommendation 2: Utilise external handy persons to undertake work requests rather than engaging technical contractors e.g. gutter cleaning

Technical contractors are being engaged to undertake simple tasks that could be completed by a handy person with a lower hourly rate. Examples are light globes are being changed by an electrician and gutters cleaned by plumbers, these tasks can be undertaken by a handy person.

Estimated Cost Savings per annum	Risk	Complexity	Key Assumptions
\$44,000	Low	Low	<ul style="list-style-type: none"> • Use handy person at \$50 per hour to preform simple and safe tasks rather than using qualified electrical and plumbing labour \$75 per hour

Benefits and Opportunities	Risks and Issues
Lower cost to undertake simple and safe tasks e.g. clean gutter, replace light globes	<ul style="list-style-type: none"> • Currently only have one external handy person with an increase in workload may not be able to manage additional work in a timely manner. This also poses an issue when the handy person is unavailable e.g. sick, leave. It is proposed to have a range of handy persons available to undertake work. The handy person is able to engage other people if required. • Relies on Property Maintenance Officer to actively use the handy person and to ensure allocation to appropriate contractor. Through better scoping of works, the Property Maintenance Officer should be able to improve the allocation of work.
Low priority tasks could be batched and attended to at scheduled times	<ul style="list-style-type: none"> • Relies on Property Maintenance Officer batching and allocating work appropriately. Ensuring requests are correctly allocated and using CES to sort requests in categories would assist with batching. • Currently no system to enable this to be automated

Recommendation 3: Review the business case to employ a handy person to undertake electrical requests and minor plumbing works

Overall costs could be reduced by bringing works in-house, labour costs would reduce, administration overhead would reduce and materials on-costs would reduce.

To employ a qualified electrician to perform handy person tasks and majority of electrical tasks at a salary of \$70k plus on costs. It would be necessary to provide a van and fitout with tools and equipment, which has been estimated at \$55k including stock. This person would report to the Unit Manager Land and Property.

Purchasing materials direct from the supplier would reduce materials costs by 7.5% on average by not paying handling costs as per existing plumbing and electrical contracts.

Having CES requests going directly to the handy person would reduce the Property Maintenance Officer administration by 24% freeing up time for tighter contract management of outsourced jobs. Sample testing of jobs has indicated that 4% could be saved through tighter contractor management. This saving would be achieved through refining the scope of works and improved on site management of contractors.

Estimated Cost Savings per annum	Risk	Complexity	Key Assumptions
\$63,000	Medium	Medium	<ul style="list-style-type: none"> Key handyman contractor workload will be impacted - which may have flow on impacts to the other parts of the organisation who use this provider Relies on the Property Maintenance Officer actively using handyman to complete tasks first which will be a change in approach when allocating work Transactional workload retained by building supervisor which may pose a risk to being able to implement change Employ a qualified electrician to perform handyman tasks and majority of electrical tasks at annual salary of ~\$70K plus on costs Acquire van, fitout and tools to equip handyman at a cost of \$55K including stock Purchase materials direct and reduce materials costs by 7.5% on average by not paying handling costs as per existing plumbing and electrical contracts Reduction in administration time by 24% through direct employment of a person undertaking tasks which will free up time for tighter contract management on outsourced jobs Simplify purchase order and invoice payment process for property spend through streamlined processing and greater use of standing orders to further free up administration time on remaining invoices Reduction in cost for contractor jobs by 4.0% based on samples by Property Maintenance Officer where 4% would be saved on sample if tighter contractor management was possible

Benefits and Opportunities	Risks and Issues
In house resource would provide timely and responsive service as well as flexibility.	<ul style="list-style-type: none"> Highly dependent upon resourcefulness and flexibility of resource employed for in house work Potentially increase WHS risk of having in house electrical contractor, however CoM already have employees doing similar work e.g. MCC technicians, community care Ability to backfill resource during leave periods, work would be allocated to external contractor Peak period may not be able to be handled by in-house resource. Work would need to be prioritised and allowance for additional external contractor costs.
Common work management platforms would enable automation of work requests and monitoring and management of requests.	<ul style="list-style-type: none"> Identifying and implementing suitable tools
Employing handy person under a 2 year contract which, would enable assessment on effectiveness of the position	

Recommendation 4: Improve contract management through improving scope of work, utilising broader contracts where possible to improve accountability and value

Currently all maintenance services are contracted out to external service providers and there is an over reliance on contractors.

