

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 4 October 2016

Commencing at 4.00pm

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

29 September 2016

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE AGENDA
FOR THE MEETING TO BE HELD ON
TUESDAY 4 OCTOBER 2016
COMMENCING AT 2.00 PM
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
16 August 2016

FAC041016R4.1I

5. BUSINESS ARISING

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

FAC041016R5.1FH

6. ELECTED MEMBER REPORT

6.1 Elected Members Report

FAC041016R6.1Fì

7. REPORTS

Matters for Discussion

Corporate & Financial Management

7.1 Finance and Audit Committee Annual Report to Council 2015/16

FAC041016R7.1G€

7.2 Independence of Council's Auditor for the year ending 30 June 2016

FAC041016R7.2Gì

7.3 Audited Annual Financial Statements for the year ending 30 June 2016

FAC041016R7.3H€

7.4 Debtors Report

FAC041016R7.4FJH

7.5	Meeting with External Auditor in Confidence (without Management present) FAC041016R7.5.....	FJÌ
7.6	Investment Performance 2015/16 FAC041016R7.6.....	ÀJJ
7.7	Treasury Management and Reserve Funds Policy FAC041016R7.7.....	ÈÈÀÇÍ

Risk Management

7.8	Fraud and Corruption Framework FAC041016R7.8.....	ÀÇÍ
7.9	Business Continuity Plan FAC041016R7.9.....	ÀÇH
7.10	Local Government Association Mutual Liability Scheme Risk Review FAC041016R7.10.....	ÀÎ

Service Reviews and Internal Audit

7.11	Organisational Service Review Update and Stage Two Scopes for 2016/17 FAC041016R7.11	ÀÇG
7.12	Internal Audit Program Status Report FAC041016R7.12	HÇ

8. CONFIDENTIAL ITEMS

Nil

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 TUESDAY 16 AUGUST 2016**



PRESENT

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

In Attendance

Mr Adrian Skull	Chief Executive Officer
Mr Vincent Mifsud	General Manager Corporate Services
Ms Abby Dickson	General Manager City Development
Mr Tony Lines	General Manager Operations
Ms Kate McKenzie	Manager Corporate Governance
Mr Ray Barnwell	Manager Finance
Ms Fiona Harvey	Manager Innovation and Strategy
Ms Sherie Walzacak	Unit Manager Risk
Mr Colin Heath	Manager Contracts and Operational Support
Ms Deborah Horton	Unit Manager Performance & Improvement
Mr Justin Jamieson	KPMG (for item 7.7 and 8.1)
Mr Jared Lawrence	KPMG (for item 7.7 and 8.1)

1. OPEN MEETING

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

2. KAURNA ACKNOWLEDGEMENT

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

3. MEMBERS DECLARATION OF INTEREST

The Chair asked if any Member wished to disclose an interest in relation to any item being considered at the meeting. No interests were disclosed.

4. CONFIRMATION OF MINUTES

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

Report Reference: FAC160816R4.1

Moved Councillor Telfer, Seconded Mr Owens that the minutes of the Special Finance and Audit Committee meeting held on 20 June 2016 are confirmed as a true and correct record of proceedings.

Carried Unanimously

5. BUSINESS ARISING

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

Report Reference: FAC160816R5.1

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

The Committee sought further clarity on the following matters:

- **Project Management Review**

The Committee noted that the work was not difficult to deliver but the delay had occurred due to competing priorities. The purpose of the Project Management review is to set a high level framework to be applied to strategic and major projects. The Committee suggested that a project register be developed that would assist Council and Management to understand the impact of new projects on resources and delivery.

- **Financial Modelling tool**

The Committee noted that research had taken place and potential software had been identified as a solution. The Manager Finance was currently discussing upfront and on-going costs with the Executive Leadership Team as the software does have an annual licensing fee. This will be further progressed with the development of the 2017/18 Annual Business Plan and Budget. The committee reemphasised its belief that such a tool would be invaluable in financial decision making

- **Business Continuity Plan (BCP)**

The Committee noted that work had progressed on the BCP and this document was now in draft. Consultation would occur with internal stakeholders and the draft BCP would be presented to the next Committee Meeting in October for comment.

6. ELECTED MEMBER REPORT

6.1 Elected Member's Report

Report Reference: FAC160816R6.1

Councillor Telfer provided an overview on the report noting that Elected Members had also participated in a number of Elected Member Forums that are not listed within the report. Councillor Telfer informed the Committee that the Federal elections had delivered to Council a number of economic promises including a \$4m contribution towards the Edwardstown Sports and Community Centre redevelopment, the promise of the delivery of the Flinders rail link, a \$40m contribution towards the delivery of the Oaklands Rail Crossing traffic solution, contribution to the Warradale Tennis Courts and installation of solar panels on Marino Hall.

Councillor Telfer advised the Committee that changes were being proposed to the National Stronger Regions Fund suggesting that this will be a fund for the regions only and not the metropolitan areas. Council has therefore not received any outcome from the round 3 application for Mitchell Park Sports and Community and has not been able to apply for any further grant funding at this point.

Councillor Telfer highlighted that Council had made two decisions regarding its Membership with the LGA noting that it was important for Council to understand the financial impacts of any decision. The Committee requested that they be kept informed of significant decisions such as the LGA decision that may create (or perceive to create) a risk for the organisation.

The Committee sought clarity on Council's rate rise, noting that Council had reduced its rate increase from 2.75% to 2.5% in the ABP and LTFP.

7. REPORTS

Corporate & Financial Management

7.1 4.18 pm Valuations of Buildings and Assets

Reference No: FAC160816R7.1

The Manager Innovation and Strategy provided an overview of the report noting the asset valuation process was now complete. The Committee noted that the Australian Accounting Standards (AASB116) had been revised and these legislative requirements have been embedded as part of the valuation process for 2015/16. The main impact of these changes relates to depreciating an asset component that was not previously depreciated and a higher depreciation provision will now have to be recognised from 2016/17 onwards.

The Manager Finance advised that Council's approach in applying the revised standard had been discussed and agreed with the external auditors and to be fully compliant with the new standard our asset valuations had to apply the strict definition regarding residual value, being the future 'sale price' of an asset. This meant that where in the past Council could apply a residual value to materials salvaged in the reconstruction of roads as an example, we are no longer able to apply a residual value as no financial consideration is received. The removal of previously recognised residual values means that the accounting estimates for depreciation for those assets, particularly infrastructure assets such as roads, will result in higher depreciation provisions required from 2016/17 onwards. It was noted that this will have no impact on funding as this is the revision of an accounting estimate and funding requirements for the renewal of existing assets is driven from Council's Asset Management Plans.

The Committee noted that some additional assets had been identified such as stormwater drainage and retaining walls. It was noted that Council had a back log of asset inspections that it was working through and as a result of this process had identified some new assets (i.e. drainage had been identified through CCTV inspections). It was noted that the new assets now recorded on our asset register have been captured and depreciated in the 2015/16 asset valuation process.

7.2 4.25 pm Treasury Management and Reserve Funds Policy

Reference No: FAC160816R7.2

The Committee noted the policies and suggested that they would benefit from being more prescriptive and provide further clarity.

In regards to the Treasury Management Policy it was suggested that it would be useful to provide investment parameters and guidelines, including things such as the type of financial institutions that the Council would invest with to ensure a sound financial approach.

The Committee noted that Council's financial investments are primarily held with the Local Government Finance Authority (LGFA), which is a State Government guaranteed entity, and Council would only consider using the major banks if they can provide a competitive rate that equates to a 0.25 percentage margin or better than the LGFA.

The General Manager Corporate Services advised that there are a number of additional processes that are undertaken that are not articulated within the policy and that these will be appropriately articulated in the next iteration of the policy.

The Committee suggested that the development of criteria to guide the use and limitations of the Reserve Funds Policy would be useful. This would provide further clarity and transparency regarding why funds are being placed into this reserve and how Council intends to spend these funds.

The Committee also noted that a large body of work had been undertaken on the Council's carryovers and these have been considerably reduced on the previous year. The Committee commented that the carryovers should be accounted for in a separate reserve and not included in general revenue and it was confirmed that this is the case.

Action: Management welcomed any feedback to strengthen the policies and requested the Committee email any example of policies they may have used or seen in other industries.

Action: The Committee requested that further work be undertaken on the Reserve Funds Policy and Treasury Management Policy and they be presented to the next Committee meeting for consideration. Any updates can be included as part of the 2017/18 Annual Business Plan and LTFP process.

The Chair amended the order of the agenda and brought forward the internal audit items.

7.8 4.33 pm Internal Audit Program Reference No: FAC160816R7.8

Mr Justin Jamieson and Jared Lawrence from KPMG entered the meeting.

Mr Lawrence provided an overview of the report noting that the internal audit plan was progressing well.

The Committee noted the report and requested that the progress of any major internal audit findings is reported separately.

It was noted that the People, Leadership and Culture review would not be progressing within the internal audit plan as a different type of consultancy/review was needed.

The Committee then moved into confidence to discuss the Cash Handling Review.

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

Carried Unanimously

4.39 the meeting went into confidence

Moved Ms Presser, Seconded Councillor Telfer that in accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Finance and Audit Committee orders that Appendix 1 – Cash Handling Internal Audit Review and the minutes arising from this appendix having been considered in confidence under Section 90(2) and (3)(e) of the Act shall, be kept

confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2016.

Carried Unanimously

4.50pm the meeting came out of confidence

8. CONFIDENTIAL ITEM

8.1 4.50 pm Meeting with Internal Auditors in Camera Reference No: FAC160816F01

Moved Ms Presser, Seconded Councillor Telfer that pursuant to Section 90(2) and (3)(e) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present 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

4.50 pm all management present left the meeting

The independent and elected members of the Audit Committee met in Camera with the Internal Auditors (Justin Jamieson and Jared Lawrence from KPMG). The Auditors indicated that they were most impressed with the support and engagement provided by the Administration. They have not experienced any issues in terms of the timeliness and quality of information provided. Furthermore, they have been impressed with the application of management to embrace results and implement recommendations in a timely manner.

4.57pm the meeting came out of confidence and management re-entered the meeting.

7.3 4.58 pm External Audit Tender Reference No: FAC160816R7.3

The Committee noted the report and the timetable provided. The Committee made the following suggestion for consideration:

- Reducing the number of companies to approach in the select tender to four or five. Nine may be too many.
- Including one of the FAC Members as part of the tender evaluation process. This may add a further level of independence and scrutiny.
- Test the market for the type of contract term and what would be best for the organisation. i.e. 5 year fixed term fixed price contract or a 3 year plus two years fixed price contract. Providing a flexible approach during the tender will produce the best outcome from the market.

The Committee noted that KPMG are not included on the list as they are the current internal auditors. The Committee noted that the internal audit contract is a two year plus two-year contract, with the first two years expiring in June 2017. The Committee requested that a report on this contract be provided to the December 2016 meeting.

ACTION – that a report be presented to the December Committee meeting regarding the Internal Audit Contract for 2017/18 and beyond.

**7.4 5.05 pm Procurement and Contract Management Policy
Reference No: FAC160816R7.4**

The General Manager Corporate Services provided an overview of the report and noted that comments had been provided by the Mayor outside of the meeting. It was highlighted that:

- Item 6.1 of the Procurement Procedure states City of Marion will utilise various agreements/contract types to formally engage contractors, including collaborative purchasing contracts (e.g. Council Solutions, LGA Procurement, Procurement Australia, State Government).
- City of Marion will ensure that the market is tested on all expired contracts to ensure that appropriate procurement protocols are adhered to and best value is achieved for the community.

The Committee provided the followings comments for consideration:

- Section 4.1 was confusing as it wasn't clear if the market would be tested before or after approval of budget. It was noted that the appropriate budget would need to be approved by Council prior to going to tender on any contract. This process is usually done through the Annual Business Plan and Budget process. A further Council decision would be required if the contract could not be let under the approved budget. The Committee suggested that this could be clearer within the Policy.
- Further refinement of the policy statement was required as the role of the Elected Member should be at a strategy and Policy level, rather than operations of procurement.
- The Policy should be clear on the delegated authority within the organisation and that decision making should sit within these parameters.
- Probity, Accountability and Transparency should form a separate heading as 4.6 within the Policy.
- 4.9 within the Policy is a good paragraph and is being encouraged within Local Government but should be used where appropriate and not as a matter of course.
- The inclusion of the Work Health Safety for contractors is an excellent inclusion. This is not only about the selection of the contractor but should be measured through their on-going performance. It must be connected to Council's WHS systems.

The Committee suggested that it may be useful to see a marked up version on the Policy before it is finalised and presented to Council.

ACTION – the Committee requested that a marked-up version of the Policy be circulated to the Committee.

**7.5 5.18 pm Result of the Bi-Annual Performance and Effectiveness Review of the Finance and Audit Committee
Reference No: FAC160816R7.5**

The Committee noted the report and the results of the review. The Committee suggested that an improvement plan could be developed based on the following components:

- Improving the communication loop between Council and the Committee. Important decisions made by Council should be provided to the Committee in between meetings. For example, the rate reduction from 2.75% to 2.5% would be useful information to the Committee to know at the time of the decision.
- Further information regarding efficiency and benchmarking. The Committee did note that this information would start coming through with the Service Review Program.
- Advice on significant risks and changes in the risk environment. For example, the LGA membership decision could have been tested through the Committee to assist and support Council in their decision making.
- Notification to the Committee on major media issues.

The Committee requested that a further report be brought to the next meeting addressing the above issues and any other opportunities highlighted in the performance and effectiveness review.

ACTION – that an Improvement Plan be developed and presented to the next meeting.

Risk Management

7.6 5.25 pm Insurance Claims Management Activity Report Reference No: FAC160816R7.6

The Unit Manager Risk provided an overview of the report noting that a reduction of incidents and claims had been recorded within the 2015/16 financial year. It was noted that many incidents were outside of the control of the Council. For example, some incidents related to vandalism occurring to new infrastructure. These incidents had been investigated and further mitigation strategies have been implemented and resolved the issues. The Committee noted that the organisation should be learning from these incidents to ensure that they are not repeated in other matters.

The Committee noted that it was a good report and requested that the effectiveness of treatments within the risk matrix continue to be monitored appropriately. It was noted that the claim regarding the fibre optic cable was an uninsured asset at the time of the incident and this has now been insured accordingly. Council is progressing with cost recovery from the contractor who damaged the cable.

The Committee also sought clarity regarding open space such as the skate park and what liability attached to Council from personal injuries sustained. It was noted that the skate park was designed in accordance with Australian Standards and was reviewed by our insurer prior to hand over. The test for any personal injury sustained would be that Council had failed in its duty of care at common law and was negligent in its design and management of the skate park. Such open space projects are designed and constructed in accordance with appropriate Australian Standards which significantly mitigate Council's risk exposure.

Service Reviews and Internal Audit

7.7 5.34 pm Service Review Program Reference No: FAC160816R7.7

The Chief Executive Officer provided a short presentation to the Committee highlighting a number of achievements that have occurred in connection with business improvement

initiatives over the past two years. He acknowledged that the Service Review Program was a priority for Council and that all Councils are undertaking service reviews but with varying degrees of success.

It was highlighted that the Council has achieved \$3.2m in savings over the past two financial years, with the restructure implemented in late 2015 saving Council \$447k in salaries, the focus on carry overs has achieved an approximate 51% reduction (\$8.6m to \$4.2m) but there are still improvements to made.

The Chief Executive Officer also highlighted that a number of new initiatives were progressing which included a legal services review, Erica Comrie from Council Solutions would be undertaking a 12-week pilot program with City of Marion to seek efficiencies and improvement, the southern Councils CEO's are working closing together looking for opportunities with streamlined services.

The CEO stated that the Improvement and Performance Team was established in February 2016 and during this period they had developed the Service Review Framework, tools and undertaken the stage 1 reviews across the whole organisation.

It was noted that some Elected Members had expressed frustration with the timing and delivery to date of the Service Review Program.

It was noted that the services reviews do vary based on the scope. For example, the Hard Rubbish and LKCC services review reports were both very fulsome, whilst the Learning Festival was much smaller in scale.

The following comments were noted during the discussion on the service review program:

- The process undertaken to date demonstrates a very fulsome and comprehensive piece of work and assisted to create a priority list for the service review program.
- There is value in the methodology, including the utilisation of managers to undertake the reviews.
- Undertaking a service review on all 131 services is not achievable and over ambitious. The Council should focus on the reviews that will add the most value. Consider using the 80/20 rule. There is a need to ensure a focus on the highest priorities – prioritisation is critical. This should include an annual refinement of the tool with a continuing focus on the highest priorities to ensure a realistic achievable program is in place.
- The right number of reviews per year is the challenge for the organisation as it will only be able to manage a certain number based on other priorities and demands. For example, if the projects relating to the section 48 prudential reports come to fruition, this will be a significant impact on organisational resources which Council needs to be cognisant of.
- It should be noted that when a review is finished, it is not the end but the beginning of the implementation process.
- The approach suggested by management is sound. The program is now at the stage of a decision point where Elected Members need to contribute and provide input to the prioritisation list.
- Service reviews will explore opportunities and efficiencies.
- The stage 1 reviews have produced a new data set that has not been collected before. This will evolve over time and does require some fine tuning. The stage 1 reviews provide one lens for prioritisation. Other considerations such as strategic alignment and budget considerations need to be taken into account when establishing final priorities.

- The report is comprehensive but is confusing in parts. It is not clear how the original 19 reviews that the stage 1 reviews identified have then been translated to 12 prioritised reviews for the first 12 months of the program.

The Committee queried what the 'profile of the service' means and how this was calculated. The Unit Manager Performance and Improvement advised that the higher the score of the profile of the service, the more likely it was rated as a priority 1 in quadrant D. For example, the elements that contributed to high ratings included but were not limited to:

- If the service was rated as no impact if the service was not fulfilled or very high impact if the service was not fulfilled.
- If it was not known who used the service or if only a localised group used the service.
- If the service has no service standards.
- If managers responded 'don't know'.
- If more than 5 departments were involved in providing the service.
- If budget details were not provided.
- If there was a large increase or decrease in the budget for the service.
- If the service was not included in the Long Term Financial Plan.
- If more than 10 FTE were required to deliver the service.

The Committee noted the comments provided and suggested that further discussion be held in the joint workshop with Elected Members.

9. ANY OTHER BUSINESS

Nil

10. MEETING CLOSURE

The meeting was declared closed at 6.04 pm

11. NEXT MEETING

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

Time: 2.00 pm – 5.00 pm

Date: Tuesday - 4 October 2016

Venue: Chamber, Administration Building

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CHAIRPERSON

/ /

CITY OF MARION
BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS
AS AT 29 SEPTEMBER 2016



	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	13 October 2015	Circulate project management review report out-of-session to Audit Committee for their feedback.	F Harvey	December 2015	See item 3	See item 3
2.	15 December 2015	That the Audit Committee be provided with an update by June 2016 regarding the progress of surplus assets (particularly the status of the land at City Services).	J Valentine C Hampton	June 2016	This is due to be considered at a General Council Meeting in October. A further report can be provided at the December 2016 FAC meeting.	Dec 2016
3.	8 March 2016	That the Project Management Report be brought to the next Committee Meeting	F Harvey	May 2016	The elements of the project management system are continuing to being developed and incorporation of project management methodology is being applied to all work area plans to better support monitoring and reporting on the achievement of Council's 3year business plan. A project management framework will be provided at the February 2017 FAC meeting.	February 2017
4.	8 March 2016	Investigate the development of a financial modeling tool to assist Council assess the Whole of Life financial impact of funding decisions for capital projects and demonstrate when such decisions would cause the Council to fall into a funding deficit.	R Barnwell	August 2016	The opportunity to implement a financial modelling tool is currently being investigated. This will be further progressed in conjunction with the development of 2017/18 Annual Business Plan.	December 2016
5.	31 May 2016	The Business Continuity Plan be presented to the Committee in August 2016.	K McKenzie	August 2016	The BCP is included within the October FAC agenda.	October 2016
6.	16 August 2016	Treasury Management and Reserve Funds Policy The Committee email any example of policies they may have used or seen in other industries. The Committee requested that further work be undertaken on the Reserve Funds Policy and	R Barnwell V Mifsud	October 2016	The Committee provided example policies to the General Manager, Corporate Services. The treasury Management Policy is presented in this agenda and a report will be brought to the next Committee meeting	December 2016

City of Marion
Finance & Audit Committee Action Arising Statement as at 29 September 2016

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		Treasury Management Policy and they be presented to the next Committee meeting for consideration. Any updates can be included as part of the 2017/18 Annual Business Plan and LTFP process.			further detailing suggested amendments to the Reserve Funds Policy and potential impacts on the LTFP.	
7.	16 August 2016	External Audit Tender that a report be presented to the December Committee meeting regarding the Internal Audit Contract for 2017/18 and beyond.	R Barnwell	December 2016	This has been listed on the FAC Work Plan for December. Action can be closed as now included on work plan	October 2016
8.	16 August 2016	Procurement and Contract Management The Committee requested that a marked-up version of the Policy be circulated to the Committee.	C Heath	August 2016	Marked up version of policy was sent to FAC Members via email. This can be closed.	August 2016
9.	16 August 2016	Bi-Annual Performance and Effectiveness Review That an Improvement Plan be developed and presented to the next meeting.	K McKenzie	October 2016	Due to the size of the October agenda, this report will be brought the December 2016 FAC meeting.	December 2016

* completed items to be removed are shaded

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

INDICATIVE AUDIT COMMITTEE WORK PROGRAM – 2016

TUESDAY, 8 March 2016

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

Tuesday, 31 May 2016

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

TUESDAY, 16 August 2016

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

TUESDAY, 4 October 2016

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

Tuesday, 6 December 2016

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Service Review Program – Scopes, Reviews and Monitoring <ul style="list-style-type: none"> - Governance Systems - Recruitment - Marion Outdoor Swim Centre 	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring <ul style="list-style-type: none"> - Accounts Receivable - Purchase Cards 	Review and Feedback

City of Marion

Work Program and Meeting Schedule 2017	Review and Feedback
Ombudsman SA Annual Report 2015-16	Review and Feedback
WHS Interim Report	Review and Feedback
External Audit Tender	Review and Recommendation
FAC Improvement Plan (Performance and Effectiveness Review)	Review and Endorse
Framework and Key Assumptions Annual Business Plan and Budget and Long Term Financial Plan	Review and Feedback

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
4 OCTOBER 2016**

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

Subject: Elected Members Report

Report Reference: FAC041016R6.1

REPORT OBJECTIVE:

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

EXECUTIVE SUMMARY:

Since the last Finance and Audit Committee meeting on 16 August 2016, Council has held 2 Council Meetings on 23 August and 27 September 2016.

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

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

23 August 2016 General Council Meeting

BMX Funding Deed

The State Government has announced a \$2 million contribution towards the development of an international standard BMX track at O'Halloran Hill. The City of Onkaparinga has committed \$750,000 towards the project as did the City of Marion at its 14 June 2016 meeting. The Council resolved the following:

1. Council resolves to accept the revised clause 5.1.4 and authorises the Mayor and Chief Executive Officer to sign and affix the Council seal to the BMX deed between the Minister for Recreation and Sport and the City of Marion.
2. If the estimated cost of the BMX project for the international track and club facilities exceeds \$3.5M, Council will at that stage work with the other project parties to generate a mutually agreeable funding solution.
3. Council notes that in approving the BMX deed that a prudential management report will be brought to Council to consider the estimated capital cost of the project and whole of life costs prior to the calling of construction tenders.
4. Council formally acknowledges and thanks the City of Onkaparinga for their co-contribution to the project.

Streetscape Project - Priority Scoring System

Council has endorsed up to \$500,000 per year in the 2016-17 Annual Budget and Long Term Financial Plan for the delivery of streetscape works. It has also endorsed a priority scoring

system to identify significant streetscape projects and is now working a report to program works. Two demonstration projects have now been endorsed by Council.

27 September 2016 General Council Meeting

2016-19 Business Plan

Council adopted the 2016-2019 Business Plan

Service Review Framework and Program 2016/17

Council considered a report of the Service Review Framework and Program and resolved the following:

1. Adopts the Service Review Framework and associated supporting documents provided in Appendix 1.
2. Adopts the Service Review Program 2016/17 provided in Appendix 2.
3. Notes that all identified services have been reviewed at a Stage 1 level in accordance with the Service Review Framework by 30 June 2016 as planned.
4. Notes a further report will be brought to Council in 2017 to adopt the Service Review Program for 2017/18 and 2018/19.

Procurement and Contract Management Policy

Council endorsed the Procurement and Contractor Management Policy. This has now been placed on Council website.

Independent Member - Finance and Audit Committee

Council unanimously resolved to offer Mr Greg Connor a further 3 year appointment to the Finance and Audit Committee until November 2019.

COMMITTEES

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

Urban Planning – last meeting 9 August – next meeting 4th October

No items to report

Strategy – no meeting held

No items to report

People and Culture (6 September)

- Review How We Work Together Policy for Elected Members and Staff
- Enterprise Agreement (EA) Negotiations Administrative Staff
- Independent Member – Finance and Audit Committee

Infrastructure (6 September 2016)

- Glenthorne Farm Aspirations Workshop
- Infrastructure Project Updates
- Preparation of a 10 Year Strategic Plan Workshop

RECOMMENDATION (1)

The Finance and Audit Committee note the report.

DUE DATE

October 2016

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
4 OCTOBER 2016**

Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Ray Barnwell, Acting General Manager Corporate Services

Subject: Finance and Audit Committee Annual Report to Council
2015/16

Report Reference: FAC041016R7.1

REPORT OBJECTIVES:

Clause 4.23 of the Finance and Audit Committee Policy 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.

EXECUTIVE SUMMARY:

Provided at **Appendix 1** is a draft Finance and Audit Committee Annual Report to Council for 2015/16 that provides information against the requirements outlined in the Committee Policy and Terms of Reference. This report focuses on the Committee's operations from 1 July 2015 to 30 June 2016 (the previous financial year).

Feedback is now sought from the Committee as to the content of the report prior to its submission to Council at the 11 October 2016 General Council meeting.

RECOMMENDATION (1)

DUE DATES

That the Finance and Audit Committee:

- 1. Endorses the Annual Report to Council for 2015/16 provided at Appendix 1 to this report, subject to amendments as required, prior to being presented to Council at the 11 October 2016 General Council meeting.**

October 2016

APPENDIX 1

REPORT TO THE CITY OF MARION COUNCIL ON THE OPERATIONS OF THE FINANCE AND AUDIT COMMITTEE FOR 2015/16 INTRODUCTION

This report provides an overview of the City of Marion Finance and Audit Committee operations for 2015/16.

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:

- Key discussion points from Committee meetings for Council to note;
- A summary of the Committee's assessment of the City of Marion's risk and control framework;
- A summary of the work the Committee performed during the year aligned to the Committee's Terms of Reference;
- Details of meetings, including the number of meetings held during the period, and the number of meetings attended by each member;
- Future work scheduled for 2016/17;

The report is intended to invite comment from the Council on all of the above.

KEY DISCUSSION POINTS FOR COUNCIL TO NOTE

The 2015/16 financial year provided a heavy workload for the Finance and Audit Committee and the key points that the Committee would like Council to note are;

- The Committee comprehensively reviewed two Prudential Management section 48 Reports for the Edwardstown Soldiers Memorial Recreation Ground and the Mitchell Park Sports and Community Centre. The economic benefit and financial impact were thoroughly reviewed by the Committee including how the projects could be funded in accordance with Councils Treasury Management Policy.
- The Service Review Program was developed and commenced during the financial year. The Program is an innovative approach but will need further refinement as it evolves. During the 2015/16 financial year, the Committee considered three reviews prior to the Service Review Framework being established. Each of these reviews provided recommendations regarding how the services could be delivered in a more efficient manner. All three reviews were most comprehensive and of a high standard. The Committee is looking forward to the delivery of more services reviews through 2016/17.
- The financial performance of the Council remains solid and the Annual Business Plan 2016/17 and the Long Term Financial Plan reflect a sound funding position. The Committee suggested that Council continue to assess the financial impact of unfunded projects/initiatives to ensure that it does not fall into an unintentional funding deficit in later years of the plan.

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.

The City of Marion's Enterprise Wide Risk Management Framework and Policy was reviewed by the Committee in December 2015 and adopted by Council in January 2016. The revision of this Policy and Framework has provided further rigor to risk management processes and further alignment to the ISO 31000 Risk Management Standard. It is evident that the risk framework and processes continue to mature and the current focus is on imbedding and maturing risk processes and accountability across the organisation.

The Committee considered the corporate risk profile at its meeting of 8 March 2016 that identified 7 high risks of:

1. Asset management
2. Strategic planning
3. Workforce planning
4. Contractor & volunteer management
5. Project management
6. Compliance with legislative and regulatory requirements
7. Work health safety.

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

SUMMARY OF WORK PERFORMED DURING THE FINANCIAL YEAR (2015-16)

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

External Audit 2014/15 (considered in October 2015)

- The 2014/15 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 2014/15 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.
- An Operating Surplus of \$10.027m was achieved, which was \$6.284m above the original 2014/15 budget adopted by Council. The key factors resulting in this higher than expected operating surplus included:
 - Operating Expenditure (excluding Depreciation) – net savings of \$2.677m (4.3%) compared to adopted budget, including \$1.020m (3.1%) in Employee Costs primarily due to efficiency gains and savings achieved through vacancy management.
 - Rates Rebates – savings of \$0.415m as a result of budgeted rebates anticipated for the transfer of SA Housing Trust properties in Mitchell Park to Community Housing Associations not eventuating.

- Operating Grants & Subsidies – an additional \$2.027m in grants were received, primarily as a result of an additional \$1.4m in Financial Assistance Grant revenue being received in the current year.
- Other Income - \$0.401m higher, predominantly as a result of contributions being received from lessees for renewal works relating to the major projects.
- 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 2014/15 and noted the excellent results and financial outcomes. The Committee also noted that all actions from previous years' audit had been fully implemented.

Financial Reporting and Prudential Requirements

- The Committee considered and provided feedback on the framework and key assumptions of the Annual Business Plan and Budget 2016/17. 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 Council's Treasury Management Policy. The Committee suggested that Council implement a financial modelling tool that would assist Council assess the whole of life financial impact of funding decisions and demonstrate when such decisions would case the Council to fall into a funding deficit.
- The Committee reviewed two prudential management section 48 reports being the:
 - Edwardstown Soldiers Memorial Recreation Ground (\$8 million)
 - Mitchell Park Sports and Community Centre (\$19.7 million).

The Committee undertook a thorough review of the information provided and provide feedback on various aspects of both reports including but not limited to the financial viability and sustainability of each project, assessment management, project risk and other risks and the governance/management models.

The Committee sought assurance on behalf of Council regarding the funding, the debt serving ratio and the impact of other projects and resources. The Committee supported the funding proposed for each project which included a 50% contribution from Council with the other 50% to be sourced from alternative funding options.

- It is noted that the Edwardstown Soldiers Memorial Recreation Ground project has received a federal election promises of \$4m to match Council's \$4m contribution, but this has not yet come the fruition.

Internal Audit & Service Reviews

- During the 2015/16 financial year the Committee reviewed and endorsed the proposed Service Review Framework noting that the approach included a two stage process. Stage 1 to be integrated within the work area planning process which required the completion of a service statement for all services. The service statement provided new baseline data and assessed the service against three criteria being commercial viability, public value and innovation. The data has been used as an indicator to develop a plan for those services that are recommended to progress to a stage 2 review.