There are a number of opportunities to add value to the procurement process including:

- Contractor Management effectiveness through broader contracts (e.g. expand scope of work, work with other Councils, access other Councils) where possible and contracting out services not currently contracted out as well as comparing with other known contracts
- Contracting for defined service levels
- Leveraging off of other contract sources e.g. Council Solutions
- Improved decision making on planning, procurement and replacement or repair.
- Improved verification of works
- Improved management of contractors through monitoring, reporting and adherence to contracts

Estimated Cost Savings per annum	Risk	Complexity	Key Assumptions
\$32,000	Low	Low	<ul style="list-style-type: none"> • Contract out all remaining uncontracted services (40% based on 1617 invoices and what was contracted at August 17) at a discount of 4% based on savings achieved previously and savings possible through comparisons with other known contracts • Assumes no savings when recontracting currently contracted services which realistically should deliver savings • Doesn't assume savings for contracts executed partway through 16/17 which also delivered savings • This model assumes savings only on what is to be contracted as at August 2017 and does not assume savings for recontracting. Also the benefits are based only on differences between isolated Council contracts and not on differences between Council contracts and Council Solutions Contracts. Also further evidence has been gained that demonstrates that greater benefits than those modelled here are possible based on comparisons of electrical contractor rates at other Councils.

Benefits and Opportunities	Risks and Issues
Increase planned and proactive works Cost savings from City of Marion combining contracts	<ul style="list-style-type: none"> • Risk that Council Solution contracts are not more competitive however, other Council contracts appear they may be. Opportunity to manage tendering process to get best pricing out of assorted contracts available • Ability to get savings due to contract periods currently locked in - have diluted savings for % of spend that is currently out of contract • Longer term risks of locking in single suppliers of major services reducing ability to get better pricing in the longer term due to the ability to change contractors - can be mitigated through the use of contract panels

The following options have been developed on findings and opportunities and do not have a demonstrable cost benefit.

Recommendation 5: Reduce administrative tasks of the Property Maintenance Officer to create capacity to improve contractor management.

Process improvements of administrative practices associated with maintenance would reduce the administration effort, reduce costs, and enable increase focus on contractor management and improve customer service and satisfaction.

There are a number of opportunities to:

- Increase the number of contracts and consequently the number of standing orders to reduce the number of purchase orders
- Require contractors to provide estimate on works prior to raising purchase orders
- Review the on line purchase procedure and invoice processing process and modify for land and property e.g. Cease raising purchase orders for low value works (less than \$1k)
- Property Maintenance Officer to estimate cost of works and reassign CES to admin to raise the purchase order
- Review the on line purchase process to improve efficiencies and effectiveness

Online purchase orders are used throughout the organisation and provide information on financial commitments and the terms and conditions on which contractors are engaged.

Land and Property raise a large volume of purchase orders (approximately 2,000 per annum), the administrative task required and the value of this task need to be considered.

Once a request for maintenance is received a contractor will be requested to provide the service, City of Marion policy and procedures require an on line purchase order to be raised prior to engaging a contractor (this does not always occur). Many orders are of a low value e.g. under \$1k and there is a cost of \$10-\$15 per invoice to raise a purchase order.

Generally purchase orders are raised with an estimated cost, if there is a variance between the purchase order and the invoice it is required to be reviewed and signed off again or if an invoice is received without a purchase order then one is raised this can result in duplicate purchase orders and additional administrative process.

The Property Maintenance Officer has a large number of open purchase orders, which affect the integrity of the data, and adds little value to the process. In addition, orders are being raised after the work has been completed which is not in line with the policy and procedure.