- The Committee received scopes and draft reports for the Hard Waste Service Review, the Living Kurna Culture Centre Service Review and the Marion Learning Festival Service Review. Each review was critically analysed by the Committee and the Committee recommended that the reviews be considered by Council. It was also noted that the Committee reviewed the Library Service Review Scope but this project was not due to be completed until the 2016/17 financial year.
- KPMG were appointed as Council's internal auditor from 1 July 2015 to 30 June 2017, with the potential for a two-year extension to the contract.
- An Internal Audit Plan 2015 – 2017 was developed and endorsed by the Committee in December 2015. The Committee has received scopes and reports in accordance with the Plan with minor variation due to timing of the reviews. The Plan focused on core assurance reviews, fraud risk and process breakdown.
- Various Internal Audit scopes and reports included:
 - Capital Works (Carryover)
 - Building Insurance and Asset Valuation
 - Payroll
 - Cash Handling

Each of these reviews have been presented to the Committee and the Committee continues to monitor the implementation of the review recommendations. To date, the Committee has been satisfied with management responses and no recommendations have fallen overdue during the 2015/16 financial year.

Internal Controls and Risk Management

- The Committee has undertaken a comprehensive review of the Risk Management Policy and Framework. The Committee noted that the City of Marion risk maturity is developing with focus on embedding framework. The Committee recommended to Council that the Policy and Framework be adopted which was achieved at the January 2016 General Council Meeting.
- Key risk focus areas for the Committee included further development and implementation of key risk strategies such as:
 - Fraud and Corruption Policy and Framework
 - Business Continuity Management Policy, Framework and Plan
- The Committee noted that Work Health Safety Annual Risk Report and suggested that this is a focus risk for the organisation and requested that a further report to monitor progress be provided to the Committee in six months.

Other

- Various reports and/or policies were considered by the Committee including;
 - The draft CEO's Key Performance Indicators
 - Ombudsman's Annual Report 2014/15
 - Local Government Association Mutual Liability Scheme Annual Risk Review noting Councils rebate of \$41k
 - Insurance and Claims Management Activity Report
 - The Committees work program and meeting schedule for 2016
- A joint workshop was held in August 2015 that focused on the principles for the new Service Review Program and the risk tolerance for the City of Marion.

- Asset Management plans were further considered after community consultation.
- The Committee commenced a review of its performance and effectiveness noting that the outcomes would be discussed during the next financial year. The Committee will undertake its next review in 2018.
- Organisational Key Performance Indicators for 2016/17

DETAILS OF MEETINGS

During 2015/16, a total of seven (7) Finance and Audit Committee meetings were held being:

- 18 August 2015
- 13 October 2015
- 15 December 2015
- 22 February 2016 (Special)
- 8 March 2016
- 31 May 2016
- 20 June 2016 (Special)

Finance and Audit Committee member attendance at meetings during the year was:

Member	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr Greg Connor (Chairperson since Dec 2013)	7	7
Mr Lew Owens	7	6
Ms Kathryn Presser	7	6
Councillor Tim Pfeiffer	2	2
Councillor Raelene Telfer	5	4
Councillor Tim Gard	5	5

FUTURE WORK PROGRAM PROPOSAL

Major items for the Committee to review and provide comment / feedback on during 2016/17 include:

- External Audit tender and Internal Audit contract
- Fraud and Corruption Framework
- Review of Corporate Risks Registers
- Progress of the WHS Program as a key people risk
- Progress of the Service Review Program including the progress of reviews listed within the 2016/17 Plan.

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 as 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.

Finally, 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.

Greg Connor

Chairperson

City of Marion Finance and Audit Committee

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
4 OCTOBER 2016**

Originating Officer: David Harman, Financial Accountant

Manager: Ray Barnwell, Manager Finance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Independence of Council's Auditor

Report Reference: FAC041016R7.2

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 2015/16 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 2015/16 financial year. | 4 October 2016 |
| 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 2015/16 financial year. | 4 October 2016 |
| 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 2015/16 financial year. | 4 October 2016 |

City of Marion

General Purpose Financial Statements

for the year ended 30 June 2016

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 2016, 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: 4 October 2016



Deloitte Touche Tohmatsu
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Corporation of the City of Marion
245 Sturt Road
Sturt SA 5047

4 October 2016

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 2016 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 sincerely

DELOITTE TOUCHE TOHMATSU

Penny Woods
Partner
Chartered Accountants

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
4 OCTOBER 2016**

Originating Officer: David Harman, Financial Accountant

Manager: Ray Barnwell, Manager Finance

General Manager: Vincent Mifsud, General Manager, Corporate Services

Subject: Annual Financial Statements for the year ended 30 June 2016

Report Reference: FAC041016R7.3

REPORT OBJECTIVES:

This report presents the City of Marion's Annual Financial Statements for the financial year ended 30 June 2016. Reports provided include:

1. Representation letters (Appendix 1) - audit of annual financial report for period 1 July 2015 to 30 June 2016. 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 2016 – 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 2015/16 Annual Financial Statements by Council at its meeting on 11 October 2016.

EXECUTIVE SUMMARY:

The 2015/16 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 adopting the 2015/16 Annual Budget in June 2015 there was a commitment given to making a concerted effort and having a strong focus throughout the year on achieving efficiency and effectiveness savings across the organisation, without impacting on service delivery outcomes. A primary objective of this was to ease the financial burden on rate payers. This has been achieved throughout 2015/16 and is reflected in the statements.

In summary an Operating Surplus of \$9.883m was achieved, which was \$1.283m greater than the surplus forecast in the original 2015/16 budget adopted by Council. The key factors resulting in this higher than expected operating surplus are:

- Operating Expenditure (excluding Depreciation) – net increase of \$0.296m (0.5%) compared to adopted budget.

- Operating Grants & Subsidies – an additional \$0.458m in grants were received compared to adopted budget, primarily as a result of additional Roads 2 Recovery funding received, partially offset by Financial Assistance Grant revenue for 2015/16 being received and accounted for in the prior financial year.

The Annual Financial Statements of the City of Marion, for the year ended 30 June 2016, 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.

The information paper 'Model Work Program for Council Audit Committees' developed by the Local Government Association highlights an area of focus for Audit Committees as being to:

- Identify areas of accounting treatment that are open to discretion, and in particular have material impact on reported financial performance and position (eg. Assumed asset lives, depreciation methodology, asset revaluation frequency and techniques, capitalisation policies and overhead accounting treatments all can have material effect on the operating result and net asset values).
- Ensure that financial information included in publications for external audiences (eg. Annual report, Council newspaper, brochure to all ratepayers, etc) accurately reflects key accrual based financial information and where appropriate sector-endorsed financial indicators.
- Ensure that asset values and depreciation rates are up to date and soundly based, including that they have particular regard to local conditions and do not just reflect common practice elsewhere e.g.
 - whether land values reflect the current local market;
 - whether infrastructure asset values reflect local replacement costs and the condition of existing assets;
 - whether an infrastructure asset condition audit has been undertaken recently to assist in making this judgement

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 5 of the 8 prior year Internal Financial Control audit findings have now been fully implemented, with one finding in process of implementation, and the remaining two findings acknowledged as acceptable given the low level of risk. This year there were 6 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 2015/16 Audited Financial Statements the 1st Budget Review 2016/17 process will be conducted, which includes:

- transferring the majority of the 2015/16 Carryovers & Unexpended Grants of \$10.451m (down from \$15.156m in 2014/15) into the 2016/17 budget (noting that the funding relating to projects which have been retimed will be brought into the budget when required);
- reconciling and identifying the 2015/16 funding savings achieved against Council's adopted 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 2016, as attached at Appendices 3-5, be adopted. | 4 Oct 2016 |
| 2. Notes Deloitte's management letter, as attached at Appendix 6. | 4 Oct 2016 |
| 3. Notes the comparative analysis to prior year Audited Financial Statements (Analytical Review), as attached at Appendix 2. | 4 Oct 2016 |

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

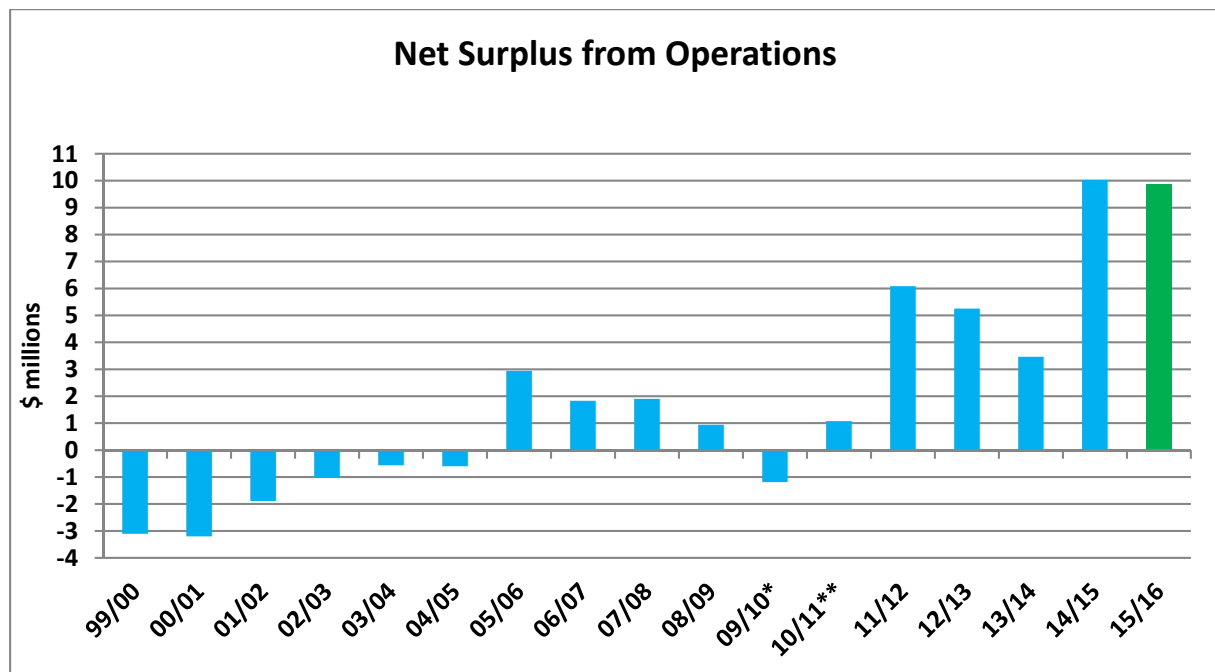
Four main Statements are prepared and these are summarised below.

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 \$9.883m for 2015/16 compared to an operating surplus of \$10.027m for 2014/15.

The decrease in Operating Surplus is primarily due to an increase in depreciation expenditure resulting from a combination of the new Cove Civic Centre and City Services buildings, in conjunction with the change in treatment of residual values required by the revised Accounting Standards.



* 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

Total Operating income for 2015/16 was \$82.628m compared to \$81.997m in 2014/15. The increase of \$0.631m (0.8%) is mainly attributed to the adopted increase in Rates of \$2.5m

(2.9% + growth of 1.18%) which is offset by a decrease in Grants, Subsidies and Contributions of \$1.2m (15.8%).

This decrease in operating Grants, Subsidies and Contributions of \$1.2m predominantly relates to timing of the payment of the Grants Commission's Financial Assistance Grants (FAG) which is normally paid in quarterly instalments. The first two of four payments for 2015/16 were received and accounted for in the prior financial year resulting in only 50% of the overall payment being received in the 2015/16 financial year.

Operating Expenses

Total Operating expenses for 2015/16 were \$72.745m compared to \$71.970m in 2014/15. The marginal increase of \$0.775m (1.1%) predominantly relates to an increase in Depreciation (\$0.660m) resulting from a combination of the new Cove Civic Centre and City Services buildings, in conjunction with the change in treatment of residual values required by the revised Accounting Standards.

Employee costs increased marginally \$26k (0.08%) in 2015/16 from 2014/15 with increases from Enterprise Agreements being offset by savings achieved from organisational restructuring resulting in a reduction in management levels.

Capital Revenues and Contributed Assets

Other key variances reported on the Statement of Comprehensive Income are *Amounts Received Specifically for New or Upgraded Assets* (down \$1.3m) relating to an decreased number of projects receiving external funding, and *Contributed Assets* (down \$7.6m) with the majority of this relating to infrastructure from 2014/15 in a new residential development at Hallett Cove.

Variances against the 2014/15 Statement of Comprehensive Income are discussed in detail in Appendix 2.

Key Operating Ratios

OPERATING SURPLUS RATIO	2016	2015	2014
<u>Operating Surplus (before capital revenues)</u>	12%	12%	5%
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 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 2015/16, with an average ratio of 9.0%. This year's ratio has been impacted by significant savings of \$3.2m incorporated during the Annual Budget process within the result from an organisation wide focus on efficiency and effectiveness savings over the past two years.

RATE REVENUE RATIO	2016	2015	2014
<u>Rate Revenue</u>	85%	82%	85%
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:

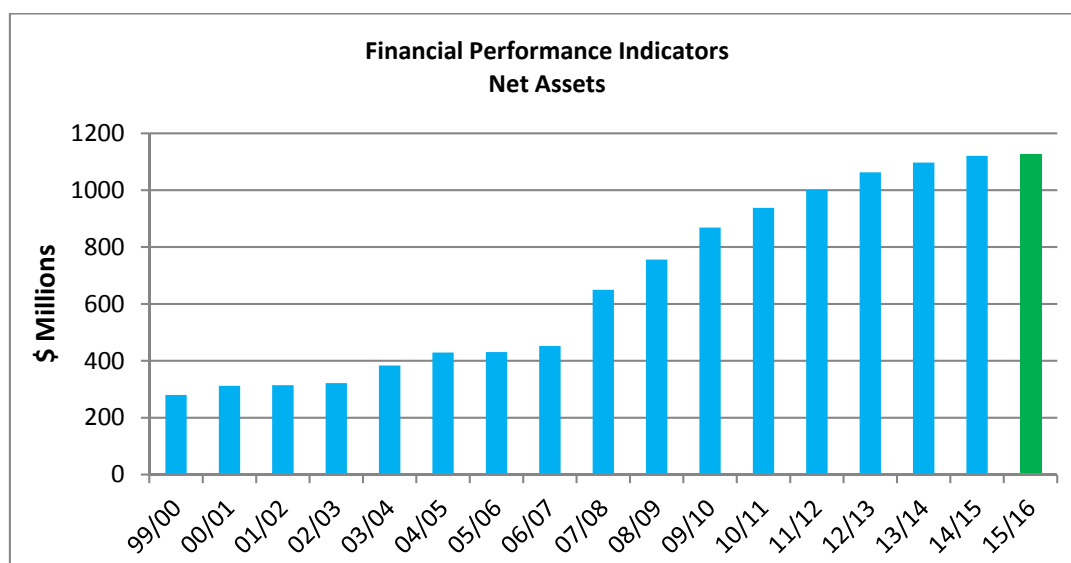
- to focus on internal training and development of Council officers to maximise grant opportunities.
- Annual review of Fees and Charges Schedule.

Statement of Financial Position

The Statement of Financial Position provides details of Council's assets, liabilities and equity as at 30 June 2016.

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

The following graph illustrates the increase in Council's total equity from \$279.8m in 1999/00 to \$1,126.8m in 2015/16.



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.

	2015 \$'000	2016 \$'000	Increase \$'000
Infrastructure	651,612	663,385	11,773

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

Council's IPP&E increased by \$10.255m (0.93%) compared to 2014/15 with the majority of the increase relates to a net revaluation of \$7.3m in infrastructure assets.

Other variances when comparing 2015/16 against the 2014/15 Statement of Financial Position are discussed in detail in the Analytical Review provided at Appendix 2.

Key Financial Position Ratios

WORKING CAPITAL RATIO	2016	2015	2014
	1.5	1.0	0.8

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 (eg. 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.

ASSET SUSTAINABILITY RATIO	2016	2015	2014
<u>Net Asset Renewals</u>	84%	76%	57%
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:

Council's Long Term Financial Plan (LTFP) is set to achieve a target of 95-100% in future years by providing increased funding for renewal of assets.

ASSET CONSUMPTION RATIO	2016	2015	2014
<u>Carrying value of depreciable assets</u>	78%	80%	81%
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 2016 were \$10.2m a net decrease of \$1.7m over the level of borrowings in June 2015.

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	2016	2015	2014
<u>Net Financial Liabilities</u>	(8%)	(2%)	(8%)
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 a substantial holding of cash and other financial assets allocated for unexpended grants and funding for capital projects carried over or retimed to 2016/17 and beyond totalling \$10.506m. Without these holdings this ratio would be 4%. 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.

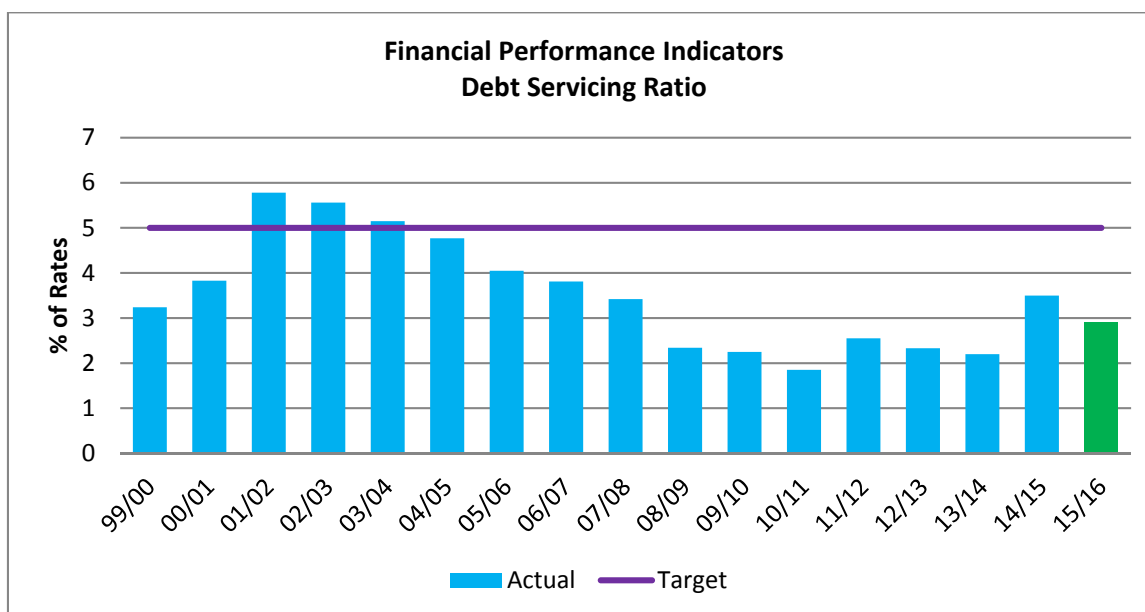
INTEREST COVER RATIO	2016	2015	2014
<u>Net Interest Expense</u>	0.0%	(0.1%)	(0.5%)
Total Operating Revenue			

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 3 years reflecting interest revenues being greater than interest expenses.

DEBT SERVICING RATIO	2016	2015	2014
<u>Principal + Interest</u>	2.9%	3.5%	2.2%
Total Rate Revenue			



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 \$1,126.8m 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 \$16.3m compared with \$19.7m in 2014/15. As previously mentioned a significant portion of the cash position is committed to unexpended grants, carryovers and retimed works (\$10.5m).

Key Cash Ratios

OPERATING CASH FLOW COVERAGE	2016	2015	2014
	108%	134%	101%

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 its asset renewal requirements.

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: \$10.506m

This is made up of and grant funded carryover projects and capital works carried over to 2016/17 or to be retimed as required.

Open Space Reserve: \$1.014m

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

Asset Sustainability Reserve – General \$3.127m

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) \$7.120m

Funding has also 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 in addition to funding quarantined by Council for its contribution to major new projects.

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 2015/16 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 2015/16

Appendix 4 – Audited SRWRA General Purpose Financial Reports 2015/16

Appendix 5 – Audited Council Solutions General Purpose Financial Reports 2015/16

Appendix 6 – External Auditor Report to Council and Board Audit Committee Report

(client letterhead)

11 October 2016

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide SA 5000

This representation letter is provided in connection with your audit of the financial report of Corporation of the City of Marion for the year ended 30 June 2016, 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 2016, 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. The selection and application of accounting policies as described in Note 1 in the financial report are appropriate.
16. We have no plans or intentions that may affect the carrying value or classification of assets and liabilities.
17. Liabilities, both actual and contingent, have been properly recorded and, when appropriate, adequately disclosed in the financial report.
18. 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.
19. 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.
20. We have communicated to you all deficiencies in internal control of which we are aware.
21. 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.
22. 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”.

23. 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.
24. 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.
25. 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, Corporate Services

Date

Appendix A to the Management Representation Letter

City of Marion 30 June 2016

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 2016

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 2015 to 30 June 2016 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 2015 to 30 June 2016.

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 2016 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 2015 to 30 June 2016, 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, Corporate Services

Date

Appendix A to the Management Representation Letter - Internal Controls

30 June 2016

Control	Observation	Recommendation	Management Response
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.	Council currently authorises the issuing of grant funds without delegation to management. The policy will be updated to clearly state that funds are authorised by Council unless otherwise specifically delegated by Council to management.
LIA-TAX-0008	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	Deloitte recommends that a Fringe Benefits Tax procedure be finalised to ensure a standard procedure is followed in the preparation of all future returns.	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.
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.	Completion of the grant management review will address the effectiveness of controls and improve opportunities for the City of Marion to benefit from and ensure relevant grant opportunities are fully explored in a timely manner.
ASS-PET-0004	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.	Deloitte recommends that the practice of crosschecking and signing petty cash reconciliations on a daily basis and 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.	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.
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.	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.

ANALYTICAL REVIEW**Statement of Comprehensive Income**

	2015/16	2014/15	Variance	Variance	Favourable/ (Unfavourable)	Analysis
	\$000's	\$000's	\$000's	%		
Income						
Rates Revenues	69,997	67,465	2,532	3.8%	F	Rate increase of 2.9% plus growth of 1.18%
Statutory Charges	1,813	1,749	64	3.7%	F	
User Charges	1,771	1,689	82	4.9%	F	
Grants, Subsidies & Contributions	6,482	7,694	(1,212)	(15.8%)	U	Predominantly reflects receipt and recognition of half of the 2015/16 Grants Commission Financial Assistance Grants in 2014/15
Investment Income	696	888	(192)	(21.6%)	U	Lower rates received due to Reserve Bank Cash Rate decreases and lower average investments held throughout the year - refer Investment Report
Reimbursements	814	874	(60)	(6.9%)	U	
Other Income	515	800	(285)	(35.6%)	U	Contributions from lessees in 2014/15 for renewal works relating to the Major Sporting Hubs (\$460k)
Net Gain - Equity Accounted Businesses	540	838	(298)	(35.6%)	U	Movement in equity accounted investments - refer Note 19 and SRWRA and Council Solutions Annual Financial Statements
Total Income	82,628	81,997	631	0.8%		
Expenses						
Employee Costs	31,783	31,757	26	0.1%	U	Includes pay increases from Enterprise agreements of 3.4% Salary, 3.0% Wages, offset by substantial savings from organisational restructure
Materials, Contracts & Other Expenses	26,627	26,418	209	0.8%	U	
Depreciation, Amortisation & Impairment	13,634	12,974	660	5.1%	U	Increases due to completion of Cove Civic Centre and City Services, along with changes in residual values per accounting standards
Finance Costs	700	800	(100)	(12.5%)	F	No new borrowings were taken out resulting in a decrease in interest expense
Net Loss - Equity Accounted Businesses	1	21	(20)	(95.2%)	F	Movement in equity accounted investments - refer Note 19 and SRWRA and Council Solutions Annual Financial Statements
Total Expenses	72,745	71,970	775	1.1%		
Operating Surplus/(Deficit)	9,883	10,027	(144)	(1.4%)		
Asset Disposal & Fair Value Adjustments	(233)	(202)	(31)	15.3%		Asset disposal related differences
Amounts Received Specifically for New or Upgraded Assets	540	1,831	(1,291)	(70.5%)	U	Prior year includes one-off funding for Major Sporting Hubs, Inclusive Playspace, and a number of other NEW asset related projects.
Physical Resources Received Free of Charge	655	8,242	(7,587)	(92.1%)	U	Prior year includes significant contributions of infrastructure (particularly roads and retaining walls) from new developments in Hallett Cove
Net Surplus/(Deficit)	10,845	19,898	(9,053)	(45.5%)		
Other Comprehensive Income						
Changes in Revaluation Surplus - IPP&E	(4,500)	3,556	(8,056)	(226.5%)	U	Decrease in revaluation against prior year \$8,056k - refer Annual Financial Statements
Total Other Comprehensive Income	(4,500)	3,556	(8,056)	(226.5%)		
Total Comprehensive Income	6,345	23,454	(17,109)	(72.9%)		

ANALYTICAL REVIEW

Statement of Financial Position	2015/16	2014/15	Variance	Variance	Analysis
	\$000's	\$000's	\$000's	%	
ASSETS					
Current Assets					
Cash & Cash Equivalents	16,271	19,688	(3,417)	(17.4%)	
Trade & Other Receivables	4,754	4,036	718	17.8%	
Other Financial Assets	8,200	2,750	5,450	198.2%	Relates to current term deposits with over 90 days to maturity
Inventories	176	166	10	6.0%	
Total Current Assets	29,401	26,640	2,761	10.4%	
Non-Current Assets					
Equity Accounted Investments in Council Businesses	5,659	5,120	539	10.5%	Movement in equity accounted investments - refer Note 19 and SRWRA and Council Solutions Annual Financial Statements
Infrastructure, Property, Plant & Equipment	1,111,658	1,101,403	10,255	0.9%	Capitalisation of City Services Redevelopment and other PP&E, net of depreciation
Other Non-Current Assets	2,341	12,495	(10,154)	(81.3%)	Decrease in Work In Progress, predominantly relating to the City Services Redevelopment
Total Non-Current Assets	1,119,658	1,119,018	640	0.1%	
TOTAL ASSETS	1,149,059	1,145,658	3,401	0.3%	
LIABILITIES					
Current Liabilities					
Trade & Other Payables	6,082	7,278	(1,196)	(16.4%)	Due to timing of year end there has been a significant reduction in payroll accruals for the final pays of 2015/16 (\$0.6m) along with a reduction in Trade Payables due to major projects now completed that were in progress at the end of 2014/15
Borrowings	1,126	1,671	(545)	(32.6%)	Due to nature of fixed borrowings current borrowings have increased as interest decreases
Provisions	5,192	5,155	37	0.7%	
Total Current Liabilities	12,400	14,104	(1,704)	(12.1%)	
Non-Current Liabilities					
Borrowings	9,102	10,229	(1,127)	(11.0%)	Reduction in total borrowings in line with scheduled repayments of existing loans - no new borrowings taken out during 2015/16
Provisions	744	857	(113)	(13.2%)	Focus on reduction of excessive leave balances during the year have resulted in a decrease in Long Service Leave entitlement hours.
Total Non-Current Liabilities	9,846	11,086	(1,240)	(11.2%)	
TOTAL LIABILITIES	22,246	25,190	(2,944)	(11.7%)	
Net Assets	1,126,813	1,120,468	6,345	0.6%	
EQUITY					
Accumulated Surplus	369,211	360,929	8,282	2.3%	Refer Income Statement (\$10.845m) - Reserve Transfer (\$2.563) = Statement of Change in Equity.
Asset Revaluation Reserves	735,835	740,335	(4,500)	(0.6%)	Change in asset valuations per Annual Financial Statements
Other Reserves	21,767	19,204	2,563	13.3%	Reduction in amounts transferred to Grants & Carryover (\$4.7m) offset by amounts transferred to the Asset Sustainability Reserve - Community Facilities Partnership Fund (\$7.5m)
Total Council Equity	1,126,813	1,120,468	6,345	0.6%	

City of Marion

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016



City of Marion

General Purpose Financial Statements for the year ended 30 June 2016

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City of Marion

General Purpose Financial Statements

for the year ended 30 June 2016

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 2016 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: dd Month 2016

City of Marion

Statement of Comprehensive Income

for the year ended 30 June 2016

\$ '000	Notes	2016	2015
Income			
Rates Revenues	2a	69,997	67,465
Statutory Charges	2b	1,813	1,749
User Charges	2c	1,771	1,689
Grants, Subsidies and Contributions	2g	6,482	7,694
Investment Income	2d	696	888
Reimbursements	2e	814	874
Other Income	2f	515	800
Net Gain - Equity Accounted Council Businesses	19	540	838
Total Income		82,628	81,997
Expenses			
Employee Costs	3a	31,783	31,757
Materials, Contracts & Other Expenses	3b	26,627	26,418
Depreciation, Amortisation & Impairment	3c	13,634	12,974
Finance Costs	3d	700	800
Net loss - Equity Accounted Council Businesses	19	1	21
Total Expenses		72,745	71,970
Operating Surplus / (Deficit)		9,883	10,027
Asset Disposal & Fair Value Adjustments	4	(233)	(202)
Amounts Received Specifically for New or Upgraded Assets	2g	540	1,831
Physical Resources Received Free of Charge	2i	655	8,242
Net Surplus / (Deficit) ¹		10,845	19,898
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	(4,500)	3,556
Total Other Comprehensive Income		(4,500)	3,556
Total Comprehensive Income		6,345	23,454

¹ Transferred to Equity Statement

City of Marion

Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	2016	2015
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	16,271	19,688
Trade & Other Receivables	5b	4,754	4,036
Other Financial Assets	5c	8,200	2,750
Inventories	5d	176	166
Total Current Assets		29,401	26,640
Non-Current Assets			
Equity Accounted Investments in Council Businesses	6a	5,659	5,120
Infrastructure, Property, Plant & Equipment	7a	1,111,658	1,101,403
Other Non-Current Assets	6b	2,341	12,495
Total Non-Current Assets		1,119,658	1,119,018
TOTAL ASSETS		1,149,059	1,145,658
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	6,082	7,278
Borrowings	8b	1,126	1,671
Provisions	8c	5,192	5,155
Total Current Liabilities		12,400	14,104
Non-Current Liabilities			
Borrowings	8b	9,102	10,229
Provisions	8c	744	857
Total Non-Current Liabilities		9,846	11,086
TOTAL LIABILITIES		22,246	25,190
Net Assets		1,126,813	1,120,468
EQUITY			
Accumulated Surplus		369,211	360,929
Asset Revaluation Reserves	9a	735,835	740,335
Other Reserves	9b	21,767	19,204
Total Council Equity		1,126,813	1,120,468

City of Marion

Statement of Changes in Equity
for the year ended 30 June 2016

\$ '000		Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
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
f. Transfers between Reserves			(2,563)	-	2,563	-
Balance at the end of period			369,211	735,835	21,767	1,126,813
2015						
Balance at the end of previous reporting period			340,053	736,779	20,182	1,097,014
a. Net Surplus / (Deficit) for Year			19,898	-	-	19,898
b. Other Comprehensive Income						
- Gain (Loss) on Revaluation of I,PP&E		7a	-	3,556	-	3,556
Other Comprehensive Income			-	3,556	-	3,556
Total Comprehensive Income			19,898	3,556	-	23,454
c. Transfers between Reserves			978	-	(978)	-
Balance at the end of period			360,929	740,335	19,204	1,120,468

City of Marion

Statement of Cash Flows

for the year ended 30 June 2016

\$ '000	Notes	2016	2015
Cash Flows from Operating Activities			
<u>Receipts</u>			
Rates Receipts		69,633	67,321
Statutory Charges		1,813	1,745
User Charges		1,948	1,789
Grants, Subsidies and Contributions (operating purpose)		6,821	7,502
Investment Receipts		696	888
Reimbursements		895	883
Other Receipts		4,072	5,800
<u>Payments</u>			
Payments to Employees		(32,638)	(31,100)
Payments for Materials, Contracts & Other Expenses		(31,631)	(30,818)
Finance Payments		(700)	(800)
Net Cash provided by (or used in) Operating Activities	11b	20,909	23,210
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		540	1,831
Sale of Replaced Assets		559	721
Distributions Received from Equity Accounted Council Businesses		-	60
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(9,528)	(10,546)
Expenditure on New/Upgraded Assets		(8,796)	(19,332)
Net Purchase of Investment Securities		(5,450)	6,150
Net Cash provided by (or used in) Investing Activities		(22,675)	(21,116)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Proceeds from Bonds & Deposits		21	1
<u>Payments</u>			
Repayments of Borrowings		(1,672)	(1,572)
Net Cash provided by (or used in) Financing Activities		(1,651)	(1,571)
Net Increase (Decrease) in Cash Held		(3,417)	523
plus: Cash & Cash Equivalents at beginning of period		19,688	19,165
Cash & Cash Equivalents at end of period	11	16,271	19,688
Additional Information:			
plus: Investments on hand - end of year	5c	8,200	2,750
Total Cash, Cash Equivalents & Investments		24,471	22,438

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 2016

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City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

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 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* dated 1 July 2013.

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.

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.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

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

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

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

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. Residual values of some assets have been reduced to zero to no longer recognise any value relating to re-use of materials.

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.

Major asset classifications are componentised to accurately reflect the useful life of each significant component. These assets typically have a major element that have a 'long life', as opposed to other elements that have a 'shorter life' which are renewed multiple times over the existence of the 'long life' component. Where this is applicable it is reflected in the following information.

	Short Life Years	Long Life Years
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
Other Assets		
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
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

	Short Life Years	Long Life Years
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
Other Assets		
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

These changes to estimated useful life are expected to have an effect on future periods, however as estimating this effect is impracticable this has not been disclosed.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

6.5 Impairment

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).

For 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, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

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.

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.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

10 Leases

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

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 with the exception of AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally Council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted Council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

AASB 9 – Financial Instruments

At the date of authorisation of the financial report, AASB 9 *Financial Instruments* (from 1 July 2018) and AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that are expected to have a material impact on Council's financial statements.

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified. AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

AASB 16 – Leases

From 1 January 2019 changes to this standard mean that Council will need to disclose operating and finance leases in the same fashion. As this is considered to be too remote in time to have a potentially material affect on the interpretation of the 2015/16 financial reports, and omitted on this basis.

AASB 2016-2 Disclosure Initiative – changes to AASB 107 – Statement of Cashflows

From periods commencing on or after 1 January 2017 changes to AASB 107 will require Council to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 124 – Related Party Disclosures

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to Council, which means that Council will disclose more information about related parties and transactions with those related parties.

Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 124 *Related Party Disclosures* will have a material impact. To date no impact has been identified.

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.

The 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.

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 2016

Note 2. Income

\$ '000	Notes	2016	2015
(a). Rates Revenues			
General Rates			
General Rates		69,233	66,701
Less: Mandatory Rebates		(1,026)	(953)
Less: Discretionary Rebates, Remissions & Write Offs		(2)	(9)
Total General Rates		68,205	65,739
Other Rates (Including Service Charges)			
Natural Resource Management Levy		1,562	1,523
Total Other Rates		1,562	1,523
Other Charges			
Penalties for Late Payment		230	203
Total Other Charges		230	203
Total Rates Revenues		69,997	67,465
(b). Statutory Charges			
Development Act Fees		810	820
Town Planning Fees		82	81
Animal Registration Fees & Fines		455	435
Parking Fines / Expiation Fees		466	413
Total Statutory Charges		1,813	1,749
(c). User Charges			
Admission Fees		414	416
Hall & Equipment Hire		215	199
Rental Income		182	200
Sales - General		265	221
Sundry		695	653
Total User Charges		1,771	1,689

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 2. Income (continued)

\$ '000	Notes	2016	2015
(d). Investment Income			
Interest on Investments			
- Local Government Finance Authority		692	882
- Banks & Other		4	6
Total Investment Income		696	888
(e). Reimbursements			
Private Works		201	142
Other		613	732
Total Reimbursements		814	874
(f). Other Income			
Insurance & Other Recoupments - Infrastructure, IPP&E		76	17
Donations & Contributions income		302	632
Sundry		137	151
Total Other Income		515	800
(g). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		540	1,831
Other Grants, Subsidies and Contributions		6,482	6,257
Individually Significant Item - Additional Grants Commission Payment (refer below)		-	1,437
Total Grants, Subsidies, Contributions		7,022	9,525
The functions to which these grants relate are shown in Note 12.			
(i) Sources of grants			
Commonwealth Government		4,684	6,319
State Government		1,986	2,474
Other		352	732
Total		7,022	9,525
(ii) Individually Significant Items			
Grant Commission (FAG) Grant Recognised as Income		-	1,437

In June 2015, Council received payment of the first two instalments of the 2015/16 Grant Commission (FAG) grant. This has had a material effect Council's operating result this year.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 2. Income (continued)

\$ '000	Notes	2016	2015
(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		4,225	1,872
<i>Less:</i>			
<i>Expended during the current period from revenues recognised in previous reporting periods</i>			
Other		(3,656)	(645)
Subtotal		(3,656)	(645)
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
Other		676	2,998
Subtotal		676	2,998
Unexpended at the close of this reporting period		1,245	4,225
Net increase (decrease) in assets subject to conditions in the current reporting period		(2,980)	2,353
(i). Physical Resources Received Free of Charge			
Land & Improvements		588	766
Roads, Bridges & Footpaths		-	7,451
Buildings		67	15
Other Infrastructure		-	10
Total Physical Resources Received Free of Charge		655	8,242

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 3. Expenses

\$ '000	Notes	2016	2015
(a). Employee Costs			
Salaries and Wages		27,036	26,840
Employee Leave Expense		2,564	2,849
Superannuation - Defined Contribution Plan Contributions	18	2,451	2,407
Workers' Compensation Insurance		922	825
Less: Capitalised and Distributed Costs		(1,190)	(1,164)
Total Operating Employee Costs		31,783	31,757
Total Number of Employees (full time equivalent at end of reporting period)		342	348
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		51	72
Bad and Doubtful Debts		14	-
Elected Members' Expenses		332	317
Operating Lease Rentals - Cancellable Leases		462	462
Subtotal - Prescribed Expenses		859	851
(ii) Other Materials, Contracts and Expenses			
Contractors		12,576	12,307
Energy		1,735	1,788
Maintenance		1,767	1,621
Legal Expenses		424	421
Levies Paid to Government - NRM levy		1,573	1,517
Levies - Other		125	194
Parts, Accessories & Consumables		3,044	2,928
Professional Services		1,066	717
Sundry		1,572	2,064
Insurance		643	643
Fringe Benefits Tax		227	252
Advertising		151	202
Printing & Postage		285	270
Memberships & Subscriptions		193	204
Bank Fees & Charges		209	225
Telecommunication Charges		178	214
Subtotal - Other Material, Contracts & Expenses		25,768	25,567
Total Materials, Contracts and Other Expenses		26,627	26,418

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 3. Expenses (continued)

\$ '000	Notes	2016	2015
(c). Depreciation, Amortisation and Impairment			
(i) Depreciation and Amortisation			
Buildings & Other Structures		4,279	3,799
Infrastructure		5,933	5,901
- Other		1,168	1,011
Plant & Equipment		1,308	1,352
Furniture & Fittings		71	41
Intangible Assets		67	68
Other Assets		916	911
Subtotal		13,742	13,083
(ii) Impairment			
Nil			
Less: Capitalised and Distributed costs		(108)	(109)
Total Depreciation, Amortisation and Impairment		13,634	12,974
(d). Finance Costs			
Interest on Loans		700	800
Total Finance Costs		700	800

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	Notes	2016	2015
Infrastructure, Property, Plant & Equipment			
Assets Renewed or Directly Replaced			
Proceeds from Disposal		559	721
Less: Carrying Amount of Assets Sold		(792)	(923)
Gain (Loss) on Disposal		(233)	(202)
Net Gain (Loss) on Disposal or Revaluation of Assets		(233)	(202)

Note 5. Current Assets

(a). Cash & Cash Equivalents

Cash on Hand and at Bank	321	888
Short Term Deposits & Bills, etc.	15,950	18,800
Total Cash & Cash Equivalents	16,271	19,688

(b). Trade & Other Receivables

Rates - General & Other	1,981	1,568
Rates Postponed for State Seniors	31	80
Accrued Revenues	225	200
Debtors - General	1,739	1,021
GST Recoupment	247	720
Prepayments	531	447
Total Trade & Other Receivables	4,754	4,036

(c). Other Financial Assets (Investments)

Other Financial Assets (Term Deposits with over 90 days to maturity)	8,200	2,750
Total Other Financial Assets (Investments)	8,200	2,750

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	176	166
Total Inventories	176	166

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 6. Non-Current Assets

\$ '000	Notes	2016	2015
(a). Equity Accounted Investments in Council Businesses			
Southern Region Waste Resource Authority	19	5,559	5,019
Council Solutions	19	100	101
Total Equity Accounted Investments in Council Businesses		5,659	5,120
(b). Other Non-Current Assets			
Capital Works-in-Progress		2,121	12,323
Computer Software & Licences		1,180	1,113
Less Accumulated Amortisation		(960)	(941)
Total Other		2,341	12,495
Total Other Non-Current Assets		2,341	12,495

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

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

\$ '000	Fair Value Level	as at 30/6/2015					Asset Movements during the Reporting Period						as at 30/6/2016				
		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	1,150	-	-	342,635	1,074	-	-	-	-	-	341,485	2,224	-	-	343,709
Buildings & Other Structures	3	144,967	12,625	65,517	-	92,075	9,500	4,295	(240)	(4,279)	(11,874)	-	144,471	26,420	81,414	-	89,477
Infrastructure	3	706,392	1,514	92,621	-	615,285	2,444	5,944	-	(5,933)	-	8,100	728,024	2,145	104,329	-	625,840
- Other	3	48,171	1,497	13,341	-	36,327	2,536	629	-	(1,168)	(779)	-	47,744	4,780	14,979	-	37,545
Plant & Equipment	-	-	13,114	5,976	-	7,138	162	748	(469)	(1,308)	-	-	-	12,805	6,534	-	6,271
Furniture & Fittings	-	-	1,405	1,021	-	384	639	43	(83)	(71)	-	-	(1)	1,775	862	-	912
Other Assets	3	13,664	176	6,281	-	7,559	801	407	-	(916)	-	53	13,655	987	6,738	-	7,904
Total Infrastructure, Property, Plant & Equipment		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
Comparatives		1,232,212	16,232	171,073	-	1,077,371	23,828	10,547	(884)	(13,015)	(3,287)	6,843	1,254,679	31,481	184,757	-	1,101,403

Note 7a (ii). Investment Property

Nil

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

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 2016

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 1.19 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 2016

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 2016

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 2016.

Infrastructure

Infrastructure assets (roads, footpaths, kerbs, drains, bridges, traffic devices and traffic signs) were valued by independent valuation as at 30 June 2016.

A desktop revaluation was carried out by independent valuation for this reporting period, 30 June 2016 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 2016, 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 2016

Note 8. Liabilities

\$ '000	Notes	2016	2016	2015	2015
		Current	Non Current	Current	Non Current
(a). Trade and Other Payables					
Goods & Services		5,317	-	5,945	-
Accrued Expenses - Employee Entitlements		599	-	1,286	-
Accrued Expenses - Other		27	-	39	-
Deposits, Retentions & Bonds		22	-	1	-
Other		117	-	7	-
Total Trade and Other Payables		6,082	-	7,278	-

(b). Borrowings

Loans	1,126	9,102	1,671	10,229
Total Borrowings	1,126	9,102	1,671	10,229

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

(c). Provisions

Employee Entitlements (including oncosts)	5,192	744	5,155	857
Total Provisions	5,192	744	5,155	857

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 9. Reserves

\$ '000	1/7/2015	Increments (Decrements)	Transfers	Impairments	30/6/2016
(a). Asset Revaluation Reserve					
Land	242,532	-	-	-	242,532
Buildings & Other Structures	71,124	(11,874)	-	-	59,250
Infrastructure	4,760	8,100	-	-	12,860
- Stormwater Drainage	97,742	-	-	-	97,742
- Other	2,081	(779)	-	-	1,302
- Roads, Bridges, Footpaths	318,547	-	-	-	318,547
Other Assets	4,439	53	-	-	4,492
JV's / Associates - Other Comprehensive Income	(890)	-	-	-	(890)
Total Asset Revaluation Reserve	740,335	(4,500)	-	-	735,835
Comparatives	736,779	3,556	-	-	740,335

\$ '000	1/7/2015	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2016
(b). Other Reserves					
Open Space Reserve	857	177	(20)	-	1,014
Grants/Carry Forward Projects Reserve	15,211	10,451	(15,156)	-	10,506
Asset Sustainability Reserve	3,136	7,457	(346)	-	10,247
Total Other Reserves	19,204	18,085	(15,522)	-	21,767
Comparatives	20,182	15,713	(16,691)	-	19,204

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).

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.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 9. Reserves (continued)

\$ '000

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.

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

2016

2015

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

Total Cash & Financial Assets

Total Assets Subject to Externally Imposed Restrictions

1,245

3,334

1,245

3,334

1,245

3,334

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2016	2015
(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	5	16,271	19,688
Balances per Statement of Cash Flows		16,271	19,688
(b). Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus/(Deficit)		10,845	19,898
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		13,634	12,974
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(539)	(817)
Net Increase/(Decrease) in Unpaid Employee Benefits		(76)	553
Non-Cash Asset Acquisitions		(655)	(8,242)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(540)	(1,831)
Net (Gain) Loss on Disposals		233	202
		22,902	22,737
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(718)	(491)
Net (Increase)/Decrease in Inventories		(10)	6
Net (Increase)/Decrease in Other Current Assets		(48)	89
Net Increase/(Decrease) in Trade & Other Payables		(1,217)	869
Net Cash provided by (or used in) operations		20,909	23,210
(c). Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
- Physical Resources Received Free of Charge	2i	655	8,242
Amounts recognised in Income Statement		655	8,242
Total Non-Cash Financing & Investing Activities		655	8,242
(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 2016

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 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
\$ '000										
Leader in the Delivery of the Community Vision										
Development Assessment	1,077	1,164	3,651	3,602	(2,574)	(2,438)	6	9	-	-
Crime Prevention	-	2	380	336	(380)	(334)		1	-	-
Community Support & Development	3,162	3,391	10,072	9,412	(6,910)	(6,021)	1,788	1,729	118,975	122,759
Public & Environment Health	86	93	844	855	(758)	(762)	38	47	-	-
General Inspection	950	867	1,561	1,519	(611)	(652)	2	3	-	-
Public Infrastructure	2,852	2,341	15,769	15,909	(12,917)	(13,568)	2,344	2,193	691,032	683,592
Open Space	591	285	11,575	11,301	(10,984)	(11,016)	433	111	263,975	257,390
Public Conveniences	2	7	502	437	(500)	(430)	-	4	2,967	2,805
Strategic Projects	12	14	1,186	1,218	(1,174)	(1,204)	6	5	2	3
Asset Management	-	-	-	-	-	-	-	-	17,805	12,564
Neighbourhood Centres	590	541	2,322	2,178	(1,732)	(1,637)	358	243	6,901	7,138
Cultural Development	304	389	2,962	3,141	(2,658)	(2,752)	14	29	11,500	15,556
Libraries	669	604	7,427	6,806	(6,758)	(6,202)	553	523	16,141	12,736
Waste & Recycling	592	915	7,195	7,144	(6,603)	(6,229)	1	2	5,019	5,100
Economic Development	53	84	606	564	(553)	(480)	40	63	-	-
Total Leader in the Delivery of the Community Vision	10,940	10,697	66,052	64,422	(55,112)	(53,725)	5,583	4,962	1,134,317	1,119,643
Organisation of Excellence										
Governance	83	113	4,074	4,604	(3,991)	(4,491)	-	-	4	6
Service Quality	1	29	142	134	(141)	(105)	-	29	681	555
Total Organisation of Excellence	84	142	4,216	4,738	(4,132)	(4,596)	-	29	685	561
Treasury	71,604	71,158	2,477	2,810	69,127	68,348	899	2,703	14,057	25,454
Total Functions/Activities	82,628	81,997	72,745	71,970	9,883	10,027	6,482	7,694	1,149,059	1,145,658

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 2016

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 Kurna 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 2016

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 2016

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 2016

Note 13. Financial Instruments

\$ '000

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits, Accounting Policy: Other Financial Assets

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

Terms & Conditions:

Deposits are returning fixed interest rates between 1.90% and 2.79% (2015: 2.05% and 2.65%). Short term deposits have an average maturity of 76 days and an average interest rate of 2.79% (2015: 72 days and 3.0%).

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% (2015: 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 2016

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% (2015: 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 2016

Note 13. Financial Instruments (continued)

\$ '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

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2015					
Financial Assets					
Cash & Equivalents	19,688	-	-	19,688	19,688
Receivables	1,221	-	-	1,221	1,221
Other Financial Assets	2,750	-	-	2,750	2,750
Total Financial Assets	23,659	-	-	23,659	23,659

Financial Liabilities

Payables	7,278	-	-	7,278	7,278
Current Borrowings	2,383	-	-	2,383	1,671
Non-Current Borrowings	-	6,625	6,886	13,511	10,229
Total Financial Liabilities	9,661	6,625	6,886	23,172	19,178

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

	30 June 2016		30 June 2015	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	6.20%	10,228	6.20%	11,900
		10,228		11,900

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 2016

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

2016

2015

Capital Commitments

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

Land	36	90
Buildings	76	177
Infrastructure	1,530	1,155
Plant & Equipment	41	63
Other	64	400
	1,747	1,885

These expenditures are payable:

Not later than one year	1,747	1,885
	1,747	1,885

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 15. Financial Indicators

	Amounts	Indicator	Prior Periods	
\$ '000	2016	2016	2015	2014

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	9,883	12%	12%	5%
Total Operating Revenue	82,628			

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.

9,883	12%	10%	7%
82,628			

Due to the change in calculation method as per *Information paper 9 - Local Government Financial Indicators*, the Operating Surplus Ratio and Adjusted Operating Surplus Ratio for prior years (2015 and 2016) have been recalculated for comparative purposes.

2. Net Financial Liabilities Ratio

Net Financial Liabilities	(6,979)	(8%)	(2%)	(8%)
Total Operating Revenue	82,628			

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	11,507	84%	76%	57%
Infrastructure & Asset Management Plan required expenditure	13,634			

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 2016

Note 16. Uniform Presentation of Finances

\$ '000	2016	2015
<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	82,628	81,997
less Expenses	(72,745)	(71,970)
Operating Surplus / (Deficit)	9,883	10,027
less Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	9,528	10,547
less Depreciation, Amortisation and Impairment	(13,634)	(12,974)
less Proceeds from Sale of Replaced Assets	(559)	(721)
Subtotal	(4,665)	(3,148)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	8,256	15,670
Amounts Received Specifically for New and Upgraded Assets	540	1,831
less Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	-	-
Subtotal	8,796	17,501
Net Lending / (Borrowing) for Financial Year	5,752	(4,326)

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 17. Operating Leases

\$ '000	2016	2015
---------	------	------

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	385	324
Later than one year and not later than 5 years	415	446
	<u>800</u>	<u>770</u>

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

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 2015/16; 9.50% in 2014/15). 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 2014/15) 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 2016

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	
	2016	2015	2016	2015
Joint Ventures	539	817	5,659	5,120
Total	539	817	5,659	5,120

(i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

(a) Carrying Amounts

Name of Entity	2016	2015
Southern Region Waste Resource Authority (SRWRA)	5,559	5,019
Council Solutions	101	101
Total Carrying Amounts - Joint Ventures & Associates	5,660	5,120

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 2016, the net assets of SRWRA total \$18,528,000. The City of Marion interest, totalling \$5,559,000 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's share of Council Solutions Operating Result is comprised of 16.67% of the joint venture Operating Deficit \$5,000 and 16.67% share of the joint venture's equity \$602,000.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 19a. Interests in Other Entities (continued)

\$ '000

(b) Relevant Interests

Name of Entity	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2016	2015	2016	2015	2016	2015
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	
	2016	2015	2016	2015
Opening Balance	5,019	4,241	101	122
Share in Operating Result	540	838	(1)	(21)
Distributions Received	-	(60)	-	-
Council's Equity Share in the Joint Venture or Associate	5,559	5,019	100	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:

Capital Expenditures Payable

Not later than one year	527	1,806
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	527	1,806

Operating Expenditures Payable

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

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 2016

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 has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$0 (2015: \$305,000) at reporting date.

Council does not expect to incur any loss arising from these guarantees.

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 19 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.

Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2016, 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 04/10/16.

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

City of Marion

General Purpose Financial Statements for the year ended 30 June 2016

Auditor's Report - Financial Statements

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City of Marion

General Purpose Financial Statements for the year ended 30 June 2016

Auditor's Report - Financial Statements

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City of Marion

General Purpose Financial Statements for the year ended 30 June 2016

Auditor's Report - Internal Controls

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City of Marion

General Purpose Financial Statements for the year ended 30 June 2016

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 2016, 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: dd Month 2016

City of Marion

General Purpose Financial Statements

for the year ended 30 June 2016

Statement by Auditor

I confirm that, for the audit of the financial statements of City of Marion for the year ended 30 June 2016, 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 2016.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

General Purpose Financial Reports for the year ended 30 June 2016

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SOUTHERN REGION WASTE RESOURCE AUTHORITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2016

CERTIFICATION OF FINANCIAL STATEMENTS

I 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 2016 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

Dated the day of



.....
Mark Hindmarsh
Executive Officer

2016

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2016

	Notes	2016 \$ '000	2015 \$'000
INCOME			
User charges	2	9,294	9,171
Investment income	2	622	672
Other Income	2	631	1,302
Net gain - equity accounted Joint Venture	14	-	124
Total Income		10,547	11,269
EXPENSES			
Employee costs	3	1,025	1,005
Materials, contracts & other expenses	3	6,848	6,344
Depreciation, amortisation & impairment	3	784	1,034
Other Expenses	3	75	94
Net loss - equity accounted Joint Venture	14	20	-
Total Expenses		8,752	8,477
OPERATING SURPLUS / (DEFICIT)		1,795	2,792
Net gain (loss) on disposal or revaluation of assets	4	5	-
NET SURPLUS / (DEFICIT)		1,800	2,792
transfer to Equity Statement			
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	-
Total Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		1,800	2,792

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 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	19,069	19,245
Trade & other receivables	5	867	1,049
Inventories	5	48	49
		<u>19,984</u>	<u>20,343</u>
Total Current Assets		<u>19,984</u>	<u>20,343</u>
Non-current Assets			
Equity Accounted Joint Venture	14	164	189
Infrastructure, Property, Plant & Equipment	6	14,461	16,614
		<u>14,625</u>	<u>16,803</u>
Total Non-current Assets		<u>14,625</u>	<u>16,803</u>
Total Assets		<u>34,609</u>	<u>37,146</u>
LIABILITIES			
Current Liabilities			
Trade & Other Payables	7	1,365	1,414
Provisions	7	136	134
		<u>1,501</u>	<u>1,548</u>
Total Current Liabilities		<u>1,501</u>	<u>1,548</u>
Non-current Liabilities			
Provisions	7	14,580	18,870
		<u>14,580</u>	<u>18,870</u>
Total Non-current Liabilities		<u>14,580</u>	<u>18,870</u>
Total Liabilities		<u>16,081</u>	<u>20,418</u>
NET ASSETS		<u>18,528</u>	<u>16,728</u>
EQUITY			
Accumulated Surplus		18,528	16,728
TOTAL EQUITY		<u>18,528</u>	<u>16,728</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 year ended 30 June 2016

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

2015	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
Balance at end of previous reporting period		14,136	-	-	14,136
Adjustments due to compliance with revised Accounting Standards		-	-	-	-
Adjustments to give effect to changed accounting policies		-	-	-	-
Restated Opening Balance		14,136	-	-	14,136
Net Surplus/ (Deficit) for Year		2,792	-	-	2,792
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment		-	-	-	-
Transfers between reserves		-	-	-	-
Distributions to Member Councils		(200)	-	-	(200)
Balance at end of period		16,728	-	-	16,728

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 2016

	Notes	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Operating receipts		10,869	10,465
Investment receipts		621	667
<u>Payments</u>			
Operating payments to suppliers & employees		(8,898)	(8,497)
Finance payments		-	-
Net Cash provided by (or used in) Operating Activities	8 (b)	<u>2,592</u>	<u>2,635</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Sale of surplus assets		5	-
Distributions received from equity accounted Joint Venture	14	150	-
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(39)	(31)
Expenditure on new/upgraded assets		(2,739)	(1,208)
Capital contributed to equity accounted Joint Venture	14	(145)	-
Distributions paid to Constituent Councils		-	(200)
Net Cash provided by (or used in) Investing Activities		<u>(2,768)</u>	<u>(1,439)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Cash provided by (or used in) Financing Activities		<u>-</u>	<u>-</u>
Net Increase (Decrease) in cash held		(176)	1,196
Cash & cash equivalents at beginning of period		<u>19,245</u>	18,049
Cash & cash equivalents at end of period	8 (a)	<u>19,069</u>	<u>19,245</u>

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 2016

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, 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 2016

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

5.4 Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. 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.

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 2016

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 2015/16; 9.5% in 2014/15). 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 2016

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 2016 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.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 2 - INCOME

	Notes	2016 \$'000	2015 \$'000
USER CHARGES			
Landfill Operations		9,294	9,171
		<u>9,294</u>	<u>9,171</u>
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		552	633
Banks & other		27	20
Investment property rental income		43	19
		<u>622</u>	<u>672</u>
OTHER INCOME			
Movement in Landfill Liabilities		228	1,182
Other Income		307	-
Southern Recycling Centre		96	120
		<u>631</u>	<u>1,302</u>

During the 2015/16 financial year, the Authority completed a review of the Post Closure Rehabilitation landfill liability which resulted in a reduction of \$4.643 million to the liability - refer Note 7. This reduction in liability is a non-cash transaction of which \$228k has been reflected in Other Income.

Note 3 - EXPENSES

EMPLOYEE COSTS			
Salaries and Wages		951	911
Employee leave expense		11	6
Superannuation		77	72
Workers' Compensation Insurance		43	48
Less: Capitalised and distributed costs		(57)	(32)
Total Operating Employee Costs		<u>1,025</u>	<u>1,005</u>
Total Number of Employees		10	10
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		19	18
- Internal Controls Opinion		-	6
Board Expenses		43	36
Operating Lease Rentals - cancellable leases		3	28
Subtotal - Prescribed Expenses		<u>65</u>	<u>88</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors		227	254
Fuel		104	141
Equipment Hire		12	6
Maintenance		391	271
Legal Expenses		55	106
Levies paid- EPA Levy		5,582	5,152
Professional services		41	43
Southern Recycling Centre		10	32
Sundry		361	251
Subtotal - Other Materials, Contracts & Expenses		<u>6,783</u>	<u>6,256</u>
		<u>6,848</u>	<u>6,344</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 3 - EXPENSES (cont)

	Notes	2016 \$'000	2015 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Landfill Construction		401	641
Buildings & Waste Facility		45	29
Plant & Equipment		338	364
Impairment	6	-	-
		<u>784</u>	<u>1,034</u>
OTHER EXPENSES			
Transfer to Provision for Cell 2 Capping		-	-
Transfer to Provision of Cell 3-1 & 3-2 Capping		75	94
		<u>75</u>	<u>94</u>

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Assets renewed or directly replaced

Proceeds from disposal	5	-
Less: Carrying amount of assets sold	-	-
Gain (Loss) on disposal	<u>5</u>	<u>-</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS	<u>5</u>	<u>-</u>

Note 5 - CURRENT ASSETS

CASH & EQUIVALENT ASSETS

Cash on Hand and at Bank	1,304	1,698
Deposits at Call	-	-
Short Term Deposits & Bills, etc	17,765	17,547
	<u>19,069</u>	<u>19,245</u>

TRADE & OTHER RECEIVABLES

Accrued Revenues	25	29
Debtors - general	823	882
Prepayments	19	138
Total	867	1,049
Less: Allowance for Doubtful Debts	-	-
	<u>867</u>	<u>1,049</u>

INVENTORIES

Stores & Materials	48	49
	<u>48</u>	<u>49</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

	2015 \$'000				2016 \$'000			
	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT								
Land	1,427	400	-	1,827	1,427	400	-	1,827
Buildings	560	370	(12)	918	560	780	(41)	1,299
Waste Facility:								
Fencing	-	29	(26)	3	-	41	(32)	9
Concrete Slab	-	111	(84)	27	-	111	(90)	21
Oil Transfer Facility	-	68	(51)	17	-	68	(55)	13
Shed	-	25	(9)	16	-	25	(9)	16
Depot	-	67	(24)	43	-	67	(25)	42
Plant & Equipment	-	4,361	(2,638)	1,723	-	4,220	(2,720)	1,500
Motor Vehicles	-	31	(8)	23	-	74	(13)	61
Office Equipment	-	157	(145)	12	-	126	(113)	13
Landfill Construction:								
Landfill Cell 3-1 & 3-2	-	5,293	(5,293)	-	-	5,293	(5,293)	-
Landfill Cell's 3-1 & 3-2 Capping	-	828	(828)	-	-	828	(828)	-
Cell 3-3 & 3-4 (Lower)	-	3,705	(3,264)	441	-	3,705	(3,264)	441
Cell 3-3 & 3-4 (Lower) Capping	-	2,668	(588)	2,080	-	2,755	(588)	2,167
Cell 4	-	3,578	(1,189)	2,389	-	3,607	(1,432)	2,175
Cell 4 (Capping)	-	1,673	(908)	765	-	1,727	(991)	736
Site Rehabilitation	-	5,733	(1,317)	4,416	-	5,733	(5,733)	-
Future Restoration Costs	-	3,901	(2,309)	1,592	-	4,028	(2,384)	1,644
Work in Progress	-	322	-	322	-	2,497	-	2,497
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	1,987	33,320	(18,693)	16,614	1,987	36,085	(23,611)	14,461
Comparatives	1,987	32,771	(17,658)	17,100	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 2016

	2015	CARRYING AMOUNT MOVEMENTS DURING YEAR							2016
	\$'000	\$'000							\$'000
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Adjustments	Revaluation Movement	CARRYING AMOUNT
	Capital	Renewals							
Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT									
Land	1,827	-	-	-	-	-	-	-	1,827
Buildings	918	401	9	-	(29)	-	-	-	1,299
Waste Facility:									
Fencing	3	-	11	-	(5)	-	-	-	9
Concrete Slab	27	-	-	-	(6)	-	-	-	21
Oil Transfer Facility	17	-	-	-	(4)	-	-	-	13
Shed	16	-	-	-	-	-	-	-	16
Depot	43	-	-	-	(1)	-	-	-	42
Plant & Equipment	1,723	151	-	(57)	(317)	-	-	-	1,500
Motor Vehicles	23	43	-	-	(5)	-	-	-	61
Office Equipment	12	-	19	(3)	(15)	-	-	-	13
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	2,080	87	-	-	-	-	-	-	2,167
Cell 4	2,389	30	-	-	(244)	-	-	-	2,175
Cell 4 (Capping)	765	54	-	-	(83)	-	-	-	736
Post Closure Rehabilitation	4,416	-	-	-	-	-	(4,416)	-	-
Future Restoration Costs	1,592	127	-	-	(75)	-	-	-	1,644
Work in Progress	322	2,175	-	-	-	-	-	-	2,497
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	16,614	3,068	39	(60)	(784)	-	(4,416)	-	14,461
Comparatives	20,902	1,512	8	(42)	(1,785)	(529)	-	(2,966)	17,100

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 2016

Note 7 - LIABILITIES

		2016		2015	
		\$'000		\$'000	
TRADE & OTHER PAYABLES	Notes	Current	Non-current	Current	Non-current
Goods & Services		1,190	-	1,102	-
Accrued expenses - other		175	-	312	-
		<u>1,365</u>	<u>-</u>	<u>1,414</u>	<u>-</u>

PROVISIONS

Annual Leave	74	-	77	-
Long Service Leave	62	20	57	11
Post Closure Rehabilitation	-	3,654	-	8,297
Cell Capping - 3-1 & 3-2	-	2,396	-	2,320
Cell Capping - 3-3 & 3-4 (Lower)	-	2,755	-	2,668
Cell 4 Capping	-	1,727	-	1,673
Future Restoration Costs	-	4,028	-	3,901
	136	14,580	134	18,870

Movements in Provisions - 2016 year only (current & non-current)

	Opening Balance	Additional Amounts Recognised/ (Derecognised)	Payments	Closing Balance
Post Closure Rehabilitation	8,297	(4,643)	-	3,654
Cell Capping -3-1 & 3-2	2,320	76	-	2,396
Cell Capping - 3-3 & 3-4 (Lower)	2,668	87	-	2,755
Cell 4 Capping	1,673	54	-	1,727
Future Restoration Costs	3,901	127	-	4,028
Total	18,859	(4,299)	-	14,560

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

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	2016 \$'000	2015 \$'000
Total cash & equivalent assets	5	19,069	19,245
Less: Short-term borrowings		-	-
Balances per Cash Flow Statement		<u>19,069</u>	<u>19,245</u>

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

Net Surplus (Deficit)	1,800	2,792
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	784	1,034
Net (Gain) Loss on Disposals	(5)	-
	<u>2,579</u>	<u>3,826</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	182	338
Net (increase) decrease in inventories	1	(49)
Net (increase) decrease in other current assets	-	-
Net increase (decrease) in trade & other payables	(49)	(272)
Net increase (decrease) in other provisions	(121)	(1,208)
Net Cash provided by (or used in) operations	<u>2,592</u>	<u>2,635</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge
- Non-cash grants & contributions

Amounts recognised in Income Statement

- Finance Leases

-	-
-	-
-	-
-	-

(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 2016

Note 9 - FINANCIAL INSTRUMENTS

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates of 1.5 - 2.8% (2015: 2 - 3%). Short term deposits have an average maturity of 90 days (2015: 90 days).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Gate Fees & Associated Charges	<p>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.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Liabilities - Creditors and Accruals	<p>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.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>

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 2016

Note 9 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2016	Floating Interest Rate \$'000	Fixed interest maturing in			Non- interest bearing \$'000	Total \$'000
		≤ 1 year \$'000	> 1 year ≤ 5 years \$'000	> 5 years \$'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

2015	Floating Interest Rate \$'000	Fixed interest maturing in			Non- interest bearing \$'000	Total \$'000
		≤ 1 year \$'000	> 1 year ≤ 5 years \$'000	> 5 years \$'000		
Financial Assets						
Fair Value through P&L						
Cash Assets	1,698	17,547	-	-	-	19,245
Loans & Receivables						
Receivables	-	-	-	-	1,049	1,049
Total	1,698	17,547	-	-	1,049	20,294
<i>Weighted Average Interest Rate</i>	<i>2.00%</i>	<i>3.00%</i>				
Financial Liabilities						
Payables	-	-	-	-	1,414	1,414
Total	-	-	-	-	1,414	1,414
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	1,698	17,547	-	-	(365)	18,880

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 10 - COMMITMENTS FOR EXPENDITURE

	2016 \$'000	2015 \$'000
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Resource Recovery Facility	527	1,660
Administration Office Construction	-	146
Plant & Equipment	-	-
	<u>527</u>	<u>1,806</u>
These expenditures are payable:		
Not later than one year	527	1,806
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>527</u>	<u>1,806</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	73	18
	<u>73</u>	<u>18</u>
These expenditures are payable:		
Not later than one year	18	18
Later than one year and not later than 5 years	55	-
Later than 5 years	-	-
	<u>73</u>	<u>18</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.