Recommendation 6: Improve asset maintenance through developing an asset maintenance plan/program which prioritises planned maintenance tasks

Building condition audits are undertaken externally every few years and there is an internal audit undertaken annually, this goes some way to understanding the condition of assets. Currently this information is not managed in the Asset Management System, as it does not provide meaningful information, which can assist with planning and managing assets.

An inspection of structures e.g. light poles, goal posts, signs etc. is undertaken both externally and internally, while this ensures assets are safe and comply with relevant codes the information is not being managed effectively and should ideally be managed through the asset management system, this would improve monitoring and planning of works.

An improved understanding of asset conditions and tracking of costs such as air conditioner condition to determine whether it should be repaired or replaced will improve planning.

The Asset Management System has been reviewed and the recommendations are being implemented, this will support improved and management of information, integration with financial information and management reports to enable the effective management of assets through a proactive asset maintenance program. This would include a detailed maintenance budget aligned to the Asset Management Plan.

An Asset Management System that also provides reports to assist with planning of works, enables job dispatch to contractors and internal teams would assist with replacement decision, improved work flow and customer service and will be considered as part of the Asset Management System review.

Recommendation 7: Establish targeted KPI's and associated goals to enable the monitoring and improvement of the service.

To improve the monitoring and management of the maintenance area and effectively manage performance requires improved reporting.

Recommendation 8: Improve the end to end management of CES

Improving the end-to-end management of the CES can be accomplished through the following:

- Site coordinators being provided information on costs
- Identifying a site coordinator for the Administration building
- Increasing the percentage of requests through CES e.g. reduce emails, phone calls
- Improving the quality of information provided in requests
- Using the CES to include information on estimated costs to enable purchase orders to be placed
- Reallocating CES to requestor once actioned
- Reviewing CES timelines
- Improving reporting to enable requests to be monitored and if required remedial action
- Implementing a process for lessees to request maintenance through the Property Leasing Officer
- Contractors to quote CES number on invoices

Over the last few years contract arrangements have been put in place for electrical and plumbing works. Some contracts have lapsed and others do not have formal arrangements. A number of areas have been identified that require contracts, through tendering for these works, establishing contractor panels and utilising Council Solutions, Contracts Australia would ensure value for money is being achieved.

The majority of maintenance requests are received via the CES. This enables requests to be monitored for action and completion. The Property Maintenance Officer also receives requests via email, phone and conversations when on site; these are generally not captured in the CES.

Six City of Marion operated sites (Administration, Marion Cultural Centre, Marion Outdoor Pool, City Services, Cove Civic Centre and the Glandore Community Centre) have been identified as having a high level of requests and expenditure and opportunities have been identified to increase awareness of costs and work together on determining appropriate action.

Currently, any staff member can lodge a request (requests to not go through an authorisation process), the requestor is not notified of the action taken, the customer event remains open until an invoice is received and then the invoice is required to be matched up to the relevant customer event request. This results in poor customer service, difficulty monitoring the status of events and a backlog of open events.

In addition to the above options, there are further opportunities to improve the service that were not investigated in the review, such as utilities. It is recognised that validation of utility billing should be undertaken to validate water, electricity and gas invoices to ensure only paying at sites owned by City of Marion, the charges are in line with contracts and amounts billed are appropriate.

Automation of works would improve the effectiveness and efficiency of the service e.g. job despatched automatically to contractors, it is anticipated this will be achieved to some extent through the work being undertaken on the Asset Management System.