The Authority 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 the Authority may have existed at reporting date.

2. Legal Expenses

All known costs have been recognised.

Note 12 - EVENTS OCCURRING AFTER REPORTING DATE

There were no events subsequent to 30 June 2016 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 2016

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.

All Councils in South Australia voluntarily have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.

	2016	2015
	\$'000	\$'000
Income	10,547	11,269
less Expenses	(8,752)	(8,477)
Operating Surplus / (Deficit)	1,795	2,792
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	39	31
Depreciation, Amortisation, Impairment and Movement in Landfill Provisions	(859)	(1,128)
Proceeds from Sale of Replaced Assets	-	-
	(820)	(1,097)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	2,739	1,208
Amounts received specifically for New and Upgraded Assets	-	-
Proceeds from Sale of Surplus Assets	(5)	-
	2,734	1,208
Net Lending / (Borrowing) for Financial Year	(119)	2,681

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 14 - 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.

	2016 \$'000	2015 \$'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	189	65
New Capital Contributions	145	-
Share in Operating Result	124	124
Equity Adjustment	(144)	-
Distributions Received	(150)	-
Share in Equity of Joint Operation	164	189

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 2016

Note 15 - 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 2016

Note 15 - 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 \$
2016					
Recurring fair value measurements					
Infrastructure, Property, Plant & Equipment					
- Land	6	-	1,827	-	1,827
- Buildings	6	-	1,340	-	1,340
Total financial assets recognised at fair value		-	3,167	-	3,167

2015					
Recurring fair value measurements					
Infrastructure, Property, Plant & Equipment					
- Land	6	-	1,827	-	1,827
- Buildings	6	-	930	-	930
Total financial assets recognised at fair value		-	2,757	-	2,757

(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



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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 Internal Controls of the Southern Region Waste Resource Authority ("the Authority") under the requirement of Section 129(1)(b) 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 year ended 30 June 2016 have been conducted properly and in accordance with the 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 129(1)(b) of the Local Government Act 1999 in relation only to the Internal Controls established by the Council 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 2015 to 30 June 2016. 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(1)(B) 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. A reasonable assurance engagement is not designed to detect all instances of non-compliance with Section 125 of the Local Government Act 1999 in relation to the Internal Controls specified above, as the engagement is not performed continuously throughout the period and procedures performed in respect of compliance with Section 125 of the Local Government Act 1999 in relation to the Internal Controls specified above are undertaken on a test basis.

The opinion 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.

Opinion

In our opinion, the Authority has complied, in all material respects, with Section 129(1)(b) 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 2016.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Simon Smith, FCPA, Registered Company Auditor
Partner

26/8/2016

Financial Controls Review

Southern Region Waste Management Authority

Interim Management Letter

03/06/2016

Local Expertise : Real Access



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1. EXECUTIVE SUMMARY

1.1 Background

During our interim audit we perform procedures to gain an understanding of the internal controls in place relevant to the financial statements and perform tests of design and effectiveness for these controls. Based on the results of the control testing, we then assess the audit risks to define the extent and nature of our substantive procedures (eg. inspection of documents, recalculation, reconciliation, etc) for our final visit.

Amendments to s129 of the Local Government Act 1999 require auditors to provide an opinion regarding internal controls of councils. This applies to prescribed (metropolitan) councils from 2013-14 onwards, and to non-prescribed (regional) councils from 2015-16 onwards. This opinion focuses on councils' obligations under s125 of the Local Government Act 1999:

“A council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records.”

The audit opinion is restricted per s129 of the Act to the application of s125 as it relates to financial internal controls, specifically the controls exercised by the council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

The authority is not required to comply with amendments to s129, however Management requested the auditors to provide an opinion regarding the internal controls of the Authority. In order to address the requirements of s129, we have reviewed a prioritised list of controls from the better practice model based on our initial audit risk assessment. The Better Practice Model – Financial Internal Controls has been prescribed, in Regulations, as the standard by which auditors must assess the internal controls of Local Government. See more details about our scope in the item 1.2 of this report.

1.2 Objectives and Scope

The objectives of our interim audit were to:

- understand the entity's business, business cycles and processes relevant to the financial statements
- understand the internal controls in place for the areas we consider critical for the audit of the financial statements
- design internal controls tests for the internal controls identified
- perform the internal controls tests to determine the final risks of material misstatements in the financial statements to be addressed in our final audit.
- review a prioritised list of internal financial controls we consider critical for the purpose of issuing a controls opinion.

The scope of our audit included a review of internal controls we consider key controls to be in place for the purpose of addressing the requirements of s129.

These key internal controls consist of a prioritised list of controls from the better practice model. This list was defined based on our risk assessment to determine the key business cycles, and key risks within these business cycles, that we understand should be the focus of the Authority's control self-assessment.

The identification of key core controls and key business risks included the following risk assessment procedures:

Risk Review – A review of Authority's inherent risk assessment for internal financial controls.

Financial Statement Review – A high level financial statement review performed to identify key accounts and transaction streams.

Internal / External Audit Results Review – The findings and recommendations of internal / external financial audits are reviewed to identify known areas of weakness, and areas known to be attracting audit attention.

The key core controls for the following key business cycles have been identified as critical for the purpose of issuing a controls opinion next financial year:

- Fixed Assets
- Purchasing and Procurement
- Contracting
- User charges
- Payroll
- Accounts Payables
- Debtors
- Receipting
- Banking
- General ledger

We have included a list of key controls identified by the audit for these business cycles as an appendix to this report (see Appendix 1). This list does not represent a complete population of internal controls that the Authority should have in place. There is an expectation that controls not in this list will still exist and be operating effectively within the Authority.

The list of controls is only intended to be a guide for the Authority to prioritise its resourcing in readiness for the audit opinion, and for the ongoing monitoring of internal controls i.e. it is a risk based listing of controls which may be desirable for the Authority to include in its ongoing monitoring program for internal financial controls.

The list should not be considered a minimum standard – rather, it is a starting reference point for the Authority to consider. It is expected that the Authority will have performed a risk assessment of financial risks, and given consideration to the need to monitor controls that address High / Extreme risks that may not be included in this listing.

1.3 Category of Findings

In order to assist the Authority in establishing the overall level of control effectiveness and prioritising areas for attention, we have provided an overall assessment of the business cycles for which we have identified performance improvements opportunities (this report is prepared on an exception basis).

We assessed each business cycle using our risk assessment which was focused on the risk of finding material weaknesses which could lead to a modified controls opinion in the 2015/16 financial year. An overall assessment of the risk of a potential modified audit opinion per business cycle is provided in item 1.5 of this report.

Detailed findings including the controls tested as per the Better Practice Model, findings and recommendations are provided in section 2 of this report. The individual findings are also rated to assist the Authority in prioritising corrective actions.

The overall assessment of the risk of non-compliance with s125 of the Local Government Act 1999 and the related findings and recommendations were rated as follows:

Category	Description
High Risk Weaknesses	The issue described could lead to a material weakness in the Authority's internal controls and non-compliance with s125 of the Local Government Act.
Moderate Weaknesses	The issue described does not represent a material weakness due to the existence of compensating controls. However, the failure of the compensating controls or the existence of any other moderate weakness within the same business cycle may lead to a material weakness in the Authority's internal controls and non-compliance with s125 of the Local Government Act.
Low Risk Weaknesses	The issue described is a low risk weakness due to the existence of compensating controls and the failure or absence of the internal controls does not impact significantly on the Authority's financial statements. However, multiple low level risk weakness within the same business cycle may lead to a material weakness in the Authority's internal controls and non-compliance with s125 of the Local Government Act.
Better Practice Weaknesses	The issue described has been included in this report as an opportunity for better practice.

The Authority should also perform its own assessment of priority based not only on audit risks, but also other risks management considers relevant such as non-compliance with pertinent legislations and regulations, and reputational risks.

1.4 Overall Review of the Authority's Internal Controls

Overall the Authority demonstrated significant progress towards the implementation of an internal control framework consistent with the principles within the Better Practice Model.

A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating Effectively	Findings			
			H	M	L	BP
Purchasing & Procurement / Contracting	7	6	1	-	-	-
Fixed Assets	12	12	-	-	-	-
General Ledger	9	8	-	1	-	1
Accounts Payable	11	8	-	2	1	-
User charges	8	8	-	-	-	-
Payroll	15	13	-	2	-	-
Banking	6	6	-	-	-	-
Debtors	6	6	-	-	-	-
Receipting	2	2	-	-	-	-
Total	76	69	1	5	1	1

During our interim visit we noted that most of the key internal controls reviewed were in place and were operating effectively (69 out of 76 core controls reviewed) indicating a high level of compliance with s125 of the Local Government Act. The principles underpinning the model were used by the Authority in the identification of its business cycles, the establishment of its internal controls and the implementation of its risk management processes.

We recommend that the Authority addresses the high and moderate risk findings as a matter of priority as they represent potential material weaknesses that could result in non-compliance with s125 of the Local Government Act for the 15-16 financial year.

1.5. Summary of Findings

Business Cycle	Findings	Control	Risk
Purchasing/Procurement / Contracting	Audit identified a number of instances where suppliers were exempted from procurement procedures but no formal documentation providing approval and reasons for these exemptions were provided.	1	H
General Ledger	There are no mechanisms to ensure a complete list of manual journal entries (manual journal entry register) extracted from MYOB is reviewed. Management does not print accounts payable and receivables reconciliation to approve it as evidence of independent review.	1 2	M BP
Accounts Payable	Audit recommends that the Authority decrease the purchasing limit of the senior finance officer to ensure appropriate segregation of duty. The Authority should update the Delegation of Authority to include the recently hired commercial manager. An audit trail containing all changes in the supplier master file is not produced and reviewed by management.	1 2 3	M M L
Payroll	Audit recommends the Authority to perform an independent review of changes to the payroll master file data and compare the bank account details provided by the ANZ online banking system (lodgement receipt) to a register of employees' bank account details before authorising the payment.	1,2	M
Fixed Assets	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A	N/A
User charges	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A	N/A
Debtors	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A	N/A
Banking	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A	N/A
Receipting	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A	N/A

2. DETAILED AUDIT FINDINGS

2.1 Purchasing and Procurement / Contracting

Control	Risk	Findings	Recommendations	Management Response
1. Robust and transparent selection processes to ensure effective and qualified suppliers / contractors are selected by the Authority, including compliance with Code of Conduct, Conflict of Interest and procurement Policies.	High Risk Weakness	<p><u>Purchases greater than \$50,000</u></p> <p>The Procurement and Tendering policy provides that an open tender is required.</p> <p>No evidence of evaluation forms accompanied by evidence for Request for Tenders and tender responses could be provided to the auditors for the following suppliers:</p> <ul style="list-style-type: none"> ▪ Adelaide Fuel Distributors – In 2015/16 FY the total spend was \$280,562. ▪ Tonkin Consulting – In 2015/16 FY the total spend was \$146,586. <p><u>Purchases over \$20,000 and under 50,000</u></p> <p>The Procurement and Tendering policy provides that a Request for Quotation and three written quotations are required.</p> <p>No evidence of evaluation forms accompanied by evidence for Request for Quotation and written quotations obtained from other suppliers could be provided to the auditors for the following suppliers:</p> <ul style="list-style-type: none"> ▪ Rob Ryan – In 2015/16 FY the total spend was \$40,300. ▪ Global Synthetics Pty Ltd – In 2015/16 FY the total spend was \$38,258. ▪ Cooke Precast Concrete Pty Ltd – In 2015/16 FY the total spend was \$28,887. 	<p>The Authority to consider cumulative spend per service or per supplier when procuring goods and services.</p> <p>When procurement procedures are not undertaken and an exemption is provided the Authority should document that in a form where the appropriate officer, in accordance with the delegations of authority, can sign it off and provide details of reasons for exemptions provided. Approval from the Board should be sought.</p> <p>The Authority to consider establishing panel of contractors or preferred suppliers list for routine services such as fuel, engineering, electrical, cleaning or pool maintenance services to ensure procurement procedures are undertaken before they reach significant cumulative spends.</p> <p>The Authority to ensure that documents related to procurement procedures undertaken (eg.request for tenders, tender responses, evaluation forms detailing the decision made, etc) are retained on file.</p>	<p>PO-23 Procurement Policy allows for an open tender and also select/limited tender</p> <p>SRWRA has introduced a purchase order checklist that is completed with each purchase order to show what considerations have been taken into account with the choice of procurement method. It includes the consideration of estimated annual spend</p> <p>PO-23 Procurement Policy allows for 3 written quotes. SRWRA has registered with the LGAP and now has access to prequalified suppliers. Requests for tenders, tender responses and evaluation forms detailing the decisions made, etc will be retained on file</p>

Control	Risk	Findings	Recommendations	Management Response
		<ul style="list-style-type: none"> ▪ Norman Waterhouse Lawyers – In 2015/16 FY the total spend was \$23,233. <p><u><i>Purchases over \$5,000 and under \$20,000</i></u></p> <p>The Procurement and Tendering policy provides that written quotations are required.</p> <p>No evidence of evaluation forms accompanied by written quotations from other suppliers could be provided to the auditors for the following suppliers:</p> <ul style="list-style-type: none"> ▪ Ian Hoffman – In 2015/16 FY the total spend was \$19,448. ▪ Ashby Magro Consulting– In 2015/16 FY the total spend was \$16,903. ▪ Coates Hire Operations Pty Limited – In 2015/16 FY the total spend was \$10,856. <p>Management advised that these suppliers were exempted from the procurement policy because they were either the only supplier available in the market or they were long term specialist contractors.</p> <p>The procurement policy provides that SRWRA may, after approval from its Board, waive application of this policy in certain circumstances.</p> <p>No approved exemption documents detailing reasons for the exemptions were provided to the auditors.</p>		

2.2 General Ledger

Control	Risk	Findings	Recommendations	Management Response
1. Manual journal entries recorded in the register are authorised by the officer preparing the journal and an independent reviewer.	Moderate Risk Weakness	<p>The finance officer prints the manual journal entries, request the CEO to approve them and retain the approved manual journal entries on file.</p> <p>There are no mechanisms to ensure a complete list of manual journal entries (manual journal entry register) extracted from MYOB is reviewed on a regular basis.</p>	Management to consider reviewing a complete list of manual journal entries (manual journal entry register) extracted from MYOB to ensure that all journals are approved.	All manual journals are now reviewed as part of the EOM process.
2. General Ledger reconciliations (including control and clearing accounts) are prepared on a regular basis; all reconciliations independently reviewed.	Better Practice Weakness	<p>The accounts payable and accounts receivable reconciliations to the general ledger are automatically performed by MYOB.</p> <p>Management does not print these reconciliations and approve it as evidence of independent review.</p>	Management to consider printing the accounts payable and accounts receivable reconciliations and sign it as evidence of independent review.	AP & AR reconciliations is now reviewed and signed as part of the EOM process

2.3 Accounts Payable

Control	Risk	Findings	Recommendations	Management Response
1. Separation of Accounts Payable and Procurement duties.	Moderate Risk Weakness	<p>The Better Practice Model – Financial Internal Controls provides that local government entities should ensure that appropriate separation of accounts payable and procurement duties is in place.</p> <p>The delegation of authority provided by the PROC22 – Overarching Personnel Matrix gives the senior finance officer (responsible for processing payments) a purchasing limit of \$10,000.</p> <p>The senior finance officer advised the auditors that she usually procure minor expenses such as stationary and staff amenities.</p>	The Authority to reduce the purchasing limit of the senior finance officer responsible for processing payments to ensure appropriate separation of accounts payable and procurement duties.	SFO purchasing limit has been reduced from \$10k to \$5k
2. All disbursements must be approved by an authorised officer in accordance with relevant policies and/or Delegations of Authority.	Moderate Risk Weakness	The Authority has recently hired a commercial manager. The commercial manager has not been included in the Delegation of Authority (PROC22 – Overarching Personnel Matrix).	Management to update the Authority's Delegation of Authority.	Delegation of authority has been updated to include CM Procedures have also been updated
3. The accounts payable system and or supplier master file prevents users from making unauthorised adjustments to supplier accounts.	Low Risk Weakness	<p>An audit trail containing all changes in the supplier master file is not produced and reviewed by management.</p> <p>This finding has been classified as a low risk weakness because management compares the bank account details provided by the ANZ online banking system (lodgement receipt) to the register of suppliers' bank accounts.</p>	Management to produce an audit trail report of changes to the supplier master file to be reviewed by management.	MYOB doesn't produce an audit report showing changes to supplier master file.

2.4 Payroll

Control	Risk	Findings	Recommendations	Management Response
1. Significant changes (supported by adequate audit trail) to the payroll master files approved by management.	Moderate Risk Weakness	Audit noted that the senior finance officer is involved in processing the payroll payment from the beginning to the end.	Management to consider performing an independent review of changes to the payroll master file data and comparing the bank account details provided by the ANZ online banking system (lodgement receipt) to a register of employees' bank account details before authorising the payment.	A comparison of the bank account details from the ANZ online banking system to a file copy of all employee bank details is now done.
2. The transfer of the bank file is restricted to authorised officers who are not involved in the preparation of the pay run.		<p>There are three opportunities enabling the office who process payroll payments to change key data such as bank account details when processing payroll payments.</p> <ol style="list-style-type: none"> 1. changing the employee payroll master file data in MYOB; 2. changing the ABA file which is stored on the Authority's internal drive prior to being manually uploaded into the ANZ online banking system; 3. changing the bank account details recorded in the ANZ online banking system. <p>Audit acknowledges that is not viable for the Authority to establish separation of duties between processing payroll, managing payroll master file data and approving payroll payments.</p> <p>Two controls can be implemented to mitigate the risk of inappropriate changes to the payroll master file data:</p> <ul style="list-style-type: none"> ▪ independent review of an audit trail to the payroll master file changes; and ▪ independent check comparing the bank account details provided by the ANZ online banking system (lodgement receipt) to a register of employees' bank account number. 		

APPENDIX 1 – CRITICAL INTERNAL FINANCIAL CONTROLS

FIXED ASSETS

Risks

R1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all.
R2	Fixed assets are inadequately safeguarded.
R3	Fixed Assets are not valued correctly
R4	Depreciation charges are either invalid not recorded at all or are inaccurately recorded.

RISKS	Control	Control Type	CSA Importance	Weighting
R1	Regular verification of fixed assets are conducted and reconciled to the FAR.	Core		4
R1	Recorded changes to the FAR and/or masterfile are approved by management, compared to authorised source documents and General Ledger to ensure accurate input.	Core		5
R1	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	Core		5
R1	Access and on-going maintenance of the fixed asset register is performed by authorised officers only.	Core		4
R1	The Authority has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence.	Core		5
R1	Reconciliation of fixed assets to the General Ledger is performed regularly.	Core		4
R1	Asset maintenance schedules are prepared, updated, and monitored by management and activity per the asset maintenance schedule. Changes to the asset maintenance history register are compared to source documents to ensure that they were input accurately.	Core		4
R3	Management regularly reviews valuation of fixed assets - methodology and useful lives, to ensure valuation is appropriate and in accordance with reporting requirements. Where appropriate, Council may engage an expert to perform valuations.	Core		5
R3	Management reviews depreciation rates and methodology (at least annually) to ensure that methods used to value fixed assets are still appropriate.	Core		5
R3	Asset revaluations and depreciation reviews are performed in accordance with Australian Accounting Standards.	Core		5
R3	The annual review of assets includes reviewing the appropriateness of categories of assets and impairment testing.	Core		4
R4	Depreciation charges are calculated in accordance with the accounting policy, including the useful life, depreciation method and calculation formulas.	Core		5

Purchasing and Procurement

Risks

R1	The authority does not obtain value for money in its purchasing & procurement.
R2	Purchases of goods and services are made from non-preferred suppliers.
R3	Purchase orders are either recorded inaccurately or not recorded at all.
R4	Purchase orders are placed for unapproved goods and services.

RISKS	Control	Control Type	CSA Importance Weighting
R1	The Authority has a comprehensive Contract and Procurement Policy that is reviewed regularly.	Core	5
R1, R2, R4	Employees must ensure all purchase orders are approved in accordance with the Delegations of Authority and relevant policies.	Core	5
R3	Purchase orders are issued in accordance with the Authority's Purchasing and Procurement Policy.	Core	5

CONTRACTING

Risks

R1	The Authority is not able to demonstrate that all probity issues have been addressed in the Contracting process.
R2	The Authority does not obtain value for money in relation to its Contracting.

RISKS	Control	Control Type	CSA Importance Weighting
R1,R2	Robust and transparent selection processes to ensure effective and qualified suppliers / contractors are selected by the Authority, including compliance with Code of Conduct, Conflict of Interest and procurement Policies.	Core	5
R1	The Authority to maintain a contract register.	Core	4
R1	The Contracts, Tenders and Procurement Policy and Procedures should be reviewed regularly.	Core	4
R2	The Authority does not release milestone payments to suppliers / contractors until they meet all their associated objectives.	Core	5

USER CHARGES

Risks

R1	Authority does not raise the correct level of rate income.
R2	User charges and rebates are either inaccurately recorded or not recorded at all.
R3	The billing master file data does not remain pertinent
R4	The fee charged does not reasonably reflect the value of the services provided.
R5	User pay income is either inaccurately recorded or not recorded at all

RISKS	Control	Control Type	CSA Importance Weighting
R1, R2	User charges are automatically generated by the system, including the calculation of rate rebates, if applicable.	Core	4
R4	Fees and charges are reviewed annually and adopted by the Authority.	Core	4
R5	Amounts charged are in accordance with the Authority's Fees and Charges register.	Core	5
R5	Users are provided with a sequentially pre-numbered form acknowledging receipt of any cash payments and cash receipts forms are balanced to cash deposited to the bank. The numerical sequence of these forms is accounted for.	Core	5
R2	The Authority approves rebates in accordance with Delegations of Authority and as per the legislation.	Core	4
R2	Regular independent review of the user charges aged receivables reports and independent check of user charges payable by staff.	Core	4
R3	Recorded changes to property master file data are compared to authorised source documents or confirmed with client to ensure that they were input accurately. An audit trail is maintained for all changes.	Core	4
R3	Access to the billing master file is restricted to appropriately designated personnel, with significant changes to the Property master file approved by management.	Core	5

RECEIPTING

Risks

R1	Receipts are either inaccurately recorded or not recorded at all.
R2	Receipts are not deposited at the bank on a timely basis.

RISKS	Control	Control Type	CSA Importance Weighting
R1,R2	Cash is stored securely at all times including the duration of the cash management process.	Core	5
R1	Officers who create debtors invoices do not have access to receipting payments and/or reversing receipt transactions.	Core	5

PAYROLL

Risks

R1	Payroll expense is inaccurately calculated.
R2	Payroll disbursements are made to incorrect or fictitious employees
R3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.
R4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.
R5	Voluntary and statutory payroll deductions are inaccurately processed
R6	Employees are terminated in breach of statutory and enterprise agreements.

RISKS	Control	Control Type	CSA Importance Weighting
R1	Standard programmed formulae perform payroll calculations.	Core	5
R1, R3	Overtime hours worked and payments for such overtime are authorised by management for all eligible employees.	Core	5
R2	The transfer of the bank file should be restricted to authorised officers who are not be involved in the preparation of the pay run.	Core	5
R2	Payroll system generates exception reports detailing all payroll changes that are regularly reviewed by management who investigate & approve variances.	Core	5
R2	Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements.	Core	5
R2	Officers responsible for originating/preparing payroll disbursements are precluded from authorising transfer of same.	Core	5
R2	Employees made inactive in payroll records immediately upon termination. Termination report provided as supporting documentation with request for an EFT. Comparison of subsequent current employee listings made by independent person to verify correctness.	Core	5
R2	All employee deductions must be substantiated with documented approval provided by employee.	Core	5
R3	Total of payment summaries for the year is reconciled to general ledger and payroll.	Core	4
R3	Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the supervisor/manager.	Core	5
R4	Significant changes (supported by adequate audit trail) to the payroll master files approved by management.	Core	4
R4	All payroll suspense accounts are reconciled and reviewed by management or other supervisory personnel on a timely basis. Transactions recorded in the payroll suspense accounts are proper suspense items; other items are investigated and resolved in a timely manner.	Core	4
R5	Access to the payroll deduction listing is restricted to authorised officers.	Core	5
R6	Establish employee termination policies and procedures, including statutory regulation and union requirements. Regularly review and update these policies and procedures.	Core	4

GENERAL LEDGER

Risks

R1	General Ledger does not contain accurate financial information
R2	Data contained within the General Ledger is permanently lost.

RISKS	Control	Control Type	CSA Importance Weighting
R1, R2	All updates and changes to General Ledger programmes are authorised, tested and documented.	Core	5
R1, R2	Access to General Ledger maintenance is restricted to authorised personnel.	Core	5
R1	General Ledger reconciliations (including control and clearing accounts) are prepared on a regular basis; all reconciliations independently reviewed.	Core	4
R1	Manual journal entries recorded in the register are authorised by the officer preparing the journal and an independent reviewer.	Core	5
R1, R2	Off-site backup of data, program and documentation.	Core	4
R1	System does not allow posting of unbalanced journals.	Core	5
R1	Amendments to the structure of the General Ledger framework are approved by an authorised officer.	Core	5
R1, R2	General Ledger policies and procedures are appropriately created, updated & communicated to relevant personnel in the finance department.	Core	5
R2	Formal disaster recovery plan adopted by the Authority or Senior Executive.	Core	5

ACCOUNTS PAYABLE

Risks

R1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all
R2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all
R3	Disbursements are not authorised properly.
R4	Accounts are not paid on a timely basis
R5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

RISKS	Control	Control Type	CSA Importance Weighting
R1, R2, R4	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable subledger regularly and differences are investigated.	Core	4
R1	Invoices received are authorised and accompanied by appropriate supporting documentation.	Core	5
R1	Payments (Cheques and EFT's) are endorsed by authorised officers separate to the preparer who ensure that they are paid to the specified payee.	Core	5
R2	Access to the supplier master file is restricted to authorised officers.	Core	5
R2, R5	Separation of Accounts Payable and Procurement duties.	Core	5
R3	All disbursements must be approved by an authorised officer in accordance with relevant policies and/or Delegations of Authority.	Core	5
R3	Purchase Orders must be raised for the purchase of goods and services in line with the Authority's Procurement policy or over a predetermined amount where applicable.	Core	5
R3	Individuals who authorise payment of suppliers are authorised officers who are independent of the processing of invoices.	Core	5
R4	Authorised officer to review aged payables listing on a predetermined basis and investigate where appropriate.	Core	5
R5	Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately.	Core	5
R5	The accounts payable system and or supplier master file prevents users from making unauthorised adjustments to supplier accounts.	Core	5

DEBTORS

Risks

R1	Debtors are either inaccurately recorded or not recorded at all.
R2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
R3	An appropriate provision for doubtful debts is not recorded
R4	Debtors are either not collected on a timely basis or not collected at all
R5	The Debtors master file data does not remain pertinent.

RISKS	Control	Control Type	CSA Importance Weighting
R1, R4	Debtor's reconciliation performed on a regular basis to the General Ledger and reviewed by an independent person.	Core	4
R1	Council maintains a Debt Collection Policy.	Core	5
R2, R3, R4	Management and/or Council review and approve all rebates, credit notes, bad debt write-offs and movements in the provision for doubtful debts, in accordance with delegations of authority and Local Government Act.	Core	5
R3, R4	Management reviews debtors ageing profile on a regular basis and investigates any outstanding items.	Core	4
R5	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by management for accuracy and on-going pertinence.	Core	5
R5	Recorded changes to debtor's master file data are compared to authorised source documents or confirmed with customers/ratepayers to ensure that they were input accurately.	Core	4

BANKING

Risks

R1	Banking transactions are either inaccurately recorded or not recorded at all.
R2	Fraud.

RISKS	Control	Control Type	CSA Importance Weighting
R1, R2	Blank cheques and/or cheque-signing machine are adequately safeguarded.	Core	5
R1, R2	Access to EFT Banking system restricted to appropriately designated personnel.	Core	5
R1, R2	Bank reconciliations are performed on a predetermined basis and are reviewed by an authorised officer. Any identified discrepancies are investigated immediately.	Core	5
R1, R2	All cash held securely in safe/registers with access restricted to appropriately designated personnel.	Core	5
R2	Cash transfers between bank accounts and investment bodies are approved by authorised officer.	Core	5
R2	Procedures are in place to ensure that all cash collected is banked and properly recorded.	Core	5



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

Report on the Financial Report

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 2016, 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.

Authority's Responsibility for the Financial Report

The Authority is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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 whether the financial report 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Authority, 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.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies, the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011.

Audit Opinion

In our opinion, the financial report of the Southern Region Waste Resource Authority for the year ended 30 June 2016 is properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the Authority's state of affairs as at 30 June 2016 and its operating result and cash flows for the year ended on that date; and
 - (ii) the other matters required by Division IV of the Local Government Act 1999 to be dealt with in the accounts;
- (b) in accordance with the provisions of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

Other Matter

The financial report of the Southern Region Waste Resource Authority for the year ended 30 June 2015 was audited by another auditor who expressed an unmodified opinion on that financial report on 16 September 2015.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Simon Smith, FCPA, Registered Company Auditor
Partner

26 / 8 / 2016

General Purpose Financial Reports for the year ending 30 June 2016

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Council Solutions Regional Authority
Certification Of Financial Statements
for the year ending 30 June 2016

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 2016 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: 26/8/16

Council Solutions Regional Authority
Statement Of Comprehensive Income
for the year ending 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Income			
Investment Income	2	10	20
Management Fee	2	933	926
Other Income	2	110	31
Total Income	2	1,053	977
Expenses			
Materials, contracts & other expenses	3	1,059	1,097
Total Expenses	3	1,059	1,097
Operating Surplus		(6)	(120)
Net Surplus		(6)	(120)
Total Other Comprehensive Income	2	-	-
Total Comprehensive Income		(6)	(120)

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

Council Solutions Regional Authority
Balance Sheet
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Assets			
Current Assets			
Cash and cash equivalents	4	267	446
Receivables	4	390	203
Total Current Assets	4	657	650
Total Assets	4	657	650
Liabilities			
Current Liabilities			
Trade & Other Payables	5	28	21
Other Current Liabilities	5	27	21
Total Current Liabilities	5	55	42
Total Liabilities	5	55	42
Net Assets		602	608
Equity			
Accumulated Surplus		459	465
Share Capital		143	143
Total Equity		602	608

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

Council Solutions Regional Authority
Statement of Changes in Equity
as at 30 June 2016

	Initial Contribution by Owners	Accumulated Surplus	Total
2016	\$'000	\$'000	\$'000
Opening Balance	143	465	608
Net Surplus for Year	-	(6)	(6)
Balance at end of period	143	459	602

	Initial Contribution by Owners	Accumulated Surplus	Total
2015	\$'000	\$'000	\$'000
Opening Balance	143	585	728
Net Surplus for Year	-	(120)	(120)
Balance at end of period	143	465	608

Council Solutions Regional Authority
Cash Flow Statement
for the year ending 30 June 2016

		2016	2015
	Note s	\$'000	\$'000
Cash Flows From Operating Activities			
Receipts			
Operating receipts		856	1,162
Investment Receipts		10	20
Payments			
Operating payments to suppliers & employees		(1,047)	(1,350)
Net Cash provided by (or used in) Operating Activities	6	(179)	(169)
Net Increase (Decrease) in cash held		(179)	(169)
Cash & cash equivalents at beginning of period		446	615
Cash & cash equivalents at end of period	4	267	446

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 2016

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 2016

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 2016 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 124	Related Party Disclosures

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 14-10, AASB 15-1, AASB 15-2, AASB 15-3, AASB 15-4, AASB 15-5 and AASB 2015-6.

(Standards not affecting local government have been excluded from the above list.)

The Authority is of the view that 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.

The Australian Accounting Standards Board is currently reviewing AASB 1004 Contributions. It is anticipated that the changes resulting from this review may have a material effect on the timing of the recognition of grants and contributions, but the financial consequences cannot be estimated until a revised accounting standard is issued.

Council Solutions Regional Authority
Notes to and forming part of the Financial Statements
for the year ending 30 June 2016

Note 2 - Income

	2016	2015
	\$'000	\$'000
Investments		
Interest Income	10	20
	10	20
Management Fee		
Management Fee	933	926
	933	926
Other Income		
Reimbursements	110	31
	110	31

Note 3 - Expenses

	2016	2015
	\$'000	\$'000
Materials, Contracts & Other Expenses		
Advertising	11	10
Audit Fees	4	6
Catering	3	4
Contractors	73	45
Consultant Fees	199	204
Entertainment Costs	1	1
Fringe Benefits Tax	8	10
Insurance	26	25
IT Expenses	3	3
Legal Fees	75	145
Membership Fees & Subscriptions	1	5
Motor Vehicle	17	18
Recruitment	15	11
Reimbursements - Salary & Wages	541	533
Rent	24	24
Sitting Fees	25	26
Sundry	29	23
Telephone	1	3
Training and Development	3	3
	1,059	1,097

Council Solutions Regional Authority
Notes to and forming part of the Financial Statements
for the year ending 30 June 2016

Note 4 - Current Assets

	2016 \$'000	2015 \$'000
Cash & Cash Equivalents		
Cash at Bank	267	446
	<u>267</u>	<u>446</u>
Receivables		
Accounts Receivables	282	132
Accrued Income	106	71
Prepaid Expenses	2	-
	<u>390</u>	<u>203</u>
Total Current Assets	<u>657</u>	<u>650</u>

Note 5 - Liabilities

	2016 \$'000	2015 \$'000
Trade & Other Payables		
Creditors	24	10
Accruals	4	11
	<u>28</u>	<u>21</u>
Other Current Liabilities		
Payable to Adelaide City Council	27	21
	<u>27</u>	<u>21</u>
Total Liabilities	<u>55</u>	<u>42</u>

Council Solutions Regional Authority
Notes to and forming part of the Financial Statements
for the year ending 30 June 2016

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.

	2016	2015
	\$'000	\$'000
Cash at Bank	267	446
Balances per Cash Flow Statement	267	446

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

Net Surplus	(6)	(120)
Net (increase)/decrease in Receivables	(185)	205
Net increase/(decrease) in Current Liabilities	12	(253)
Net Cash provided by (or used in) operations	(179)	(169)

Council Solutions Regional Authority
Notes to and forming part of the Financial Statements
for the year ending 30 June 2016

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	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instrument s	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		-	-	-	-	390
Total Financial Assets		267	-	-	-	390
Financial Liabilities:						
Creditors and Provisions	0.0%	-	-	-	-	55
Total Financial Liabilities		-	-	-	-	55
2015						
	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instrument	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	1.9%	446	-	-	-	-
Receivables		-	-	-	-	203
Total Financial Assets		446	-	-	-	203
Financial Liabilities:						
Creditors and Provisions	0.0%	-	-	-	-	42
Total Financial Liabilities		-	-	-	-	42

(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.

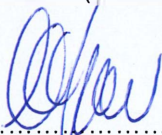
Council Solutions Regional Authority

Certification Of Auditor Independence

for the year ending 30 June 2016

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 2016, 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: 24-8-2016



Tanya Johnston
PRESIDING MEMBER OF AUDIT COMMITTEE

Date: 26/08/16



Mark Dowd
CHIEF EXECUTIVE OFFICER
City of Onkaparinga

Date: 23/8/16



Mark Goldstone
CHIEF EXECUTIVE OFFICER
Adelaide City Council

Date: 23/8/16



Paul Sutton
CHIEF EXECUTIVE OFFICER
City of Charles Sturt

Date: 24/8/16



Adrian Skull
CHIEF EXECUTIVE OFFICER
City of Marion

Date: 24.8.16



John Harry
CHIEF EXECUTIVE OFFICER
City of Salisbury

Date: 24/8/2016.



John Moyle
CHIEF EXECUTIVE OFFICER
Tea Tree Gully

Date: 24/8/16

Ian G McDonald FCA



Council Solutions Regional Authority

ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2016

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 2016, 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 that reads 'Ian G McDonald'.

Ian G McDonald FCA

Dated this 22nd day of August 2016



Ian G McDonald FCA

Independent Auditor's Report to the Members of the Council Solutions Regional Authority

We have audited the accompanying financial report of the Council Solutions Regional Authority which comprises the statement of comprehensive income for the year ended 30 June 2016, statement of financial position, statement of changes in equity, cash flow statement, summary of significant accounting policies, other explanatory notes and the certification of financial statement.

Chief Executive Officer's Responsibility 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 (including the Australian Accounting Interpretations) and the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 2011. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of 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.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional and ethical pronouncements and the Local Government Act 1999.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Council Solutions Regional Authority, and of its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 2011.

A handwritten signature in black ink, appearing to read 'Ian McDonald'.

Ian G McDonald FCA
Chartered Accountant
Registered Company Auditor 16458

Signed at Adelaide, South Australia this 13th day of September 2016

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The Corporation of the City of Marion

Management Letter for the Year Ended 30 June 2016

September 2016





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Mr Kris Hanna
Mayor
City of Marion
PO Box 21
OAKLANDS PARK SA 5046

29 September 2016

Dear Sir

Re: Matters arising from the audit of the Corporation of the city of Marion for the year ended 30 June 2016

We have substantially completed our audit of the Corporation of the City of Marion ("City of Marion" or "the Council") for the year ended 30 June 2016. In accordance with our normal practice, we set out below certain matters concerning the Council's internal control and accounting practices which came to our attention during our work in connection with the audit for the year ended 30 June 2016 and our recommendations for improvements.

You will appreciate that our procedures are designed primarily to enable us to form an opinion on the financial report as a whole, as well as compliance with Section 125 of the *Local Government Act*, and therefore do not necessarily bring to light all the weaknesses in internal control or accounting practice which a special investigation might do. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. 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. 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

A handwritten signature in black ink, appearing to read "Penny Woods", enclosed within a simple oval border.

Penny Woods
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

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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 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 2016. The scope of our work was set out in our audit engagement letter dated 31 May 2016.

During the audit, every effort was made to identify audit, accounting and other issues which would be of benefit to the Council. In accordance with our normal practice, we write to draw your attention to the internal control, accounting and other matters that came to our attention during our audit for the year ended 30 June 2016. We have provided an update on prior period findings where these matters have not been dealt with elsewhere.

2 Update on Prior Year Findings

It should be noted that 5 of the 8 findings have been implemented, with 3 findings that have not been implemented given the cost of implementation against the low level of risk.

Observation	Recommendation	Prior year response	Status update 30 June 2016
2.1 Review of petty cash reconciliations			
<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 is enforced and reviewed by management. In addition, the person reviewing should be independent from the preparer.</p> <p>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>Finance will work with Customer Service staff to implement the recommendation proposed to strengthen the security around the management of petty cash. It should be noted that on most days the staff responsible for petty cash are rotated which decreases the likelihood of a delay in detection of such a fraud. However having a daily independent sign off of the petty cash float in addition to daily staff rotation will strengthen the security and management of petty cash.</p>	<p>Management's view is that the risk is mitigated by rotating staff allocated to petty cash regularly and on handover the petty cash is reconciled. This has taken a lower priority pending the final outcome of a full 'Cash Handling' internal audit which has been recently completed. It is best practice to implement such control, hence we have raised the finding again - see (3.4)</p>

Observation	Recommendation	Prior year response	Status update 30 June 2016
2.2 Termination policy			
<p>EXP-PAY-0034</p> <p>There is no termination policy in place, and the current exit procedure does not directly address the statutory regulations, or enterprise agreement requirements that may need to be adhered to.</p>	<p>Deloitte recommends a centralised procedure for actions on terminating employment.</p>	<p>Finance will collaborate with Organisational Development to construct a procedure that ensures statutory and enterprise agreement conditions are strictly followed when terminating employment.</p>	<p>Our recommendation has been implemented and no further issues have been identified.</p> <p>Deloitte considers this matter completed.</p>

Observation	Recommendation	Prior year response	Status update 30 June 2016
2.3 Review of payroll deduction report			
<p>EXP-PAY-0015</p> <p>There is no documented evidence that a payroll deduction report is reviewed on a regular basis.</p>	<p>Deloitte recommends that formal process be put in place to ensure that the payroll deduction review is fully documented and signed off.</p>	<p>Payroll deduction reports are generated, reviewed and stored electronically with every pay cycle. As recommended management will put in place a process to ensure documentation is retained to provide evidence a formal review of the deduction report is conducted on a regular basis with deductions checked back against employee forms and signed off.</p>	<p>Our recommendation has been implemented and no further issues have been identified.</p> <p>Deloitte considers this matter completed.</p>

Observation	Recommendation	Prior year response	Status update 30 June 2016
2.4 Fringe benefit tax policy			
<p>LIA-TAX-0008</p> <p>There is no formal, documented Fringe Benefit Tax procedure used in the preparation of the annual return. In previous years an accounting assistant prepared the calculation and this was reviewed by the Financial Accountant, however this did not occur in the current year due to the Financial Accounting Assistant leaving the City of Marion immediately prior to the preparation of the return. In the current period the calculation was performed by the Financial Accountant and a high level review was conducted by the Manager Finance and a summary including prior year comparative data was presented to the director of Finance.</p>	<p>Deloitte recommends that a Fringe Benefits Tax procedure be documented and utilised to ensure a standard procedure is followed in the preparation of all future returns.</p>	<p>Finance will develop a documented procedure to be followed in the preparation of the Fringe Benefits Tax return. This set of documented procedures will be utilised for all future returns.</p>	<p>Full implementation of this recommendation was not complete at time of interim audit. These procedures were compiled during the process of preparing the 2015/16 return and are now fully documented and in place.</p> <p>As we believe it is best practice to implement such control we have raised the finding again - see (3.2)</p>

Observation	Recommendation	Prior year response	Status update 30 June 2016
2.5 Cash receipting policy			
REV-OTR-0003 There is no documented policy for reconciling receipting to cash at remote locations.	Deloitte recommends that a formal policy for cash receipts outside the Council receipting area be documented and adopted.	Whilst most remote locations have their own procedures in place, management agree with the recommendation and will implement a formal policy and standard procedures for the reconciliation of income at all receipting locations be developed.	Our recommendation has been implemented and no further issues have been identified. Deloitte considers this matter completed.

Observation	Recommendation	Prior year response	Status update 30 June 2016
2.6 Grant acquittal			
ASS-LOA-0002 Signed grant acquittal was not received before deadline.	Deloitte has noted that outstanding 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.	Finance will work with the appropriate department to develop a detailed procedure that will ensure a timelier follow-up once returns are overdue.	Whilst Finance have had discussions with the staff responsible for ensuring community grants are acquitted in a timely manner, this recommendation is not yet implemented. A more proactive approach is being looked at to follow up community grant recipients prior to the final due date to ensure acquittal deadlines are met. As we believe it is best practice to implement such control we have raised the finding again - see (3.5).

Observation	Recommendation	Prior year response	Status update 30 June 2016
2.7 Petty cash security			
ASS-PET-0005 ASS-PET-0006 1. Although petty cash is always kept locked away, the access to the storage points is not highly restricted. 2. Security levels of petty cash drawers may lead to a chance of theft/fraud.	Deloitte recommends a review of the security surrounding petty cash in the council chamber front office.	Finance will work with Customer Service to review the security surrounding the access to the locked petty cash drawer and implement a more secure process & procedure to restrict access to the petty cash drawer.	Our recommendation has been implemented and no further issues have been identified. Deloitte considers this matter completed.

Observation	Recommendation	Prior year response	Status update 30 June 2016
2.8 Asset Classification			
Deloitte noted that there is no formal process in place for asset project managers to communicate to finance the completion of projects. Finance will classify a project as 'Capital Works in Progress' where there is identified purchase order commitments still remaining in place at financial year end.	Deloitte recommends that City of Marion include a confirmation type process to the end of year procedures through which the status of each open capital project is confirmed to finance as either 'In Progress' or 'In Use', in conjunction with its existing Budget Carryover confirmation process.	Finance will carry out a full review of all projects that have outstanding capital commitments at year end. Confirmation will be sought from Project Managers to determine project status where funds have not been identified or requested for future years through the annual carryover process.	Our recommendation has been implemented and no further issues have been identified. Deloitte considers this matter completed.



3 Internal Controls

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 (CoM) management and Deloitte.

Overview of findings

Sample of controls within the best practice model as provided by the Local Government Association (LGA) have been tested by Deloitte.

Summary	Strategic Planning	Revenue	Expenses	Assets	Liabilities	External Contracts	Governance	Total
Number of controls tested	40	5	19	21	32	0	0	117
Findings	0	1	0	4	1	0	0	6
No Findings	40	4	19	17	31	0	0	111

Any control deficiency identified by Deloitte on the controls tested have been summarised below.

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 3.4 3.5 3.6				
	2 (unlikely)					
	1 (rare)	3.1 3.3				
		1 (insignificant)	2 (minor)	3 (moderate)	4 (major)	5 (critical)
		Consequence				

Key	
	Extreme
	High
	Moderate
	Low



Detailed findings

Observation	Implication	Recommendation	Management response
3.1 Policy for issuing funds to clubs			
<p>ASS-LOA-0001</p> <p>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.</p>	<p>The Council may issue grants inappropriately and not in accordance with the Delegations of Authority or Conflicts of Interest Policies.</p>	<p>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.</p>	<p>Council currently authorises the issuing of grant funds without delegation to management. The policy will be updated to clearly state that funds are authorised by Council unless otherwise specifically delegated by Council to management.</p>
Observation	Implication	Recommendation	Management response
3.2 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>The lack of a documented procedure being utilised in the preparation of the fringe benefit tax return may give rise to inconsistencies in the preparation of the fringe benefit tax liability year on year.</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>
Observation	Implication	Recommendation	Management response
3.3 Grant attraction procedure			
<p>REV-GRA-0001</p> <p>There is no formal grant attraction procedure at present, however management are addressing the issue and are working towards implementing a functioning system.</p>	<p>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 being addressed by management by way of a grant management review.</p>	<p>Deloitte recommends that the formal grant attraction procedure be finalised.</p>	<p>Completion of the grant management review will address the effectiveness of controls and improve opportunities for the City of Marion to benefit from and ensure relevant grant opportunities are fully explored in a timely manner.</p>

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Observation	Implication	Recommendation	Management response
3.4 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>The deficiency in this control means there is no documented evidence of the effective review of the cash counting process. As the cashiers handle the cash all day, then perform the count themselves, this may allow them at any time to temporarily remove cash from the cash drawer that would be undetected until a reconciliation of the same drawer is performed by a different person. 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>Deloitte recommends that the practice of crosschecking and signing petty cash reconciliations on a daily basis and 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>

Observation	Implication	Recommendation	Management response
3.5 & 3.6 Grant acquittal			
<p>ASS-LOA-0009</p> <p>ASS-LOA-0002</p> <p>Formal follow up procedure is not conducted in a timely fashion for community grant acquittals resulting in outstanding acquittals.</p>	<p>Given the nature of original approvals around grant approvals, 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 amount of the grants not acquitted will not have a material impact on the financial statements.</p>	<p>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.</p>	<p>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.</p>



Corporation of the City of Marion

Report to the Finance and Audit
Committee and Elected Members
for the year ended 30 June 2016



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Mr Greg Connor
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
STURT SA 5047

23 September 2016

Dear Sir

Report to the Finance and Audit Committee and Elected Members – for the year ended 30 June 2016

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the financial report of the Corporation of the City of Marion ("City of Marion" or "the Council") for the year ended 30 June 2016 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 4th October 2016 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 have substantially completed our audit on the financial report of the Corporation of the City of Marion and subject to the satisfactory resolution of the matters detailed in Section 2, we expect to issue an unmodified audit report.

We have prepared this report solely for the use of the Committee and Elected Members 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.

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
DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Penny Woods", enclosed within a circular stamp or seal.

Penny Woods
Partner

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1. Executive summary

1.1 Overview

Section	Comment	
Status of audit and outstanding matters Refer to Section 2	<p>Our audit of the financial report is substantially complete.</p> <p>We expect to issue an unmodified audit report on the financial report, subject to the satisfactory completion of the matters noted in Section 2.3.</p> <p>Our reasonable assurance engagement under ASAE 3100 with respect to the Council’s compliance with Section 125 of the Local Government Act is substantially complete.</p> <p>We expect to issue an unmodified audit opinion in relation to this engagement subject to the satisfactory completion of the matters noted in Section 2.3.</p>	<div>Status of the Audit – Percentage Complete</div> <div><div>Planning</div><div>Controls</div><div>Substantive Testing</div><div>Financial Reporting</div><div><div></div><div></div><div></div><div></div></div><div><div>0</div><div>20</div><div>40</div><div>60</div><div>80</div><div>100</div></div></div>
Internal control Refer to Section 4	<p>We have assessed the internal control environment to be strong, but with room for continuous improvement.</p> <p>In performing our audit of the Council for the year ended 30 June 2016 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 2016, 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.</p> <p>No matters relating to fraud, concerning either employees or management came to our attention.</p>	
Summary of uncorrected misstatements Ref to Appendix A	<p>We have not identified any uncorrected misstatements for the year ended 30 June 2016.</p>	
Summary of uncorrected disclosure deficiencies Ref to Appendix B	<p>We detected no uncorrected disclosure deficiencies in the financial report.</p>	
Developments in financial reporting Refer to Appendix C	<p>Over the next few years there will be a number of substantial changes to Australian Accounting Standards. We will work proactively with management to assess the impact on the Corporation of the City of Marion and the appropriate accounting policies going forward.</p>	

1. Executive summary (con't)

1.2 Key areas of focus and response

<i>Statement of Financial Position</i>	<i>FY 2016 (\$'000)</i>
Cash and cash equivalents	16,271
Trade and other receivables	4,754
Other Financial Assets	8,200
Inventories	176
Total current assets	29,401
Equity accounted investments	5,659
Infrastructure, Property, plant and equipment	1,111,658 ¹
Other non-current assets	2,341
Total non-current assets	1,119,658
Trade and other payables	6,082
Borrowings	1,126
Provisions	5,192
Total current liabilities	12,400
Borrowings	9,102
Provisions	744
Total non-current liabilities	9,846
Net Assets	1,126,813
Accumulated Surplus	369,211
Asset Revaluation Reserves	735,835 ¹
Other Reserves	21,767
Total Equity	1,126,813

Our audit procedures were focused on those areas of the Council's activities that are considered to represent the key audit risks identified through discussions with management during the course of our audit and based on our in-depth understanding of the Corporation of the City of Marion.

We are satisfied that these key areas of focus have been addressed appropriately and are properly reflected in the Corporation of the City of Marion's financial report.

1

Infrastructure, property, plant and equipment held at depreciated replacement cost

Given the nature and magnitude of the Council's fixed assets, this account balance has been identified as an audit focus area.

Major project spend was assessed to determine whether expenditure was appropriately capitalised. Progress against budgets was also reviewed.

Particular focus was placed on the review of capital expenditure approvals at the inception of projects as well as the verification of expenditure against Delegated Authorities throughout the project life.

The fair value of land, buildings and infrastructure was assessed by external valuers including Maloney Field Services and APV. We have analysed the methodology and basis for the determination of fair value of assets as well as the level of appropriate disclosures to ensure the fair value is appropriately determined and disclosed. In addition, we have involved an internal valuation specialist in assessing the reasonableness of the overall valuation.

Based on the above, we have not identified any issues in relation to infrastructure, property, plant and equipment.

1. Executive summary (cont)

1.2 Key areas of focus and response (con't)

<i>Statement of Comprehensive Income</i>	FY 2016 (\$'000)
Rates Revenues	69,997
Statutory Charges	1,813
User Charges	1,771
Grants, Subsidies and Contributions	6,482
Investment Income	696
Reimbursements	814
Other Income	515
Net Gain - Equity Accounted Council Businesses	540
Total Income	82,628
Employee Costs	31,783
Materials, Contracts & Other Expenses	26,627
Depreciation, Amortisation & Impairment	13,634
Finance Costs	700
Net loss - Equity Accounted Council Businesses	1
Total Expenses	72,745
Operating Surplus / (Deficit)	9,883
Asset Disposal & Fair Value Adjustments	(233)
Amounts Received Specifically for New or Upgraded Assets	540
Physical Resources Received Free of Charge	655
Net Surplus / (Deficit)	10,845
Changes in Revaluation Surplus - I, PP&E	(4,500)
Total Other Comprehensive Income	(4,500)
Total Comprehensive Income	6,345

② Rates Revenue and Grant Income

Rate revenue has been identified as a significant transaction cycle given the size of account balance.

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.

No issues in relation to rate revenue were noted.

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:

1. The Council has a right to receive the revenue, or
2. The Council has control over the grant funding.

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.

③ Expenditure

Given the volume, magnitude and public accountability of Council expenditures the preventative and detective controls over expenditures, including the budgetary cycle were given consideration.

Detailed testing has been performed over operating expenditure.

For employee cost, 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.

2. Purpose and scope

2.1 Scope

We were engaged to perform an audit of the Council for the year ended 30 June 2016 in accordance with Australian Auditing Standards. Our audit is performed to enable us to express an opinion as to whether the financial report of the Council has been prepared in accordance with Australian Accounting Standards and the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

We were also 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 2015 to 30 June 2016 are in accordance with legislative provisions.

2.2 Purpose of the report

We have prepared this report for the Corporation of the City of Marion's Committee and its Elected Members to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process of the Council for which management is responsible. This report includes only those matters that have come to our attention as a result of performing our audit procedures which we believe are appropriate to present to the Committee and Elected Members.

2.3 Status of the audit and outstanding matters

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.

3. Audit focus areas

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 entity risks faced by the Corporation of 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
- discussions with management during the course of our audit

We detail below 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.

3.1 Infrastructure, property, plant and equipment

Focus area	Findings
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 2016 financial year the revaluation resulted in a net decrease in revaluation surplus of \$4,500,000.	<p>Deloitte performed the following:</p> <p>Evaluation of the assumptions made by your experts in their (Maloney's and APV's) valuation reports, by comparing the assumptions they have made with prior year valuation reports and understanding any material variances. We note the main differences relate to the removal of residual value of the majority of the assets and the componentization of certain assets into short-life and long-life parts due to the change of interpretation of accounting standards relating to fixed assets. Such variances are in line with our understanding.</p> <p>Our detail testing covered the following areas:</p> <ul style="list-style-type: none"> • existence of fixed assets • additions of fixed assets • disposal of fixed assets <p>We have also performed the following procedures:</p> <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. <p>Overall we are comfortable with the current fixed asset position as at 30 June 2016.</p>

4. Internal control

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 2015 to 30 June 2016 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 Local Government Association (LGA) 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 2016, we have selected the risk categories of Assets and External Services 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 2016 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 2016, 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.

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

5. Other communications

Independence

We confirm that we have maintained our independence in accordance with the independence requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*, and intend to sign the Auditor's Independence Declaration (Appendix D) to be included in the Financial Report for the year ended 30 June 2016.

Non-compliance with applicable laws and regulations

In performing our audit of the Council for the year ended 30 June 2016 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; and
- **Computer assurance specialists** are used on a rotational basis to assist in the evaluation of internal controls and in the use of our computerised audit applications.

Appendices

Appendix A

Summary of uncorrected misstatements

In performing our audit, 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 2016.

Appendix B

Summary of uncorrected disclosure deficiencies

In performing our audit of the Corporation of the City of Marion for the year ended 30 June 2016 no material uncorrected disclosure deficiencies were detected in the financial report.

Appendix C

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 2016 and beyond.

Developments in financial reporting

C.1 Standards in issue not yet effective for the year ended 30 June 2016

The following new and revised Accounting Standards and amendments have been issued by the Australian Accounting Standards Board ("AASB") which are not yet effective that are of relevance to the Corporation of the City of Marion:

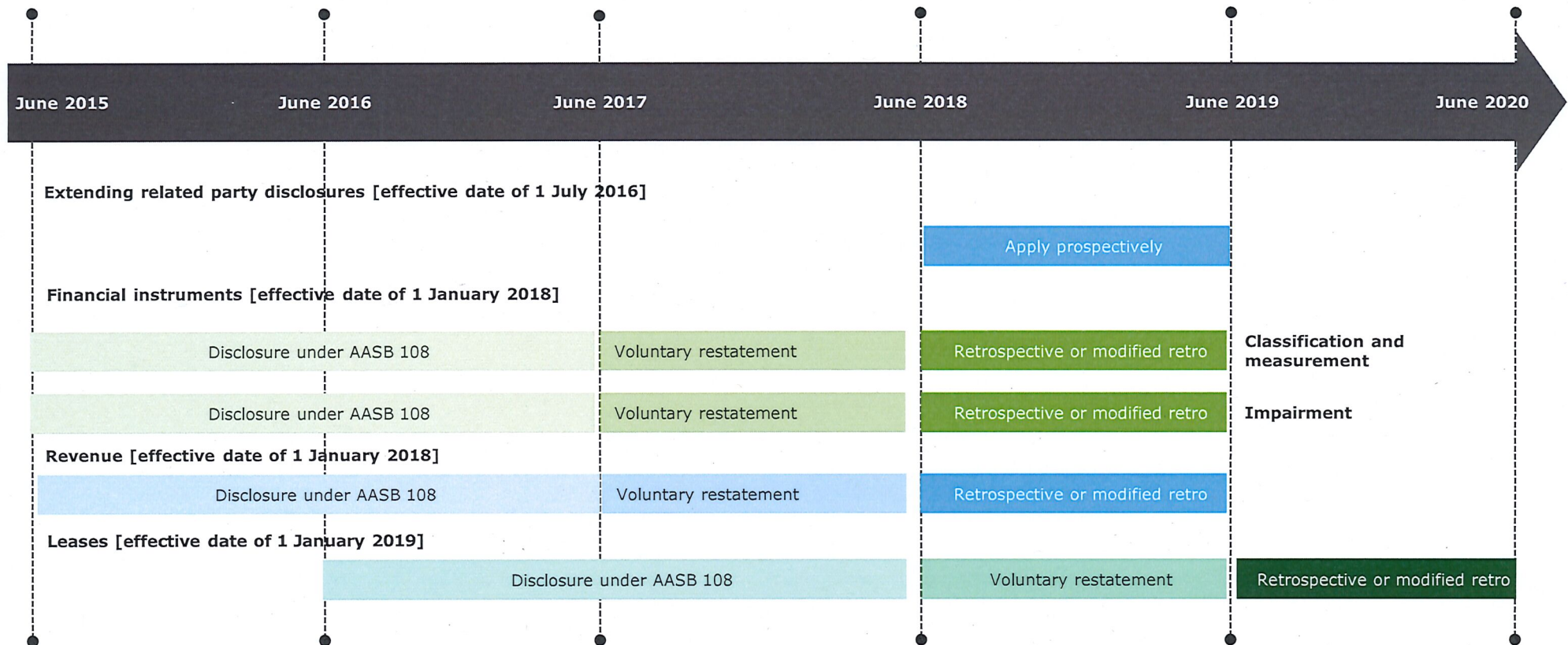
Standard/Interpretation	Effective
AASB 2015-6 Extending related party disclosures to not-for-profit public sector entities	1 July 2016
AASB 9 Financial Instruments 2014	1 January 2018
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from 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
AASB 16 Leases	1 January 2019

Appendix C (con't)

Developments in financial reporting (cont.)