9 Final conclusion and recommendations

As a result of the service review, it is anticipated \$160k per annum in savings could be achieved, plus improved efficiencies and customer service through implementing the following proposed recommendations:

1. Allocate work requests to in house teams e.g. Civil, Open Space, instead of using external contractors
2. Utilise external handy persons to undertake work requests rather than engaging a technical contractor e.g. gutter cleaning
3. Review the business case to employ a handy person to undertake electrical requests and minor plumbing works
4. Improve contract management through improving scope of work, accessing a broader range contracts (regional, partnerships) to improve accountability and value.
5. Reduce the administrative tasks of the Property Maintenance Officer to create capacity to improve contractor management.
6. Improve asset maintenance through developing an asset maintenance plan/program which prioritises planned maintenance tasks
7. Establish targeted KPI's and associated goals to enable the monitoring and improvement of the service
8. Improve the end to end management of CES

A recommendation implementation plan is provided in 'Appendix 2'.

Appendix 1

City of Marion Strategies and Plans that interface with Property Portfolio



Appendix 2

Service Review Recommendation Implementation Plan



Service Review Recommendation Implementation Plan

Recommendation	Timeframe	Action
1. Allocate work requests to in house teams e.g. Civil, Open Space, instead of using external contractors	October 2017 – January 2018	<ul style="list-style-type: none"> • Trial period determine an Engineering and Field Services team • Customer Events System to be reviewed to enable jobs to be allocated directly • Service levels to be developed and agreed to • KPI's to be developed and monitored
	February 2018	<ul style="list-style-type: none"> • Review pilot and consider outcomes
	March 2018	<ul style="list-style-type: none"> • Roll out to further work teams with the aim to have all identified work requests handled by in house teams by the end of June 2018
2. Utilise external handy persons to undertake work requests rather than engaging a technical contractor e.g. gutter cleaning	November 2017	<ul style="list-style-type: none"> • Property Maintenance office to commence allocating work requests to handy person
3. Review the business case to employ a handy person to undertake electrical requests and minor plumbing works	December 2017	<ul style="list-style-type: none"> • Unit Manager Land and Property to develop business case
4. Improve contract management through improving scope of work, accessing a broader range contracts (regional, partnerships) to improve accountability and value	Ongoing	<ul style="list-style-type: none"> • Unit Manager Land and Property to continue to work with the contracts team to improve the scope and identifying opportunities to work with other councils and to access a range of contracts e.g. Council Solutions
5. Reduce the administrative tasks of the Property Maintenance Officer to create capacity to improve contractor management	June 2018	<ul style="list-style-type: none"> • Increase the number of contracts by June 2018
	July 2018	<ul style="list-style-type: none"> • Increase the number of standing orders to reduce the number of purchase orders
	November 2017	<ul style="list-style-type: none"> • Property Maintenance office to request contractors to provide estimate on works prior to raising purchase orders
	December 2017 – February 2018	<ul style="list-style-type: none"> • Contractors to quote CES number on invoices • Review the on line purchase procedure and invoice processing process to improve efficiencies and effectiveness determine if it can be modified for land and property e.g. Cease raising purchase orders for low value works (less than \$1k) • Property Maintenance officer to estimate cost of works and reassign CES to admin to raise the purchase order

Appendix 2

Service Review Recommendation Implementation Plan



Service Review Recommendation Implementation Plan

Recommendation	Timeframe	Action
6. Improve asset maintenance through developing an asset maintenance plan/program which prioritises planned maintenance tasks	November 2018	<ul style="list-style-type: none"> Asset Management Plan reviewed and implemented 2018/19 Budget initiative to undertake external Building Condition Audit
	Ongoing	<ul style="list-style-type: none"> This will occur in conjunction with the Asset Management System recommendations
7. Establish targeted KPI's and associated goals to enable the monitoring and improvement of the service	December 2017	<ul style="list-style-type: none"> Targeted KPI's established and reporting developed
8. Improve the end to end management of Customer Event System	October 2017	<ul style="list-style-type: none"> Reallocate CES to requestor once actioned
	November 2017	<ul style="list-style-type: none"> Identify a site coordinator for the Administration building
	February 2018	<ul style="list-style-type: none"> Site coordinators being provided information on costs
	June 2018	<ul style="list-style-type: none"> Increase the percentage of requests through CES e.g. reduce emails, phone calls
	December 2017	<ul style="list-style-type: none"> Review CES timelines
	November 2017 December 2017	<ul style="list-style-type: none"> Implement a process for lessees to request maintenance through the Property Leasing Officer Improve reporting to enable requests to be monitored and if required remedial action