C.2 Project updates timeline

We have set out below a summary of the major projects that may be relevant to the Corporation of the City of Marion.



Appendix C (con't)

Developments in financial reporting		
Standard/ Interpretation	Effective Date	Impact of the new standard/interpretation
Extending related party disclosures	1 July 2016	<ul style="list-style-type: none"> Extends the scope of AASB 124 to not-for-profit public sector entities. Implementation guidance is included in the amendment to assist application of the Standard by not-for-profit public sector entities.
Financial Instrument	1 January 2018	<ul style="list-style-type: none"> The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 Financial Instruments: Recognition and Measurement. The Standard carries over the existing derecognition requirements from AASB 139 but all other areas of AASB 139 have been revised.
Revenue	1 January 2018	<ul style="list-style-type: none"> The objective of this project is to develop a not-for-profit sector Accounting Standard that provides a basis for accounting for resource inflows and, where needed, develop not-for-profit sector specific guidance. In response to the concerns over the income recognition model in AASB 1004 Contributions, the AASB issued ED 260 Income of Not-for-Profit Entities back in April 2015. The Exposure Draft 260 proposes requirements for the recognition, measurement and disclosure of income of Australian not-for-profit entities in the public and private sectors. The key proposal in the Exposure Draft is the removal of the "reciprocal v non-reciprocal" income recognition requirements of AASB 1004. As a replacement, the Exposure Draft proposes that the timing of revenue recognition by a not-for-profit entity in relation to a transaction should be based on whether: (a) the transaction occurs in a contract (that is, an agreement with another party that creates enforceable rights and obligations); and, if so, (b) whether the contract includes performance obligations (which are promises by the entity to transfer goods or services to the customer). When (a) and (b) above are met, the not-for-profit entity would apply AASB 15. Under that Standard, the entity would recognise revenue when (or as) it satisfies each performance obligation by transferring a promised good or service to the customer (which occurs when the customer obtains control of that good or service). ED 260 includes material on "enforceable agreements" and "sufficiently specific transfer" to assist not-for-profit sector constituents to apply the proposed income recognition requirements. In contrast, unless both (a) and (b) above are met, the not-for-profit entity would immediately recognise income under the replacement standard of AASB 1004. Examples of transactions and other events that are within the scope of the replacement standard are: voluntary transfers (e.g. donations, grants and appropriations to government departments and agencies) and compulsory transfers (e.g. taxes, rates and fines).
Leases	1 January 2019	<ul style="list-style-type: none"> Removes distinction between operating and finance lease Requires the lessee to recognise, for all leases: <ul style="list-style-type: none"> An asset representing its right to use the leased item for the lease term, including rights under options A liability for its obligation to pay rentals, including contingent rental and residual value options.

Appendix D

Draft independence declaration

Mr Greg Connor
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
STURT SA 5047

4 October 2016

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 2016 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

Appendix E

Independence letter for the Board Finance and Audit Committee

Mr Greg Connor
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
STURT SA 5047

4 October 2016

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.

Independence

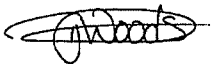
The Local Government Act 1999 and our professional standards require that we communicate with you whether there have been any contraventions of the auditor independence requirements of the Local Government Act 1999 or of any applicable code of professional conduct in relation to the audit. To the best 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 2016.

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



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**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
4 OCTOBER 2016**

Originating Officer: David Harman, Financial Accountant
Manager: Ray Barnwell, Manager Finance
General Manager: Vincent Mifsud, General Manager Corporate Services
Subject: Debtors Report
Report Reference: FAC041016R7.4

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.**

4 Oct 2016

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 \$1,739k.

At the 30 June 2016, Council's Sundry Debtors made up a total of \$1,220,351 (Appendix 1) with \$38,394 (3%) in the 90+ Days category. The overdue amounts in the 90+ Days category have been decreased significantly from the prior year - \$312,246 (40%).

These decreases reflect significant work done in an effort to reduce the balance outstanding over 90+ days and also to improve collection of debt at an earlier stage in the process. This includes regular discussions and follow-up between the Accounts Receivable team and the originating officers (the individuals responsible for raising the invoice requests), monthly meetings to work through the higher volume categories, improving the quality of data collected (address details, etc) and streamlining of processes relating to standing invoices. Work is progressing with management on an ongoing basis to continue to reduce the 90+ Days balance.

During the year one outstanding debt totalling \$14,491.95 was authorised by Council (GC241115R04) to be written off.

Rates Debtors

Rates Debtors have moved from a balance of \$1,647,949 (2.5% of total annual rates) at 30 June 2015 to \$1,993,403 (2.8% of total annual rates) (Appendix 1). The amount postponed has increased from \$80,401 to \$112,302 which represents the 2015/16 rating amounts 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. Due 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 is issued approximately one week after the last day to pay
- Repayment plan implemented where necessary
- Accounts remaining unpaid that are in arrears by > \$600 and more than 2 installments are referred to the Debt Collection Agency to commence recovery proceedings, including implementation of repayment plans where necessary

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 Council has the first legal right of call to recover any outstanding debts in full, including accumulated interest, from the disposal proceeds of the property when the property is:

- Subsequently sold; or
- Becomes a deceased estate

CONCLUSION

This report provides the Finance and Audit Committee with an annual summary report on Sundry Debtors and Rates Debtors in line with the year-end accounts.

Sundry Debtors Report - Aging report as at 30 June 2016

Appendix 1

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	19,501.28	17,191.03	640.00	14.00	.00	1,656.25	4%	Made up of 5 out of 12 debtors.
Hire of Council Facilities Total	13,669.00	7,395.00	1,615.00	2,080.00	.00	2,579.00	7%	Made up of 8 out of 23 debtors in this category, with none individually significant.
Land Clearing Total	2,402.54	.00	1,725.35	.00	.00	677.19	2%	Made up of 2 out of 3 debtors.
Sporting Clubs & Other Leases Total	69,369.49	46,976.60	14,373.02	2,918.10	973.18	4,128.59	11%	Made up of 4 out of 35 debtors in this category. Two of these accounts are on payment plans, one of which totalling \$2,474.59 has since been settled in full
Extra Works Total	31,243.74	12,246.24	3,430.00	.00	1,390.00	14,177.50	37%	Made up of 10 out of 20 debtors in this category, with 3 of these totalling \$6,025.00 relating to works not commenced, awaiting payment.
Swim Centre Debtors Total	8,948.50	.00	.00	577.50	7,733.50	637.50	2%	Made up of 5 out of 10 debtors.
Grants & Subsidies Total	1,033,621.87	1,019,386.00	825.00	5,710.87	2,200.00	5,500.00	14%	Made up of 1 out of 10 debtors and has since been settled in full.
Environmental Health Total	13,465.48	5,392.88	1,654.20	379.60	1,077.00	4,961.80	13%	Made up of 47 out of 90 debtors in this category, with none individually significant.
Impoundment	135.00	.00	.00	.00	.00	135.00	0%	Made up of one debtor.
Tree Funds Total	3,950.84	164.00	.00	.00	527.00	3,259.84	8%	Made up of 10 out of 13 debtors in this category, with none individually significant.
Living Kurna Cultural Centre	13,124.50	10,937.50	642.00	864.00	.00	681.00	2%	Made up of 3 out of 28 debtors. \$358.00 has been settled in June
Marion Cultural Centre Total	10,919.00	7,376.80	3,383.20	159.00	.00	.00	0%	
Total	1,220,351.24	1,127,066.05	28,287.77	12,703.07	13,900.68	38,393.67		
Total Aging Profile		92%	2%	1%	1%	3%		

Category	Description
General	Anything that does not fit into one of the below categories.
Hire of Council Facilities	For hire of rooms in Neighbourhood Centres, etc - usually charged out at an hourly rate. Also includes cultural workshops and tours.
Land Clearing	Relates to the clearing of vacant land
Sporting Clubs & Other Leases	Rent, electricity, water, maintenance, etc charged out to lessees.
Extra Works	For 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	Food Inspection fees
Impoundment	Used for Vehicle Impoundment fees.
Tree Funds	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
Marion Cultural Centre	For invoices relating to the Marion Cultural Centre

Rates Report - Collection of Rates to 30 June 2016

ANALYSIS OF OUTSTANDING RATES AS AT 30 JUNE 2016

	<u>Note</u>			% of Total Annual Rates
CURRENT	1	-\$	581,289	-0.8%
OVERDUE	2	\$	1,723,248	2.5%
ARREARS	3	\$	710,854	1.0%
POSTPONED	4	\$	112,302	0.2%
LEGALS	5	\$	28,287	0.0%
			\$ 1,993,403	2.8%
TOTAL ANNUAL RATES FOR 2015/16			\$ 69,988,000	

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
4 OCTOBER 2016**

Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Ray Barnwell, Acting General Manager Corporate Services

Subject: Meeting with External Auditor in Confidence

Report Reference: FAC040916R7.5

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 Wood (Deloitte) be excluded from the meeting as the Audit Committee meets with Councils external auditor to discuss the end of financial year audit, on the basis that the 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 AND AUDIT COMMITTEE MEETING
4 OCTOBER 2016**

Originating Officer: John Stewart, Financial Co-ordinator
Manager: Ray Barnwell, Manager Finance
General Manager: Vincent Mifsud, General Manager Corporate Services
Subject: Investment Performance 2015/16
Report Reference: FAC041016R7.6

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 11 October 2016.

A summary of the 2015/16 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 9th consecutive year.

RECOMMENDATION (1)

DUE DATE

That the Finance and Audit Committee:

- 1. Notes the Investment Performance Report 2015/16.**

4 October 2016

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;

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 76 days and an average return of 3.00%. The average 'at call' rate of return was 2.31%. 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.

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.

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 2015/16 all surplus funds were invested with the LGFA, who, on all occasions offered the most competitive interest rates.

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 2015/16 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 \$696,227 of interest on its investments in 2015/16 at an average rate of return of 2.77%, a favourable outcome compared to the benchmark indicator (average Reserve Bank cash rate) of 1.96%.

Bank Bill Swap Rate (BBSW)

The Finance and Audit Committee commented when reviewing last years 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 76 days. For the 2015/16 financial year, the 90 Day BBSW was 2.19%. Council's annual rate of return of 2.77% 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 \$696,227 produced a minor unfavourable variance against a final revised budget forecast of \$701,800.

Finance Audit Committee Advice

Administration welcomes any Finance and Audit Committee feedback prior to forwarding to Council the Investment Performance Result for 2015/16.

CONCLUSION:

The investment performance for 2015/16 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.

Investment Performance 2015/16

Interest on Investments

Interest on investments for 2015/16 was \$696,227. Recent interest on investment history reveals the following:

	2011/12	2012/13	2013/14	2014/15	2015/16
Total Interest (including LGFA Bonus)	\$963k	\$1,144k	\$793k	\$888k	\$696k
LGFA Bonus	\$45k	\$63k	\$87k	\$86k	\$109k

The decrease of interest on investments in 2015/16 can be mainly attributed to the decrease in the average amount invested per day, decreasing from \$28.8m in 2014/15 to \$25.1m in 2015/16. This would indicate that funds were not able to be kept on deposit for as long in 2015/16, prior to being required to meet payment obligations for wages, creditors and progress payments for major capital projects. Decreases in the Reserve Bank of Australia's cash rate have also had an impact on the reduction of interest revenue.

The breakdown by Institution of the above total interest of \$696k for 2015/16 was as follows;

Term Deposits

LGFA \$692k Annual Average Rate of Return 2.89% which includes the annual LGFA bonus distribution. Best rate was 3.15% over 120 Days – last experienced Mar 2016.

Other Institutions \$Nil

Sub-Total \$692k

Operating Account

BankSA \$4k Annual Average Rate of Return 0.36%

Total **\$696k**

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 March 2016 at \$30,082,771. The peak value of investments history reveals the following:

2011/12	2012/13	2013/14	2014/15	2015/16
\$25.7m	\$33.4m	\$30.9m	\$34.9m	\$30.1m
Sep 2011	Dec 2012	Jun 2014	Sep 2014	Mar 2016

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

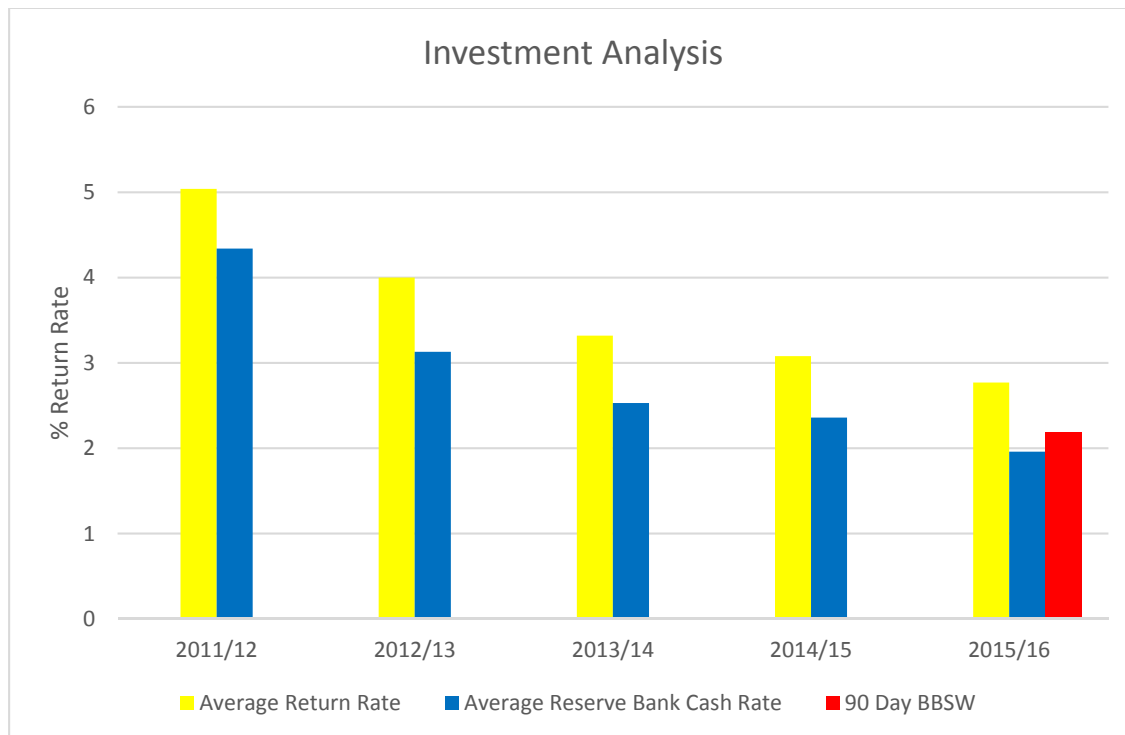
Council's Investment performance is measured against a recommended benchmark and submitted for consideration by Council on an annual basis. This is in accordance with guidelines contained in the "Investment Policy & Review of Investments" document published by the South Australian Local Government Financial 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 2015/16;

Date	Fluctuation	Revised Rate
4/5/2016	-0.25%	1.75%

The annual rate of return on investment for the City of Marion in 2015/16 was 2.77% compared to the annual average bench mark rate of 1.96%, 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.

	2011/12	2012/13	2013/14	2014/15	2015/16
Annual Rate of Return	5.04%	4.00%	3.32%	3.08%	2.77%
Average Reserve Bank Cash Rate	4.34%	3.13%	2.53%	2.36%	1.96%
Benchmark Variation	+0.70%	+0.87%	+0.79%	+0.72%	+0.81%



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 2015/16 result is the ninth consecutive year of a favourable outcome being reported.

Council's General Bank Account earned an average rate of 0.36% in 2015/16, 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
4 OCTOBER 2016**

Originating Officer: David Harman, Financial Accountant

Manager: Ray Barnwell, Manager Finance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Treasury Management and Reserve Funds Policy

Report Reference: FAC041016R7.7

REPORT OBJECTIVES

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

EXECUTIVE SUMMARY

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

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

Discussion took place at the meeting with the FAC stating that it would be useful to provide investment parameters and guidelines within the Treasury Management Policy to ensure a sound financial approach, and that the Reserve Funds Policy would benefit from the development of criteria to guide the use and limitations which would provide further clarity and transparency regarding why funds are being placed into the Council's reserves and the intended use of these funds.

Amendments have been proposed to the Treasury Management Policy (Appendix 1), and investigations are currently in progress for suitable criteria to be included in the Reserve Funds Policy.

RECOMMENDATIONS (4)

	DUE DATES
That the Finance and Audit Committee:	
1. Notes the report.	4 Oct 2016
2. Provides their feedback on the proposed amendments to the Treasury Management Policy.	4 Oct 2016
3. Provides guidance around the potential inclusions being investigated for the Reserve Funds Policy.	4 Oct 2016
4. Notes a report will be brought to the next Committee meeting further detailing suggested amendments to the Reserve Funds Policy and potential impacts on the LTFFP.	4 Oct 2016

Background and Discussion

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

Treasury Management Policy

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

At its meeting on 16 August 2016 (FAC160816R7.2) the Committee suggested it would be useful to include investment parameters and guidelines to ensure a sound financial approach is taken.

Proposed amendments to the policy focus on being more prescriptive around the types of institutions that investments can be held with, considerations required when making an investment and criteria for ensuring competitive rates are received – these have been highlighted in Appendix 1

Reserve Funds Policy

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

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

At its meeting on 16 August 2016 (FAC160816R7.2) the Committee suggested the development of criteria to guide the use and limitations of this policy to provide further clarity and transparency regarding why funds are being placed into this reserve and how Council intends to spend these funds.

Work has commenced on this review with potential inclusions into the policy with guidance sought in relation to the following:

- Providing guidelines around the types of projects these funds can be utilised for.
- Including a limit on funds to be used for an individual project – potentially a fixed amount or a percentage.
- Providing guidelines for what percentage of a project may be funded from reserve funds (eg a potential requirement for projects to have some component of external funding).
- Including a cap on funds held in reserve for future projects to ensure intergenerational equity, giving consideration to impacts on rate modelling and Council's Long Term Financial Plan.
- Discussion around the need for reserves to be fully or partially cash-backed.

The following information is being provided to support discussion;

1. Treasury Management Policy (Appendix 1)

CONCLUSION

Council's Treasury Management policy and Reserve Funds policy seek to underpin Council's decision making in relation to financing its operations and managing its long term funding requirements in a financially sustainable manner. Feedback and guidance is sought from the Finance and Audit Committee in relation to the proposed amendments to the Treasury Management Policy, along with the items currently being investigated in relation to the Reserve Funds Policy

APPENDICES

Appendix 1: Treasury Management Policy

Treasury Management Policy



1. RATIONALE

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

2. POLICY STATEMENT

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

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

3. OBJECTIVES

The objective of this This Treasury Management Policy **is to** establishes a decision framework to ensure that:

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

4. POLICY SCOPE AND IMPLEMENTATION

Treasury Management Strategy

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

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



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

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

Net Financial Liabilities ratio: Between 0 - 50%

Interest Cover ratio: Between 0 - 5%

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

Borrowings

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

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

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



Investments

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

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

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

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

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

Council may from time to time invest surplus funds in:

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

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

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



- the Government guarantee on the investment.

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

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

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

Reporting

In accordance with Section 140 of the Local Government Act, a report will be presented to Council annually which will summarise the performance of the investment portfolio. This report will review the investment performance against prior years and appropriate benchmarks including the RBA cash rate.

5. DEFINITIONS

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

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

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

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



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

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

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

Rates Revenue is general and other rates net of the impact

6. ROLES AND RESPONSIBILITIES

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

7. REFERENCES

OTHER RELATED POLICIES

- Reserve Funds Policy



LEGISLATION

For Borrowings

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

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

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

For Investments

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

The main Local Government Act provisions covering investments are:-

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

8. REVIEW AND EVALUATION

This policy will be reviewed as part of the Annual Budget Process

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
4 OCTOBER 2016**

Originating Officer: Sherie Walczak, Unit Manager Risk

Corporate Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Fraud and Corruption Management Framework

Report Reference: FAC041016R7.8

EXECUTIVE SUMMARY:

The Finance and Audit Committee has been established to assist Council manage and facilitate its governance obligations. Section 2.2.3 of City of Marion's Finance and Audit Committee Policy states that the Committee will assist Council facilitate the *'effective management of risk and the protection of Council assets'*.

In line with the Committee's obligations, a draft Fraud and Corruption Management Framework (Framework) has been developed to support the City of Marion's Fraud and Corruption Management Policy and Risk Management Policy and Framework. The purpose of this report is to seek the Committee's input regarding the Framework prior to being presented to Council for consideration and adoption.

BACKGROUND

In 2014, amendments to the Local Government Act were enacted regarding the obligation of Council's external auditors to report on the internal controls exercised by the Council during the financial year. The City of Marion implemented the control track software to document, assess and review internal controls across the City of Marion. Through this review process, it was identified that the City of Marion did not have a Fraud and Corruption Policy and recommended that one be implemented.

Subsequently, a Fraud and Corruption Management Policy (**Appendix 1**) was developed, reviewed by the Finance & Audit Committee and endorsed by Council at their meeting on the 24th May 2016. The next stage in managing fraud and corruption risks is the implementation of the Framework.

RECOMMENDATION (1)

DUE DATE

That the Finance and Audit Committee:

- 1. Recommends that the Fraud and Corruption Management Framework be submitted to Council for consideration and adoption.**

4 October 2016

DISCUSSION

The new draft Framework (**Appendix 2**) aims to provide a practical document to introduce and embed an ethical culture and high level of fraud and corruption awareness throughout all levels of CoM to support the prevention, detection, assessment, reporting, action and investigation of Fraud and Corruption.

The new draft Framework contains two Fraud and Corruption Control Corporate Reports which will be required to be completed on an annual basis;

- A Corporate Report (**Appendix 3**) has been developed which requires completion by a selection of Senior Leadership Team members to ensure overarching fraud and corruption control processes have been implemented across the organisation.
- A Work Area Report (**Appendix 4**) has been developed which requires completion by all 28 Work Area Plan owners to acknowledge that the overarching fraud and corruption control processes have been practically implemented, and complied with, in their work area.

NEXT STEPS

A fraud and corruption risk assessment will be undertaken as part of the annual review of corporate risk and subsequently reported to the Finance and Audit Committee at its meeting scheduled for early 2017.

Fraud and corruption management and ICAC Act training will be added to the organisational training needs analysis with training for identified roles being scheduled accordingly.

The Fraud and Corruption Control Corporate and Work Area Reports will have practical implementation each financial year culminating in a register of reports which will inform appropriate responses for the annual executive assurance statement required by the external auditor.

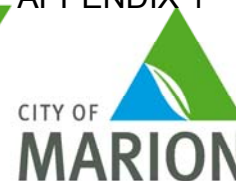
CONCLUSION

The recently adopted Fraud and Corruption Management Policy and the proposed Fraud and Corruption Management Framework, together with the suite of underpinning documentation and processes outlined in the next steps, will provide Council with assurance that the City of Marion is proactively managing its Fraud and Corruption risks.

APPENDICES:

- Appendix 1 - Fraud and Corruption Management Policy
- Appendix 2 - Draft Fraud and Corruption Management Framework
- Appendix 3 - Draft Fraud and Corruption Control Corporate Report
- Appendix 4 - Draft Fraud and Corruption Control Work Area Report

Fraud & Corruption Management Policy



1. Policy Statement

The City of Marion ('the Council') is committed to excellence in governance. The Council is committed to acting in the best interest of the community and to upholding the principles of honesty, integrity and transparency, which are all key components of good governance. It is recognised that Fraud and Corruption in Public Administration have the potential to cause significant financial and non-financial harm and, therefore, the prevention and control of Fraud and Corruption should be covered within the Council's Risk Management systems and procedures.

This Policy is design to protect public funds and assets as well as the integrity, security and reputation of the Council. It outlines the Council's approach to the prevention or minimisation, identification and control of fraudulent and/or corrupt activity and summarises the associated responsibilities.

The Council is committed to protecting its revenue, expenditure and assets and therefore has implemented appropriate Fraud and Corruption prevention and will:

- Comply with the requirements of the Independent Commission Against Corruption (ICAC) Act 2012
- Foster an ethical environment in which dishonest and fraudulent behaviour is actively discouraged.
- Adopt of a risk management approach to Fraud and Corruption including pro-active assessment of risks plus establishing and maintaining an effective system of controls and enforcing compliance with those controls.
- Ensure all of the Council's employees and elected members are aware of their obligations through the induction process, ongoing training and the evaluation of practices relevant to the control of Fraud and Corruption.
- Take appropriate action in response to allegations of fraudulent and/or corrupt activity including reporting in accordance with the ICAC Act and taking the appropriate disciplinary action in accordance with the Council's Code of Conduct.

The purpose of this Policy is to formalise the Council's commitment to managing Fraud and Corruption risks and to establish responsibilities for the application of Fraud and Corruption mitigation strategies and Internal Controls within the Council's operations.

2. Policy Scope

This Fraud and Corruption Management Policy applies to all operations and functions of the Council.

3. Definitions

Corruption in public administration, as defined in the ICAC Act, includes:

- bribery or corruption of public officers
- threats or reprisals against public officers and
- certain offences committed by public officers including:
 - abuse of public office
 - demanding or requiring a benefit on the basis of public office
 - an offence, or an attempt to commit an offence against the Public Sector (Honesty and Accountability)

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		<i>Before using a printed copy, verify that it is current.</i>		

Fraud & Corruption Management Policy



Act 1995 or the Public Corporations Act 1993 and

- any other offence committed by a public officer whilst acting in his or her capacity as a public officer.

Fraud, as defined in the AS 8001:2008 Fraud and Corruption Control, is Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit.

4. Objectives

The following objectives underpin the City of Marion's approach to addressing Fraud and Corruption Management:

- Introduce and embed an ethical culture and high level of Fraud and Corruption awareness throughout all levels of CoM to support the prevention, assessment, reporting, action and investigation of Fraud and Corruption.
- Implement consistent Fraud and Corruption management processes to manage Fraud and Corruption throughout CoM's organisational systems and functions in line with Fraud and Corruption standards including AS 8001:2008 Fraud and Corruption Control.
- To clarify the responsibilities within the Fraud and Corruption Control Framework to enable the consistent and systematic application of our Fraud and Corruption management approach within all of the Council's operations.
- To guide a risk management approach to Fraud and Corruption control to ensure proactive management strategies are implemented to mitigate against events occurring and ensure robust contingency plans to lessen the impact of events if they were to materialise.
- To continually align the Fraud and Corruption management program with the Business Excellence Framework.

To achieve the Council's objectives, the City of Marion Fraud and Corruption Control Framework ('the Framework') has been established and refined in accordance with the Australian Standard 8001:2008 Fraud and Corruption Control. The aim of the Framework is to provide guidance on the most effective way to prevent and manage Fraud and Corruption activities to minimise the associated risks that may impact on achievement of the Council's strategic objectives as outlined in the Community Plan.

5. Roles and Responsibilities

As the decision making body of the Council, Elected Members are responsible for ensuring that the Council promotes community awareness of the Council's commitment to the prevention of Fraud and Corruption, providing adequate resources and security for the prevention of Fraud and Corruption, providing mechanisms for receiving allegations of Fraud and Corruption and appoints a Responsible Officer to manage the prevention and control of Fraud and Corruption.

To assist the Council in discharging its responsibility in relation to Fraud and Corruption control, the Council will seek the views of its Finance & Audit Committee. The responsibilities of the Committee are contained in the Committee's Policy and Terms of Reference.

Council has also delegated various powers and functions to the Responsible Officer (Chief Executive Officer) to enable the setting of the policy and procedures to assist with the management of the City of Marion Fraud and

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Fraud & Corruption Management Policy



Corruption profile and therefore has overall accountability for an effective Fraud and Corruption management program.

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

6. Compliance Obligations

[Local Government Act 1999](#)

[Independent Commissioner Against Corruption Act 2012](#)

[Public Sector \(Honesty and Accountability\) Act 1995](#)

[Public Corporations Act 1993](#)

7. References

City of Marion Fraud and Corruption Control Framework

City of Marion Code of Conduct

City of Marion Risk Management Policy and Framework

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

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

AS 8001:2008 Fraud and Corruption Control

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Fraud & Corruption Management Framework

VERSION 1.0

Endorsed by Council

XX September 2016

Framework



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Framework

1. Introduction

The City of Marion (CoM) is committed to a Fraud & Corruption Framework that provides a robust approach to protecting its reputation, revenue, expenditure and property from any attempts to make gain by deceit through minimising the opportunity for fraud and corruption activities.

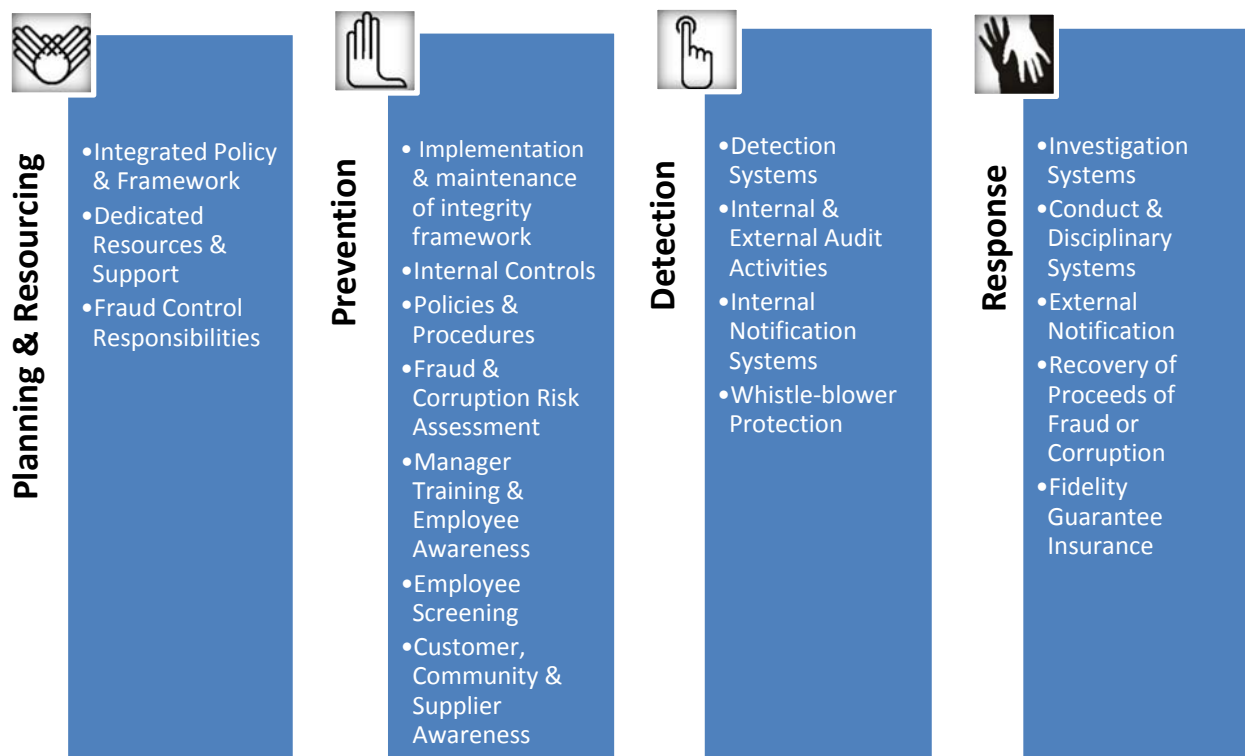
Core to this approach are the CoM's organisational Values highlighting what is important to Council and how everyone is expected to behave. Central to living the values is the role of leadership, as leaders set the tone for what is important and demonstrate expected conduct of staff. Values help drive the behaviour required to achieve the organisation's strategic goals. With the community and safety at the forefront of everything we do, Marion values:

- Respect
- Integrity
- Achievement
- Innovation

This document sets out the framework for fraud and corruption management across the City of Marion and is aligned to the Australian Standard AS 8001:2008 on fraud and corruption control.

To mitigate the risks associated with fraud and corruption, an integrated strategy has been developed. There are four core elements within the Fraud & Corruption Management Framework (the "Framework") that supports our culture of effective decision making and good corporate governance. These core elements are embedded across the organisation and are outlined in Diagram 1 below.

Diagram 1. Fraud and Corruption Control Elements (source AS8001:2008)



Framework



2. Planning & Resourcing

2.1 Integrated Policy & Framework

The Fraud & Corruption Management Framework should be read in conjunction with the Fraud & Corruption Management Policy. The Policy outlines Council's commitment to fraud and corruption management and the objectives for the fraud and corruption management program which are:

- To introduce and embed an ethical culture and high level of fraud and corruption awareness throughout all levels of CoM to support the prevention, detection, assessment, reporting, action and investigation of Fraud and Corruption.
- To implement consistent fraud and corruption management processes to manage fraud and corruption throughout CoM's organisational systems and functions in line with fraud and corruption standards including AS 8001:2008 Fraud and Corruption Control.
- To clarify the responsibilities within the Framework to enable the consistent and systematic application of our fraud and corruption management approach within all of the Council's operations.
- To guide a risk management approach to fraud and corruption control to ensure pro-active management strategies are implemented to mitigate against events occurring and ensure robust contingency plans to lessen the impact of events if they were to materialise.
- To continually align the fraud and corruption management program with the Risk Management and Strategic Management Frameworks.

Integration of the fundamental fraud risk principles into all activities across CoM provides a standardised approach to ensure shared learnings and continual improvement resulting in many benefits to the management of our fraud risk exposure as outlined in Diagram 2.

Diagram 2: Integration of Fraud & Corruption Management

Principles	Activities	Benefits
<ul style="list-style-type: none"> • Embed an ethical culture and high level of fraud and corruption awareness • Implement appropriate fraud and corruption management processes • Alignment with AS 8001:2008 Fraud and Corruption Control. • Clarify responsibilities at all levels of the organisation • Enable consistent and systematic application across all of the CoM's operations. • Guide a risk management approach • Continual alignment with the Risk management and Strategic Management Frameworks 	<ul style="list-style-type: none"> • Organisational Values and Code of Conduct • Schedule of Delegations • Internal Control Framework • Assurance Programme (Internal & External Audit & Service Reviews) • Risk Management Program • Asset Management Plan • Conflict of Interest Policy • Elected Members Gifts & Benefits Register • City of Marion Staff Gift Register • Disposal & Acquisition • Procurement & Contract Management Framework • Internet and Email Access and Usage Policy • Financial Policies & Procedures: eg Treasury Management, Purchase Card, Petty Cash, Cash Handling • Feedback processes • Records Management • Disciplinary Processes • Insurance 	<ul style="list-style-type: none"> • Preserve Reputation • Minimise losses • Improved compliance • Improved governance and stakeholder confidence • Effective use and allocation of fraud and corruption management resources • Improved controls and operational effectiveness & efficiencies • Enhanced loss prevention and incident management • Encourage proactive management • Improved identification of opportunities and threats

Framework

2.2 Dedicated Resources & Support

As outlined in the Policy, the Chief Executive Officer (CEO) has appointed Responsible Officers who are the Manager Corporate Governance and the Manager Human Resources to enable the setting of the Policy and oversee the fraud and corruption management program

The Risk Management Unit is responsible for the facilitation of the fraud and corruption management program and act as document and system owners. In particular, the Unit Manager Risk and Risk Coordinator provide guidance, training, information and documented resources, coordinate fraud and corruption reporting and integrate feedback and learning into the continuous improvement of the fraud and corruption management program. A key focus is to build fraud and corruption management capability across the CoM to improve decision making outcomes and minimise the organisational exposure to fraud and corruption.

2.3 Fraud Control Responsibilities

CoM will ensure clear responsibility and accountability for the implementation and monitoring of this Framework including supporting policies, procedures and activities. It is critical that staff understand their obligations and that everyone clearly understands their role in minimising the opportunity for fraud and corruption. Overarching responsibilities are outlined in Diagram 3 followed by detailed explanations.

Diagram 3: Roles and Responsibilities



Council

Council is responsible for adopting and reviewing the City of Marion Fraud and Corruption Management Policy and Framework. This ensures a fraud and corruption management process across the CoM that reflects the expectations of the community. The effectiveness of the fraud and corruption management program is monitored through the review of reports by the Finance & Audit Committee and the CEO. Reports include the timely reporting of any significant events of fraud and corruption.

Framework



Finance & Audit Committee

As part of its advisory and assurance role to Council, the Finance & Audit Committee reviews the fraud risk profile annually, monitors the exposure of Council, fraud and corruption management processes and management information systems. The Committee provides guidance, support and advice to the Council on the reports received, including its opinion on whether the fraud and corruption management program is effective and aligned to community and Council expectations. Refer to the Finance & Audit Committee Policy and Terms of Reference. In addition, the Committee receive (desensitised) notification of all incidents of reported fraud and/or corruption along with details of the investigations and the resulting actions.

Chief Executive Officer

Council has delegated various powers and functions to the CEO to enable the setting of policy and procedures to assist with fraud and corruption management at the CoM.

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

The CEO has a role to ensure the timely reporting of fraud and corruption issues to Council and in overseeing the appointment of Responsible Officers.

General Managers

General Managers and the CEO have high level oversight of operational (Work Area) fraud risks across their division and escalate issues or concerns for monitoring by the RWG as necessary. General Managers model and encourage fraud and corruption management behaviour to foster integration of a fraud and corruption management culture. Ensure participation of Work Areas within their division in fraud and corruption management activities.

Risk Working Group

With membership including the Executive Leadership Team (ELT), the Risk Working Group (RWG) oversees the fraud and corruption management program and confirms the fraud and corruption management reports to be provided to the Finance & Audit Committee. Refer to the Terms of Reference for full membership, purpose and reporting responsibilities.

Responsible Officers

The Responsible Officers, as appointed by the CEO, are the Manager Corporate Governance and the Manager HR who have the responsibility to:

- Receive information from a whistle-blower;
- Undertake an assessment & ensure adequate resources are available to respond to the incident;
- Isolate the area of investigation to prevent destruction or manipulation of evidence;
- Undertake an investigation or appoint an external investigator and report to the CEO, or the Mayor in the case that the respondent is to the CEO, including advice on whether an employee be suspended (with pay) from duties during these investigations;
- Advise other appropriate external authorities as required; and
- Protect the whistle-blower and ensure that the entire process is undertaken in accordance with this Framework

Senior Leadership Team

As individual operational (Work Area) risk owners, managers implement fraud and corruption management processes across the span of their responsibility to minimise the opportunity for operational fraud risk. This includes determining fraud risk management accountability at an operational level and whether fraud risk ownership is delegated to Unit Manager level.

Framework

Leadership Team

Contribute to the management of operational fraud risk including implementation of the fraud and corruption management process across the span of their responsibility.

All leaders will demonstrate integrity and fairness in decision making and an open honest relationship in their dealings with others. Specific fraud and corruption prevention strategies will be implemented that are consistent with overall corporate strategies, which include:

- Defining clear lines for supervisory responsibilities and accountabilities,
- Reinforcing the need for disciplinary measures when required,
- Adopting preventative measures to deter and detect instances of fraud and/or corruption, and
- Reporting all incidents of fraud and/or corruption.

Unit Manager Risk

Responsible for coordinating the fraud and corruption management program including updating and enhancing the Fraud and Corruption Management Policy, Framework, Control Reports and ongoing training and prevention program.

All Staff

Employees of the CoM will act ethically and responsibly in all their actions, behave in a responsible manner in accordance with the Code of Conduct for Employees and disclose any suspected instances of fraud and/or corruption to a Responsible Officer.

3. Fraud & Corruption Prevention

3.1 Implementation & Maintenance of integrity framework

CoM's Code of Expected Behaviours provides a guide to ethical and constructive decision making. The decision making guide can assist employees in determining an appropriate course of action when faced with an ethical dilemma. The model helps to ensure that behaviour meets the standards required.

A risk based approach to fraud & corruption helps managers to understand the risks associated with all levels of business and highlights areas where pressure, opportunity and rationalisation can occur. These three elements are otherwise known as the 'Fraud Triangle'.

Diagram 4: Fraud Triangle



Framework



The triangle depicts that individuals are motivated to commit fraud when three elements come together:

- **Pressure:** pressure on the individual is often the motivation behind fraud and can be either personal financial pressure, such as debt problems, or workplace debt problems, such as a shortfall in revenue. The pressure is seen by the individual as without a legal or sanctioned solution and is not open for group remedy or discussion.
- **Opportunity** – the opportunity to commit fraud – is the means by which the individual will defraud the organisation. In this stage the individual sees a solution and they often abuse their position to solve the perceived financial problem in a way that they believe is unlikely to be discovered. In many cases the ability to solve the problem in secret is key to the perception of a viable opportunity.
- **Rationalisation** – the ability to rationalise the crime is the final stage in the fraud triangle. This is a cognitive, ethical stage and requires the individual to be able to justify the crime in a way that is acceptable to his or her internal moral compass, often based on external factors, such as a need to take care of family, or a mitigating the harm done by the crime.

3.2 Internal Controls

Robust internal control structures are already in place and risk management processes continue to be assessed and reviewed to ensure their effectiveness. They will be subject to an internal and external audit function to monitor the effectiveness of those internal controls. Individual officers are responsible for daily operations and for maintaining cost-effective internal control structures within their organisational responsibility which require staff to follow standard practices when conducting Council business, to act in accordance with best practice, and to adhere to agreed internal control systems which may include:

- segregation of duties
- staff induction, education & training
- reconciliations
- security of assets, records and information systems
- supervision and internal checks
- clear reporting lines
- performance management, and
- consideration of risk and risk management strategies

3.3 Fraud & Corruption Risk Assessment

In alignment with the Risk Management Policy and Framework, the CoM will undertake a separate fraud and corruption risk assessment as part of its broader risk management program. The fraud and corruption risk assessment quantifies the level, nature and method of the risks to be managed and leads to the identification of actions to mitigate the risks identified.

3.4 Manager Training & Employee Awareness

All staff will be provided training and awareness in the Fraud and Corruption Management Policy and Framework, the organisational Values, the Code of Conduct, and other relevant policies to ensure they understand the minimum standards of behaviour required of them. This training is included as part of the induction program and will include advice about ethical behaviour and awareness of fraud and corruption risks. The organisational values are also embedded into position descriptions and the Leadership/Performance Development Plan. Managers and staff identified as having a greater exposure to fraud and corruption risk will receive additional training which will be tailored to the risks created by the operational environment.

3.5 Employee Screening

In considering the suitability of applicants for roles identified as having a greater fraud and corruption risk, Police Checks will be required as part of the selection process when filling those advertised positions. If the applicant refuses to provide a Police Check, they will not be employed by CoM and the offer of employment will be immediately withdrawn. If the Police Check results in a history of fraudulent or corrupt behaviour, the applicant will not be employed by CoM and there will be no offer of employment extended to the applicant.

Framework



3.6 Customer, Supplier & Community Awareness

Awareness will be raised to recognise any fraud and corruption risk posed by external parties, customers, suppliers and the community in general. Through this framework and related fraud and corruption management tools, staff in relevant roles will be informed as to how to report suspected instances of fraudulent or corrupt behaviour and the approved method for the management of this reporting. The Fraud and Corruption Policy will be available to customers, suppliers and the community via the City of Marion website.

4. Fraud & Corruption Detection

4.1 Detection Systems

The CoM will have adequate detection systems to monitor data and identify irregularities and warning signals. In addition to management's monitoring and review, an internal audit schedule will be implemented based on risk. These internal audits provide assurance on the effectiveness of internal controls established by management including those to prevent and detect fraud and corruption.

In addition, all work areas will annually review and update a 'Fraud and Corruption Control Report'. This document provides the mechanism for outlining each work areas approach to fraud and corruption control within their area of responsibility. It will also assign responsibilities for various detection systems including authorisation of various processes, segregation of duties and rotation of tasks.

4.2 Internal and External Audit Activities

The fraud and corruption management program supports an effective and comprehensive assurance program (internal and external audit). The CoM's internal audit program is to include both systematic and random audits to test compliance, and effectiveness of internal controls. The findings of these audits are reported to Council via the Finance and Audit Committee, to ensure that any identified adverse trends or deficiencies are appropriately actioned.

4.3 Internal Notification Systems

Council encourages the reporting of suspect behaviours and provides support for staff and community to report suspected instances of fraud and/or corruption via the following mechanisms:

- Verbal; by telephone or in person, to one of the Responsible Officers
- Email; addressed to the Responsible Officer via council@marion.sa.gov.au
- Post; addressed to the Responsible Officer via PO Box 21, Oaklands Road SA 5047

Protection from reprisal action is provided for those who do report suspected instances of fraud and/or corruption under the CoM Whistle-blower Policy however each method of the notification system provides the opportunity for the complainant to report the suspect behaviours anonymously.

Instances of purposely false and defamatory reports of suspect behaviours by CoM employees will be responded to within the Addressing Employee Performance and/or Conduct Procedure.

4.4 Whistle-blower Protection

Council is committed to ensuring the protection of Whistle-blowers who report suspected instances of fraud and/or corruption under its Whistle-blowers Policy.

Framework



5. Responding to Detected Fraud & Corruption Incidents

5.1 Investigation Systems

All reported instances of fraud and corruption will be subject to an investigation process, conducted by a responsible officer, with the appointment of an external consultant if required. The Responsible Officer will report to the CEO (or the Mayor in the case that the respondent is to the CEO) and be fair and independent of the Work Area, the whistleblower and/or any other person(s) involved in the investigation. They will investigate the substance of the allegation to determine whether there is evidence in support of the matters raised, or alternatively, to disprove the report made. In the event of a report being made, the Responsible Officer will notify the individual that they are under investigation.

Investigations will be undertaken promptly, have accurate evidence collection, ensure procedural fairness, and be of the highest standards of quality. They will also be undertaken with the aim to identify opportunities to improve organisational policies, procedures and systems and will make recommendations accordingly. At the conclusion of an investigation, the Responsible Officer will submit a written report to the CEO who will determine whether the matter is to be referred external agencies as outlined in 5.3 External Reporting.

5.2 Conduct & Disciplinary Systems

Fraud and corruption is a crime and will not be tolerated and, after investigation, those found to have engaged in such conduct will face disciplinary action. Staff are expected to act in an ethical manner and in accordance with the standards of behaviour set out in the Organisational Values and Code of Conduct.

5.3 External Reporting

State Government agencies require public authorities and public officers report matters that are reasonably suspected to involve fraud and/or corruption, including:

- The Independent Commissioner Against Corruption, for incidents of fraud or corruption
- The South Australian Police, for criminal matters

The Independent Commissioner Against Corruption's Directions and Guidelines document outline the reporting obligations of public authorities and its officers where there is occasion that corruption, misconduct and/or maladministration in public administration is reasonably suspected. Reports will be made by the CEO and should identify the matter in relation to what is suspected and the public officer involved. It will include a statement outlining how we became aware of the conduct, the evidence known, any relevant documentation and details of those aware of the issue that can give evidence relevant to the conduct.

In most cases the act of fraud or corruption will be deceptive and therefore not obvious however in some cases (eg armed hold-up or breaking and entering), Police presence will be required as a matter of urgency. The decision to call the Police will normally be an action by the most senior officer on site at the time of the emergency. Any employee who calls the Police shall notify the CEO as soon as practicable.

5.4 Recovery of Proceeds of Fraud or Corruption

When a case has been fully investigated and been proven, Council will aim to seek full reimbursement of any financial loss incurred.

5.5 Fidelity Guarantee Insurance

Council is provided insurance cover by the Local Government Association Asset Mutual Scheme and Fidelity Guarantee in the amount of \$500,000 for any one claim and in total each year.

As leaders at the City of Marion, it is imperative that you define the Fraud and Corruption exposure of your Work Area by detailing and prioritising the fraud risks within your Work Area and undertake to describe 'the controls and prevention activities', identify the 'system or procedural weaknesses' and their corresponding rectification plans, assign responsibility for implementation of actions and implement the recommendations of internal audits. These actions will assist us achieve the "7th Strategic Goal" of achieving:

'Our Council of Excellence'

RISK UNIT CONTROLS		Y	N	N/A
1. Is the Fraud and Corruption Policy and Framework relevant and currently within review date?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
2. Has the Fraud and Corruption risk assessment been developed and/or reviewed?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
3. Has appropriate awareness and training been provided for relevant officers to enable the completion of the Work Area Control Reports?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
4. Have any matters been reported to CoM's Insurance provider?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If yes, please provide a brief outline:				
5. Have any matters been identified as a result of internal/external audit?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If yes, please provide a brief outline:				

Signed as true and correct by the Unit Manager Risk:

Date:

HR CONTROLS		Y	N	N/A
1. Are the organisational values considered during the selection of all new staff members?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
2. Are Police Checks undertaken for all identified positions?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
3. Is the Fraud and Corruption Management Policy & Framework, organisational Values and the Code of Conduct included as part of the induction program for all new staff members?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
4. Is a program of Performance Development reviews undertaken across all work areas?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
5. Are fraud and corruption management obligations incorporated into relevant Position Descriptions?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
6. Is Fraud and Corruption or ICAC training been reflected in the Training Needs Analysis and provided to relevant staff?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, list the dates of the last training held:				

Signed as true and correct by the HR Manager:

Date:

GOVERNANCE CONTROLS		Y	N	N/A
1. Is a current and appropriate Cab Charge Card/Voucher Policy and/or Procedure in place?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
2. Are Cab Charge Cards & Vouchers kept in secure location and access limited to nominated custodians?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
3. Are all Cab Charge Card/Voucher records reviewed and reconciled against the monthly statement?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
4. Are all Cab Charge Card/Voucher records subject to audit on an annual basis?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
5. Did the Cab Charge Card/Voucher processes receive a positive result in the external audit report?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				

Signed as true and correct by the Corporate Governance Manager:

Date:

OPERATIONAL SUPPORT CONTROLS		Y	N	N/A
1. Are staff provided training in the appropriate use of the Purchase Order system?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
2. Are approved suppliers identified in the Purchase Order system?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
3. Are prescribed limits on purchasing authority not exceeded (defined by Delegations list)?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
4. Are Purchase Orders generated and approved by different people?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				

Signed as true and correct by the Operational Support Manager: Date:

FINANCIAL CONTROLS

Part A: PETTY CASH		Y	N	N/A
A1. Is a current and appropriate Cash Handling Policy and/or Procedure in place?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
A2. Are all Petty Cash records reviewed on a regular basis by finance?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
A3. Are prescribed limits on purchasing authority not exceeded (defined by Delegations list)?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
Part B: PURCHASE CARDS		Y	N	N/A
B1. Is a current and appropriate Purchase Card Policy and/or Procedure in place?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
B2. Are all Purchase Card records reviewed and retained by finance?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
B3. Are prescribed limits on purchasing authority not exceeded (defined by Delegations list)?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
Part C: PAYMENTS & RECEIPTS		Y	N	N/A
C1. Is a current and appropriate Debtor and Creditor Policy and/or Procedure in place?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
C2. Are all deposits recorded, banked and reconciled by different people?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
C3. Are all deposits securely locked away and balanced daily?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
C4. Are bank statements reconciled daily?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
Part D: INTERNAL CONTROLS		Y	N	N/A
D1. Were the Internal Controls reviewed as part of the external audit?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
D2. Did the individual processes selected for internal or external audit receive a positive result?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
D3. Have all recommendations outlined in audit reports been actioned accordingly?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				

Signed as true and correct by the Finance Manager:

Date:

Work Area Report

As leaders at the City of Marion, it is imperative that you define the Fraud and Corruption exposure of your Work Area by detailing and prioritising the fraud risks within your Work Area and undertake to describe 'the controls and prevention activities', identify the 'system or procedural weaknesses' and their corresponding rectification plans, assign responsibility for implementation of actions and implement the recommendations of internal audits. These actions will assist us achieve the "7th Strategic Goal" of achieving:

'Our Council of Excellence'

Department Details			
Work Area		Leader Name:	
Financial Year:		Date:	

Part A: Human Resources	Y	N	N/A
A1. Have all team members signed the Code of Expected Behaviours and forwarded to HR for filing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			
A2. Have your team members acted in compliance with the Code of Conduct?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			
A3. Have decisions/authorisations been made within the Delegations of Authority register?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			
A4. Have Leadership/Performance Development Plans been undertaken with all your team members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			
A5. Did all team members complete accurate timesheets (where relevant) and leave request forms to ensure appropriate payment of wages?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			
A6. Did all team members apply for any outstanding TOIL accrued in advance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			
A7. Is there a documented leave strategy in place for each team member with excessive leave accruals?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			
A8. Has fraud, code of conduct and other relevant policies been discussed as a reminder to your team?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			

Part B: Finance	Y	N	N/A
B1. Are all Purchase Cards kept securely and card numbers not shared or recorded separately?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			
B2. Are all Purchase Card statements reviewed, receipts checked & expenditure approved by the Authorised Officer?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			
B3. Have all Budget Officers set an appropriate annual budget and reviewed it quarterly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			
B4. Was total expenditure in the Business Unit within the approved budget limit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			
B5. Were Employee Expense Reimbursement Request Forms reviewed and approved in line with expenditure limits?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?			

Part C: Cash Handling		Y	N	N/A
C1. Is all Petty Cash locked in secure location and access limited to nominated Petty Cash custodians only?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
C2 Are all Petty Cash requests reviewed, receipts checked & expenditure approved by the Authorised Officer prior to reimbursement?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
C3. Is the approving officer not authorised to collect Petty Cash reimbursement?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
C4. Is Petty Cash balance regularly reconciled?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				

Part D: Information Technology		Y	N	N/A
D1. Is all corporate data stored on corporate network drives (not desktops) to ensure daily backups by IT?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
D2. Are all your team's passwords to access corporate systems kept confidential and changed regularly?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
D3. Are computers in your area programmed to 'lock out' when not in use for more than 5 minutes?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
D4. Are staff compliant with and have you given them the policy/procedure in place stipulating Email and Internet Use?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				

Part E: Contracts and Procurement		Y	N	N/A
E1. Were quotes sought for all procurement over \$xxx as per the Contract Management Policy?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
E2. Is there a contract in place for all procurement over \$xxx as per the Contract Management Policy?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
E3. Were purchase orders raised prior to order, delivery and invoicing of services and supplies?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
E4. Are all mobile phone accounts reviewed and identified personal use reimbursed to Council?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				

Part F: Corporate Governance		Y	N	N/A
F1. Are appropriate controls in place to ensure all sensitive documents in your work area stored securely?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				
F2. Are all corporate records filed appropriately in the corporate recording system?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				

Part G: Land and Property		Y	N	N/A
G1. Has there been any instances of inappropriate access to Council buildings or sites by your staff, volunteers, contractors or associated visitors?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If yes, why?				
G2. Are all swipe card access fobs and keys provided to staff still in their possession?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If no, why?				

Signed as true and correct by the Work Area Leader:

Date:

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
4 OCTOBER 2016**

Originating Officer: Sherie Walczak, Unit Manager Risk

Corporate Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Business Continuity Plan

Report Reference: FAC041016R7.9

REPORT OBJECTIVE

The objective of this report is to present a revised draft of the Business Continuity Plan (BCP).

EXECUTIVE SUMMARY

The BCP supports the Business Continuity Management Policy and Framework. The current BCP is dated 2009, therefore a full review has recently been undertaken including consultation with senior management and key internal stakeholders.

As the BCP has the potential to be activated equally via a workplace or community related 'disruptive event', it needs to reference both these scenarios and show alignment with the Workplace Emergency Management Plan and the proposed Community Emergency Management Plan, in addition to working in conjunction with the ICT Service Recovery Plan.

RECOMMENDATION (1)

DUE DATES

That the Finance and Audit Committee:

- 1. Reviews the Business Continuity Plan and related documentation and provide feedback. 4 October 2016**

BACKGROUND

The Business Continuity Management Policy & Framework were reviewed by the Finance & Audit Committee and endorsed by Council at their meeting on 26th July 2016. Local Government Risk Services (LGRS) were then procured to facilitate a program of business continuity workshops in order to review the BCP, along with the identification of critical functions and the development of related recovery strategies.

DISCUSSION

These workshops have resulted in an updated version of the BCP that provides all the relevant and pertinent information for effective and efficient handling of a 'disruptive business' event. The BCP outlines the concise instructions and specific tools/templates required to manage, control and communicate a 'disruptive business' event, with the resumption of 'business as usual' in as timely a manner as possible.

During the last few months, whilst drafting revisions of the BCP, several 'real-life' incidents occurred to prompt actions and further discussions relating to the practical and operational nature of this BCP and the supporting documentation. These issues were largely related to adverse weather conditions and/or power outages across several worksites and as a result, reference to the BCP, the required communications and related processes served to raise awareness and heightened the profile for this key area of risk management.

CONSULTATION

In August, a review of the initial draft was undertaken via discussion and further consultation with the Risk Working Group. As a result, an updated draft of the BCP was then circulated to the Senior Leadership Team and key internal stakeholders for their additional comments and feedback into September 2016. This fully revised draft is now presented for consideration and feedback, along with an example of a Critical Function Recovery Strategy

NEXT STEPS

Training will be provided via a desktop exercise scheduled for early November. This will test the BCP simultaneously with the Workplace Emergency Management Plans and the ICT Service Recovery Plan. This exercise will allow for the identification of operational issues and/or further training requirements, and if appropriate, may also prompt a refinement of the BCP.

CONCLUSION

The revised BCP, the recovery strategies and the suite of related templates will provide assurance to Council that the City of Marion can manage both the initial response and resultant recovery stages of a 'disruption to normal business'.

APPENDICES

Appendix A - Revised Draft Business Continuity Plan

Appendix B – Example Critical Function Recovery Strategy

APPENDIX A



Business Continuity Plan

Document Owner: Unit Manager – Risk

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Abbreviations and Definitions

Term	Definition	Abbreviation
Business Continuity	Is the uninterrupted availability of all key resources supporting essential business functions	BC
Incident Management Control Centre	A central point of reference to co-ordinate the response to a business interruption event. To be established at the discretion of the IMT Leader.	IMCC
Business Continuity Management	Provides for the availability of processes and resources in order to ensure the continued achievement of critical objectives.	BCM
Business Continuity Plan(s)	A collection of procedures and information that is developed compiled and maintained in readiness for use in the event of an emergency or disaster.	BCP
Business Impact Analysis	A management level analysis which identifies the impacts of function loss on the organisation. The BIA provides management with data upon which to base risk mitigation and continuity planning decisions.	BIA
Business Interruption Event	An event that by its duration exceeds the Maximum Acceptable Outage and / or has an adverse impact on business objectives and requires the implementation of the BCP or recovery strategies.	BIE
Non Critical Function Recovery Strategies	An agreed documented course of action that identifies mitigation, response and recovery actions for business functions identified as non-critical.	NCFRS
Critical Function Recovery Strategies	An agreed documented course of actions to be taken in the event of business function loss. Plan describes the key actions required under preparation, response and recovery phases.	CFRS
Incident Management Team	An assembly of management representatives and other seconded staff formed for the express purpose of responding to an organisational crisis. IMT management structure will overlay all normal management structures during the response process.	IMT
Emergency Event	An event due to an actual or imminent occurrence (such as a fire, earthquake, or epidemic which: <ul style="list-style-type: none"> • endangers or threatens to endanger the safety or health of people • destroys or damages, or threatens to destroy or damage, property • has the capacity to disrupt operations to the extent that it impacts on business objectives. 	Emergency Event
Maximum Acceptable Outage	The maximum period of time that Council can tolerate the loss of capability of a critical business function, process, asset or IT application.	MAO
Corporate Governance	A system by which the organisation is directed and controlled. Corporate Governance activities are represented as four principal components: direction, executive action, supervision and accountability.	CG
Risk Management	The culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects.	RM
Primary Control Centre Location	Main location for corporate business operations eg: Administration Building	PCCL

Introduction

Purpose

The City of Marion (CoM) Business Continuity Plan (BCP) is a whole of business approach to ensure critical strategic, operational and project functions can be maintained and/or restored as a result of an event resulting in disruption to business. The purpose of this Plan is to build organisational capabilities, through decisive and responsible actions and support the continued achievements of critical business objectives in the face of uncertainty or disruption. The plan acts as a guide for the organisation to respond, recover, resume and restore functions in a clear and transparent manner, to a pre-defined level of operation following a business interruption event, as a result, minimising any adverse consequences for usual business operations.

Council recognises that this Plan (Business Continuity Plan) in isolation does not build capability; it provides the approach to establishing effective capability. Whilst the Plan is important, it is an outcome of the more important planning and analysis process, and is a blueprint to kick-start the response to a business interruption event. This Plan identifies the facilities, technical infrastructure, key responsibilities, and processes that will be required to position Council to be able to respond to and recover from a business interruption event.

Scope

The BCP is applicable to all CoM officers and covers all CoM places of work. The objective of the BCP is to ensure that appropriate structures and protocols are in place to enable effective response to a business interruption event that has the potential to impact on Council's operations.

In identifying business continuity risks, the focus is on the building of resilience and response capabilities within business functions that have been identified as critical. Treatment options for non-critical functions are also identified and documented within the framework. This ensures that Council has a holistic view when responding to interruption events.

The BCP does not cover requirements associated with a workplace emergency (safety) situation. A separate Workplace Emergency Management Plan is in place that outlines the response to these types of incidents. In all cases of activation of the Workplace Emergency Management Plan, the Chief Warden will brief the Incident Management Team Leader of any implications for business continuity.



Objectives

The objective of the BCP is to:

- Identify business functions that are critical to Council in meeting its business objectives
- Develop recovery plans based on criticality of business functions rather than geographic location
- Build resilience within Council's operational framework
- Identify and document roles and responsibilities for key staff positions
- Minimise the impact of function loss on stakeholders and the community

The BCP provides a framework for management and staff to enable them to implement an agreed response process. In assessing the business continuity risks of the City of Marion it became evident that given the structure of local government a number of inherent advantages were identified such as:

- Multiple facilities providing common services reducing the impact of a single facility loss
- Common IT systems with possible duplication and access across some facilities
- Ability to transfer staff and tasks to other facilities, and
- The ability to call on adjoining Councils for assistance in service delivery.

In the event of a business interruption event, these advantages would suggest the business impact is a reduction in capacity rather than a loss of capability in a particular area.

Use of the Business Continuity Plan

This BCP should be used in the event of a business interruption event that may impact on the ability of The City of Marion to deliver business objectives. Managers and staff with responsibility for impacted areas of the business should use the BCP and any relevant recovery strategies to ensure a consistent and agreed course of action is implemented.

Context

The BCP can be enacted as the result of an internal (workplace) or external (community) emergency response scenario, as such it is aligned with the following documentation:

- The *ICT Service Recovery Plan (ICT SRP)* - outlines the strategies to recover ICT Systems (hardware and applications) when ICT systems are disrupted.
- The *Community Emergency Management Plan (CEMP)* - outlines the CoM's specific approach in response to a Community related emergency situation.
- The *Workplace Emergency Management Plan (WEMP)* - outlines the CoM's specific approach in response to a workplace related emergency situation.

Both the BCP and the CEMP have a similar working structure in that they convene an Incident Management Team in response to an event in contrast to the WEMP where Emergency Controls Officers such as the Warden Network and Designated First Aiders facilitate a pre-rehearsed emergency response.