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

Manager: Kate McKenzie, Manager Corporate Governance
General Manager: Vincent Mifsud, General Manager Corporate Services
Subject: Meeting with External Auditor in Confidence
Report Reference: FAC101017F8.13

If the Finance and Audit Committee so determines, this matter may be considered in confidence under Sections 90(2) and (3) (b) of the Local Government Act 1999 on the grounds that it relates to matters that could reasonably confer a commercial advantage on a person with whom the council is conducting business or prejudice the commercial position of the council.



Adrian Skull
Chief Executive Officer

REPORT OBJECTIVE AND EXECUTIVE SUMMARY:

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

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

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

RECOMMENDATIONS:

That the Finance and 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 Woods (Deloitte) be excluded from the meeting as the Finance and Audit Committee meets with Councils external auditor to discuss the end of financial year audit, on the basis that the Finance and 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 Finance and Audit Committee Minutes.**

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

CONFIDENTIAL REPORT

Originating Officer: Greg Salmon, Manager City Activation

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

Subject: Section 48 Prudential Report – BMX Confidential

Reference No: FAC101017F8.14

If the Finance and Audit Committee so determines, this matter may be considered in confidence under Section 90(3)(b)(i)(ii) of the *Local Government Act 1999* on the grounds that the report contains information that;

- (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council and,
- (ii) would, on balance, be contrary to the public interest.

Adrian Skull
Chief Executive Officer

RECOMMENDATION:

1. That pursuant to Section 90(2) and (3)(b)(i)(ii) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Chief Executive Officer; Vincent Mifsud, General Manager Corporate Services; Abby Dickson, General Manager City Development; Mathew Allen, Acting General Manager City Services; Kate McKenzie, Manager Corporate Governance; Greg Salmon, Manager City Activation; Ray Barnwell, Manager Finance and Contracts; Malcolm Eagles, Strategic Projects Officer be excluded from the meeting as the Council receives and considers information relating to Section 48 Prudential Report – BMX Confidential, upon the basis that the Finance and 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 could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council and would on balance, be contrary to the public interest.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
10 OCTOBER 2017**

CONFIDENTIAL REPORT

Originating Officers: Robert Tokley, Team Leader Planning
Craig Clarke, Unit Manager Communications
Sherie Walczak, Unit Manager Risk

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

Chief Executive Officer: Adrian Skull, CEO

Subject: 73 Cove Road, Marino

Reference No: FAC101017F8.15

If the Finance and Audit Committee so determines, this matter may be considered in confidence under Section 90(2) and 3(a) and (3)(h)(i) of the *Local Government Act 1999* on the grounds that the report contains;

- Information the disclosure of which would involve the unreasonable disclosure of information concerning the person affairs of any person (living or dead);
- Information relating to actual litigation, or litigation that the Finance and Audit Committee believes on reasonable grounds will take place, involving the Council or an employee of the Council.

Adrian Skull
Chief Executive Officer

RECOMMENDATION:

That pursuant to Section 90(2) and 3(a) and (3)(h)(i) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Chief Executive Officer; Abby Dickson, General Manager City Development; Vincent Mifsud, General Manager Corporate Services; Mathew Allen, Acting General Manager City Services; Kate McKenzie, Manager Corporate Governance; Robert Tokley, Team Leader Planning; Craig Clarke, Unit Manager Communications; Sherie Walczak, Unit Manager Risk; Deborah Horton, Quality Governance Coordinator be excluded from the meeting as the Finance & Audit Committee receives and considers information relating to 73 Cove Road Marino, upon the basis that it is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given information the disclosure of which would involve the unreasonable disclosure of information concerning the person affairs of any person (living or dead); and information relating to actual litigation, or litigation that the Finance and Audit Committee believes on reasonable grounds will take place, involving the Council or an employee of the Council.