Assumptions

The BCP is intended to provide guidance to Council officers to assist continuity of service for critical functions, where those officers may not normally be responsible for managing the specific function affected. Where the

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Council officer who is normally responsible for managing the specific function is available, it is assumed that this document will serve as a check document to reduce the possibility for omission of important actions.

Limitations

It is not the intent of this document or process to develop Information & Communication Technology Service Recovery (ICTSR) plans. This process will however identify from a business perspective the business requirements for Information Technology resources that support the delivery of business critical functions. This information should then be used to inform the development and/or review of ICTSR plans.

Audience

The intended audience for the City of Marion's Business Continuity Plan is:

- Council
- Executive Leadership Team
- Critical Function Recovery Strategies Managers and Staff
- Non Critical Function Recovery Strategies Managers and Staff

Development, Distribution & Storage

The Risk Management Unit is responsible for the development, implementation and distribution of the BCP and maintaining centralised records which will be managed as follows:

- Document development including a comprehensive review every three years and upon critical function or organisational restructure changes
- Plan to be readily accessible to staff via CoMBI.
- Facilitate regular educational sessions and testing drills
- Distribute hard copy folders to ELT, members of the IMT and other Leadership Team members as necessary.

Readily accessible information is critical during a business disruption, therefore, Senior Leadership Team and Recovery Strategy Owners are required to:

- Keep an electronic version of the BCP, relevant WAP Recovery Strategies and any other policies/procedures/information critical to continuation of their services on their laptops and/or on a USB memory device.
- Keep a hard copy version in folder(s) at work, at home and/or in their vehicle containing; the BCP, relevant Recovery Strategies and any other policies/procedures/information critical to continuation of their services.

Training and Communication

A key objective of the BCP is to increase the awareness of potential business interruption events that could impact Council. The plan outlines the response/ recovery protocols associated with such an event. Training and communication will play a key role in achieving this objective.

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It will be the responsibility of the Risk Unit to ensure that the requirements of the BCP are communicated to all staff and that induction/ training programs include reference to business continuity in the context of sound risk management practices.

Managers should be familiar with key deliverables as detailed in the Critical Function Recovery Strategies and ensure that staff are aware of their roles and responsibilities in the event of a business interruption event.

BCP Validation and Testing

Business Continuity Management is a process, not an event. Once the BCP has been prepared, commitment to an annual test plan and maintenance schedule is required that includes participation of key stakeholders to ensure BCP procedures remain viable into the future. The outcome of the testing is to be reported to the Finance and Audit committee via the Risk Working Group.

The testing should include all aspects of the BCP, but not necessarily all in one year. Major components (Recovery Strategies) should be reviewed at least annually. Volatile information such as contact lists, or areas that are constantly undergoing changes, should be validated more frequently. In addition to the annual test and review of the BCP, any significant changes in the CoM's operations should also trigger a review of the BCP. Version control of the BCP will be co-ordinated through the Risk Coordinator.

	Activity for Review	Accountability	Timeframe
1	Business Continuity Plan (overarching plan)	Unit Manager Risk	Monitor at least every 3 years and action as required
2	Business Continuity Plan Training	Risk Coordinator	Annual training brief or refresher session
3	Business Continuity Plan Exercise	Risk Coordinator	Annual desk top exercise Simulation exercise each 2 years
4	Critical Function Recovery Strategies	Recover Strategy Owners	Annual Review

Insurance Arrangements

Costs associated with business disruption and recovery may be eligible to be claimed under the CoM's insurance arrangements with the Local Government Association Asset Mutual Fund (LGAAMF). Coverage may be provided for the increased costs of working and damage that may have occurred as a result of a disruption incident.

The Unit Manager Risk in consultation with the IMT is responsible for informing and updating the LGAAMF, and other LGA Schemes if relevant, with respect to incidents.

The Insurance and Claims Officer will collect relevant information and evidence in order to submit a claim as a result of a disruption incident.

Risk Assessment

Factors leading to potential short, medium and long-term business disruption scenarios have been identified in Table 1.

The likelihood and consequence of these scenarios have been assessed inherently in accordance with the risk assessment criteria contained within the Risk Management Framework and the Risk Matrix provided in Diagram 1.

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The risks referenced numbers 1 – 2 are primarily linked to the Workplace Emergency Management Plan and will be internally managed. Those referenced numbers 3 – 5 will have impacts on the wider Community and will potentially require the Community Emergency Management Plan to be invoked, at which time the CoM will be working in collaboration with the State Government, control agencies and external hazard leaders. Management of Business Continuity will be controlled internally in response to impacts from varying external factors.

Risk factors have been assessed and controls/actions outlined in the Work Area Recovery Strategies (WA RS), however, larger events may occur that have a wider impact than the individual WA RS and are listed below:

Table 1: Business Continuity Risk Assessment

Ref. No.	Risk Description	Consequences Short/Long Term	CURRENT Level of Risk * Refer to Risk Reference Chart			Actions
			Likelihood	Consequence	Risk Rating	
1	Inability to utilise Administration Building and City Services under normal operations	Short	Likely	Minor	MEDIUM	Various Critical Function Recovery Strategies/ICT Service Recovery Plan
		Long	Unlikely	Severe	HIGH	
2	Inability to maintain full ICT connection/services due to a server failure	Short	Likely	Minor	MEDIUM	ICT Service Recovery Plan
		Long	Unlikely	Major	MEDIUM	
3	Extreme Weather; Heat	Short	Likely	Minor	MEDIUM	Various Critical Function Recovery Strategies / Community EM Plan
		Long	Rare	Severe	MEDIUM	
4	Extreme Weather; Storm	Short	Likely	Minor	MEDIUM	Various Critical Function Recovery Strategies / Community EM Plan
		Long	Rare	Severe	MEDIUM	
5	Pandemic/Health epidemic	Short	Rare	Severe	MEDIUM	Various Critical Function Recovery Strategies / Community EM Plan
		Long	Rare	Severe	MEDIUM	

Diagram 1: Corporate Risk Matrix

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

Risk
Tolerance

Overview of Business Function Criticality

Integral to the BCP is the determination of the Maximum Acceptable Outage (MAO) of a particular business process. The loss of a critical business function for a period greater than the MAO will generally result in the convening of the Incident Management Team to direct, oversee and support the emergency, continuity and recovery response phases. Although a number of work areas within business units have been assessed as non-critical it is highly likely that these work areas will be called upon to assist in the response and recovery strategies for those areas assessed as critical. The IMT will therefore refer to their Non-Critical Recovery Strategy document to facilitate these functions.

The functions, identified as critical and non-critical and the maximum acceptable outage for that function, are outlined in 'Appendix A – Critical Function Recovery Strategies' at the end of this document.

Methodology

Business continuity encompasses the identification and risk management of Council's business processes. It involves a stepping process that seeks to identify, assess, control and monitor Council's business functions. The Plan has been developed with consideration given to ISO 31000:2009 Risk Management- Principles and Guidelines and ISO 22301:2012 Societal Security – Business Continuity Management Systems – Requirements & Guidelines for incident preparedness and operational continuity management.

Broadly, the steps in developing the Business Continuity Plan include:

1. Identify and Assess Business Processes and Functions

Identify business processes and functions within each individual business unit/section/division. Once the functions are identified an analysis at a whole of organisational level is conducted to determine which functions are critical and require further planning to ensure the ability to respond in the face of a continuity interruption event.

2. Conduct the Business Impact Analysis (BIA)

The BIA is conducted on those functions identified as critical within the business process assessment. The BIA is intended to identify the impacts of the function loss on the business including penalties for non-delivery, functional interdependencies, organisational ownership. It also looks at the resources currently required to support the functions and assesses the minimum level of resources required to continue the availability. Importantly the BIA is the tool that is used to determine the Maximum Acceptable Outage (MAO).

3. Critical Function Recovery Strategy (CFRS)

The CFRS identifies the agreed actions that a business process owner will undertake to manage the loss of the function through the emergency, continuity and recovery phases. The recovery strategy identifies ownership, failure scenarios, criteria for invoking the Plan, agreed courses of actions for emergency, continuity and recovery. The CFRS also allows for targeted messages to be developed for specific function loss.

4. Overarching Business Continuity Plan

The BCP identifies the responsibilities of identified positions, with particular emphasis on direction setting and effective and timely communication to stakeholders at an organisational level. It is important to recognise that this document provides a flexible framework in which the organisation can plan for disruption of its critical functions. It does not attempt to identify and plan for every contingency or outage that could occur, it provides a flexible framework for the process owners to identify, plan and develop redundancy for business processes.

5. Test and maintain the BCP

The BCP will be reviewed at least every three years and/or post any actual 'disruptive business event' by the Unit Manager Risk, in order to ensure that it reflects the current practices of the organisation.

Testing of the Critical Function Recovery Strategies and overarching Plan will provide management assurance that the plan(s) are effective. The testing program is based on the following:

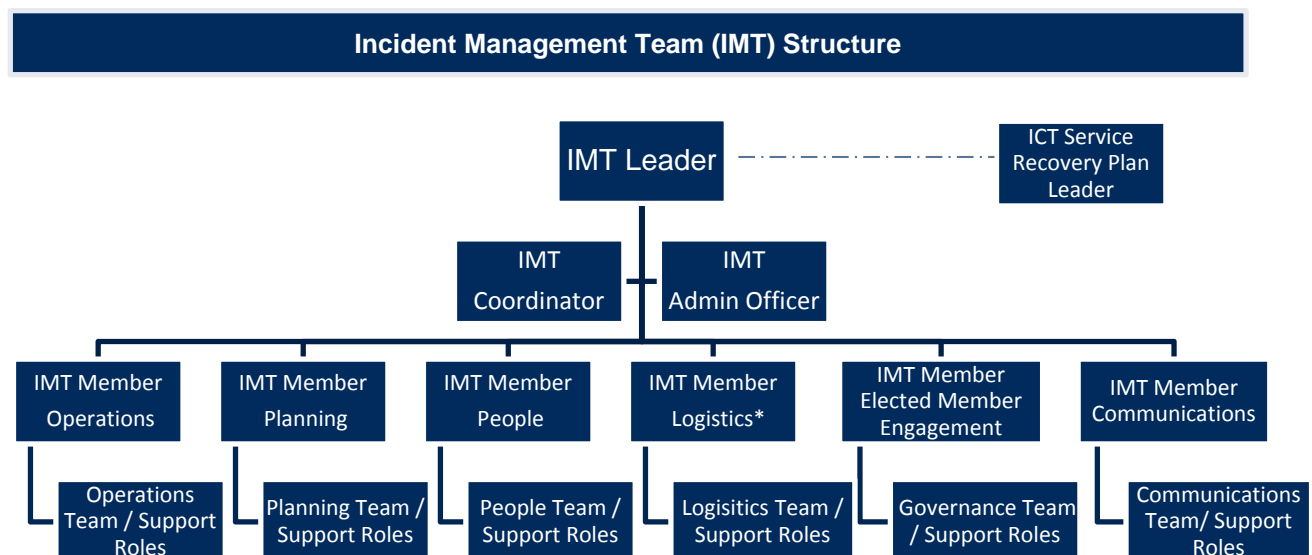
- Desktop/ paper audit of the BCP and underpinning plans to ensure that the appropriate documents are available and understood
- Structured "walk through" where a business interruption scenario is played out through a mock recovery; and a divisional or whole of organisation level, and
- Frequency and actions to be undertaken are identified within the monitoring and review section of this document.

Incident Management Team

The IMT is established to provide a management mechanism that can ensure reporting lines and responsibilities are clear when the BCP is activated. The focus of the IMT is to manage the business interruption event from a corporate perspective while providing guidance and support to the Managers on site. This process is facilitated by the development of pre-determined courses of actions (Recovery Strategies) thus allowing the IMT to focus on the strategic or whole of business response to the business interruption event. Resilience within the IMT is the responsibility of the IMT. Each position in the IMT, outlined in Diagram 2 below, is to have an alternate member identified and trained in the role.

Responsibility Statement for each position in the IMT and supporting positions have been developed to ensure there are clear and unambiguous directions available for each of the members of the IMT. All responsibility statements are to be approved by the IMT included in this document. On activation of the BCP these statements come into effect.

Diagram 2: IMT – Structure



The above IMT roles are held by the designated and alternate positions assigned as outline in Table 2 below.

**The IMT Member - Logistics will be the Local Government Emergency Centre Coordinator as outlined in the CEMP, any alternate officer will need to have undertaken i-Responda training provided by the LGA.*

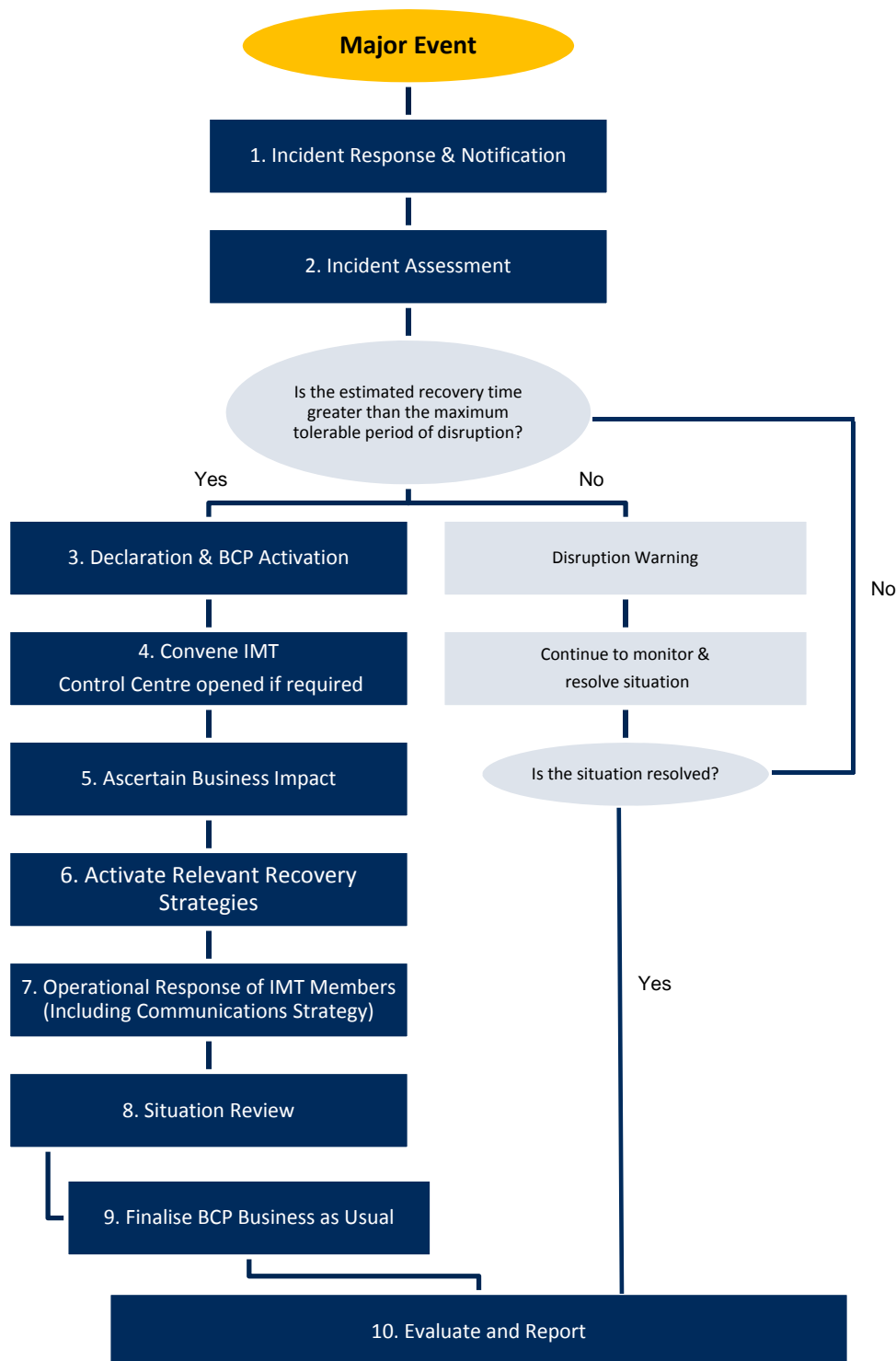
Table 2: IMT Positions – Roles and Alternate Roles

No.	IMT Position	Roles	Alternate Roles
1	IMT Leader	Chief Executive Officer	General Manager Corporate Services, (if unavailable, any General Manager)
2	IMT Coordinator	Unit Manager Risk	Risk Coordinator
3	IMT Administration Officer	Risk Coordinator	WHS Coordinator
4	IMT Member - Operations	General Manager Operations	Manager Engineering & Field Services Manager or Community & Cultural Services
5	IMT Member - Planning	General Manager City Development	Manager Innovation Strategy
6	IMT Member - People	Manager Human Resources	Unit Manager HR
7	IMT Member - Logistics	Unit Manager Operations Support	Manager Contracts
8	IMT Member – Elected Member Engagement	Manager Corporate Governance	Unit Manager Governance & Records
9	IMT Member - Communications	Unit Manager Communications	Communication Advisor

Notification – Declaration Process

The BCP Activation process is outlined below in Diagram 3 and further explained thereafter.

Diagram 3: Activation Flow Chart



1. Incident Response and Notification

When an incident occurs it may be of such a nature that an emergency response is required. The person(s) involved should activate the Workplace Emergency Management Plan which may include the following where appropriate:

- Stop work and control any hazards to prevent harm to people if safe to do so
- Seek First Aid or Medical Treatment if required
- Call Emergency Services on 000 if required
- Report the incident to both their Manager and Unit Manager Risk
- Follow direction of the Emergency Control Officers

The incident may however be of such nature that it is an unresolved problem that escalates (or has the potential to escalate) to cause a significant disruption to business continuity e.g. industrial dispute.

On first becoming aware of a possible business continuity disruption event, the relevant function manager is required to assess the situation and if the event is likely to exceed the agreed "MAO timeframe", then the Unit Manager Risk and the IMT Leader should be notified immediately by phone and where possible, with a follow-up email or personal briefing detailing the key issues including:

- Nature of the incident – time informed etc
- Describe Critical Functions impacted
- Facility/ equipment impacted
- Staff affected
- Any response actions implemented (Critical Function Recovery Strategy)
- Any media involvement/interest
- Any immediate support requirements.

Elements of the BCP (Recovery Strategies) can be implemented at the local level, where appropriate to address an immediate response requirement even if the event is expected to be resolved within an acceptable period.

2. Assessment

On receipt of a notification of a disruption event, the IMT Leader (or delegate) will:

- Formally note details
- Notify other members of the Incident Management Team (consider conference call)
- Confirm the details of the incident and appropriate communication strategies
- Conduct preliminary impact assessment (facility and technology infrastructure)
- Determine if a control centre needs to be opened
- Ensure that the Insurer has been formally notified (if appropriate)

3. Declaration & BCP Activation

The IMT Leader is to review the preliminary information and if considered necessary declare a Business Interruption Event.

The BCP may be activated based on the level of risk assessed in relation to the disruptive incident. Consideration will be given to a range of factors, predominantly: the validity of the information, the critical services being affected or likely to be affected, the scale of the event, the impact on the community and any consultation that may be required.

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Any one of the following situations (list is not exhaustive) is an appropriate trigger for the activation of the BCP:

- A CoM site is not available (inability to access or the destruction of a building).
- The unplanned cessation of one or more activities supporting key services.
- The loss of a critical resource (ie power) across one or more of City of Marion work sites.
- An event involving the loss of one or more CoM servers and/or loss of communication at the Administration Building or City Services Depot.

The following positions are authorised, in order, to activate the BCP:

- IMT Leader (CEO) or delegate (Manager Corporate Governance)
- General Manager
- Unit Manager Risk
- Senior Manager (only in the absence of ALL of the above)

The IMT Leader is to manage the draft communications, both internal and external, for discussion at the initial IMT meeting.

Upon declaration of an interruption event, Business Continuity Management Tools have been included in this document to provide assistance. However, any restoration plan developed by the IMT will take precedence over the respective instruction.

4. Convene Incident Management Team - Control Centre opened

On the declaration of a Business Interruption Event by the IMT Leader a control centre may be opened if deemed appropriate. The resourcing and opening of this centre is the responsibility of the IMT Coordinator. Given the variable nature of Business Continuity Events, the following sites have been identified and prioritised.

If the incident does not impact on the Primary Control Centre Location:

1. Governance Area, Level 1 Administration Building, 245 Sturt Road Sturt SA or
2. Council Chambers, Ground Level Administration Building, 245 Sturt Rd. Sturt, SA

If the Primary Control Centre Location is uninhabitable then the back-up centre will be:

3. City Services Depot, 935 Marion Rd. Mitchell Park, SA.

The IMT is led by the IMT Leader who is tasked with the responsibility of managing Council resources/responses during an emergency or business interruption incident. This includes the selection and location of alternative site(s) to be used in the event of a disruption scenario. The role of the IMT is initially to ensure safety whilst gaining an understanding of the situation, maintaining control and assessing and agreeing the way forward. The IMT also comprises a number of defined roles with the option to include additional relevant stakeholders as required.

The IMT Leader calls the initial IMT meeting and, to allow for a high level risk assessment, the following information is sought from the relevant business areas impacted:

- Staff
- Any associated Emergency Services issues
- Building facilities
- Public relations/ media
- Damage/ security,
- Salvage of building and/or IT equipment, and
- Review and conformation of delegation of authorities for staff.

Reference should be made to any relevant recovery strategies and all communication is to be managed by the IMT Member - Communications.

In the event of a community emergency/disaster the IMT may also, in accordance with the CEMP, need to:

- Liaise with key personnel for the Southern Adelaide Zone Emergency Management Plan and determine cross-Council resource assistance
- Provide relief and recovery support during the emergency and work with recovery organisations to undertake recovery operations as directed

5. Ascertain Business Impact

Central to ensuring the ongoing viability of the business in an interruption event is the identification of critical business functions, the processes and assets (people and property) that support the delivery of these critical functions and the impact of the loss of the functions on the business are analysed within a Business Impact Analysis. BIA's have been completed for each of the identified critical functions and are contained within the Critical Function Recovery Strategies.

The IMT will conduct a further assessment of 'business as usual' operations in consultation with all relevant stakeholders and in alignment with the Business Impact Analysis assessments referenced in all Recovery Strategies

During the meeting, information will have been gathered by the various IMT members to produce an evaluation of the incident. A formal record of the meeting to be collated by the IMT Administrator with particular emphasis on items to be actioned. This record needs to be regularly reviewed and updated as additional information comes to hand.

The IMT Leader to manage the restoration of business activities in line with the responsibilities defined in the BCP.

6. Activate Relevant Recovery Strategies

The Business Impact assessments will inform which Recovery Strategies will need to be activated in order to enable 'business as usual' operations. The IMT will liaise with the Recovery Strategy owners to ensure successful activation of relevant Recovery Strategies.

7. Operational Response

At the point of the BCP being activated and the IMT convened, the IMT Members will undertake their operational responses outlined in their individual responsibility statements, these include the activation of their relevant recovery strategies.

8. Situation Review

During a disruptive event, updated information is being constantly received and collated centrally by the IMT Administrator. The dynamics of this situation will require ongoing review, particularly in terms of further impact and additional Recovery Strategies needing activation. The IMT will provide regular updates to the ELT as required.

9. Finalise BCP / 'Business as Usual'

Once the situation has ended and services can return to 'business as usual', the BCP can be finalised, the IMT can stand down and an announcement to relevant stakeholders can occur as outlined in the Communication Strategy.

10. Evaluate and Report

In order to ensure continuous improvement of the BCP and associated processes, the event will be evaluated and reported to ELT and the Finance and Audit Committee on the IMT Post Event Evaluation Form, provided within the Business Continuity Management Tools at the end of this document. At this time, the BCP should be reviewed and amended as necessary.

Communications Strategy

This Strategy covers the internal communication between the IMT and all levels of staff by various means as well as the external communication via formal and social media outlets.

Elected Member Engagement

Communication is to be provided without delay to all Elected Members with respect to Business Continuity. The IMT Member Elected Member Engagement will act as the primary communication channel between the Elected Members through the ELT and the IMT and will maintain regular communication with Elected Members as a group and individual or Ward-based where appropriate and will be supported by staff in the Council Support Unit and the Communication Unit if required.

Internal Communication

Internal communication to all staff with respect to Business Continuity is to be directed by the IMT Member Communications through the IMT Leader and the IMT. The initial communication to staff is to occur as soon as practically possible with regular updates in accordance with the severity of the disruption incident.

In most instances the IMT will provide information to each work area via the Leadership Team or their delegate in that area and then it will be responsibility of the Leadership Team member/ delegate to pass this information on to the staff / 3rd party stakeholders within their area.

Leadership Team members are also responsible for confirming this communication back to the IMT and confirming the safety of all staff, contractors, the community and visitors to City of Marion sites be confirmed back up to the IMT via pre-determined methods.

As a minimum the communication must also address any further information in relation to the business disruption scenario and the impact on the organisation. Any specific information with respect to recovery strategies and what is required by each work area and remind staff about protocols for addressing media, ensuring all information is clear and consistent

Note that this information may not all be available at once and will be communicated as it becomes clear and available.

Media Communication

Media communication may be required in certain circumstances in response to activation of the BCP. If a statement is required to be prepared for the media, this will be prepared by the IMT Member Communications, always in consultation with the IMT and ELT. Early notification as per the Communication Plan is crucial to ensure that the City of Marion is proactive in supplying relevant, timely and accurate information to the Community via media agencies if deemed appropriate / necessary.

All media liaison is to occur in line with policy. In exceptional circumstances the CEO and/or Mayor may liaise with the media directly in relation to the incident.

General Statement to Media in the event of a business interruption event

In the event of a major incident, particularly after-hours, there may be a period of time elapsed before the designated media spokesperson is in a position to respond to media enquiries. Should any staff member be approached by media representatives for a comment they are only authorised to make the following statement:

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"I am sorry, but I am not authorised to make any statement at this time. The appropriate personnel are currently being briefed on the situation and a spokesperson will be available to talk to you shortly"

There is no such thing as an "off the record" comment.

If you cannot immediately refer the journalist to the IMT Member Communications, please complete the Media Enquiry Record Form. Let the journalist know that someone will return their call promptly.

Provide the IMT Leader with the journalist's details as soon as possible. Also provide any background and relevant information that you have about the event, including how the journalist came to contact you.

Third Party Communication

Third party communication may be required in certain circumstances in response to activation of the BCP. All staff identified as responsible for managing third party relationships are also responsible for making appropriate contact in the event of a disruption incident. As such, it is the responsibility of these staff to maintain current contact lists for all relevant third parties and include these within Critical Function Recovery Strategies.

At the point of the BCP being activated and IMT convened, the IMT Member Communications will invoke the Communication Strategy. The IMT Member Communications will oversee communication undertaken in alignment with the Communication Strategy and in consultation with the IMT and ELT.

Responsibility Statements

IMT Leader			
Position	IMT Leader	Staff Position	Chief Executive Officer
During absence this role will be assumed by		General Manager Corporate Services, or any General Manager	
Position Statement	The IMT Leader is responsible for declaring a business continuity event and invoking the BCP. The IMT Leader is required to oversee and manage all resumption activities. During activation of the Workplace Emergency Management Plan, the Chief Warden has authority until the workplace emergency is resolved and control is returned to the CEO or IMT Leader if the BCP is to be activated.		
Knowledge Requirements	1. High level of organisation activities and service delivery priorities 2. Community, Business and Regulatory contacts		
Responsibilities	<p>The IMT Leader must make decisions as to the best strategy for business resumption based on information received by other IMT Members. This strategy is then translated into an action Plan by the supporting teams.</p> <p>Responsibilities include:</p> <ul style="list-style-type: none">• Maintain working knowledge of BCP & relevant Critical Function Recovery Strategies• Participate in monitor and review activities• Participate in and ensure appropriate levels of training is undertaken <p>On Activation:</p> <ul style="list-style-type: none">• Activate the BCP• Notifying and liaising with stakeholders• Provide the focal point in communication to the staff, media and public• Establishing and chairing all IMT meetings (may delegate)• Authorisation of any detailed restoration plan• Delegate tasks and overseeing resumption activities• Monitor the gathering of business interruption event information• Assessment of the impact of any disruption• Ensure ELT is briefed as required• Ensure the wellbeing and safety of all staff• Liaise with elected body via the Mayor• Established the IMT Structure to ensure adequate response• Monitor IMT activity to ensure appropriate responses by the IMT• Lead the IMT debrief, stand-down and finalisation of BCP process		

Business Continuity

Plan



IMT Coordinator			
Position	IMT Coordinator	Staff Position	Unit Manager Risk
During absence this role will be assumed by		Risk Coordinator	
Position Statement	The IMT Co-ordinator is required to assist the IMT Leader in the management and coordination of the business resumption activities. The IMT Co-ordinator must be familiar with the Business Continuity Plan, Critical Function Recovery Strategies and team responsibilities.		
Knowledge Requirements	<ol style="list-style-type: none">1. High level knowledge of overarching BCP2. Understanding of organisation activities and service delivery priorities3. High level of internal key contacts and accountabilities		
Responsibilities	<p>The IMT Co-ordinator is required to report to the IMT on the currency of individual, and business level continuity Plans and activities.</p> <p>Responsibilities include:</p> <ul style="list-style-type: none">• Pre event co-ordination of BCP and Recovery Strategies with relevant owners• Co-ordination of training for IMT Members• Co-ordination of testing for the Business Continuity Plan• Resourcing of Control Centre <p>On Activation:</p> <ul style="list-style-type: none">• Open Control Centre on direction of IMT Leader• Assisting IMT Leader as required• Notify Insurer and manage the insurance requirements <p>Media Functions:</p> <ul style="list-style-type: none">• Support the Mayor/ CEO/ IMT Member - Communications to ensure the dedicated media briefing centre is fit for purpose		

Business Continuity

Plan



IMT Administration Officer			
Position	IMT Administration Officer	Staff Position	Risk Coordinator
During absence this role will be assumed by		Work Health and Safety Coordinator	
Position Statement	The IMT Administration Officer is responsible for the smooth functioning of the Control Centre (if established) and the administrative needs of the IMT.		
Knowledge Requirements	1. High level of internal key contacts and resource knowledge 2. High level of administrative functions and arrangements		
Responsibilities	Responsibilities include: <ul style="list-style-type: none">• Maintain working knowledge of BCP & relevant Critical Function Recovery Strategies• Maintain high level of administration skills On Activation: <ul style="list-style-type: none">• If required, assist with the set-up of the Control Centre and arranging stationery, equipment etc• Arrange resources to assist IMT members (if required)• Making arrangements for all IMT meetings• Provide general administrative support (including log of all events and actions, resumption status, IMT members' movements etc)• Create and maintain a chronological log of meetings and decisions made• Complete and maintain the IMT Action Log• Record all costs associated with resources and supplies required by the IMT during the event		

Business Continuity

Plan



IMT Member - Operations			
Position	IMT Member Operations	Staff Positions	General Manager Operations
During absence this role will be assumed by		Manager Engineering and Field Services or Manager Community and Cultural Services	
Position Statement	A successful Incident Management Team (IMT) relies on expertise from within the organisation as they are the people that understand the business processes and related risks. Accordingly, Senior Leadership Team Managers are the designated members of the IMT and charged with implementing the whole of organisation response. However, they still maintain responsibility for the continuity and recovery actions of their individual business units. The business unit activities are undertaken by the function managers in accordance with agreed Critical Function Recovery Strategies.		
Knowledge Requirements	1. High level of group activities and service delivery priorities 2. High level knowledge of Work Area's critical function recovery strategies. 3. High level knowledge of overarching BCP.		
Responsibilities	Responsibilities include: <ul style="list-style-type: none">Maintain working knowledge of BCP & Critical Function Recovery Strategies for Engineering & Field Services plus Community & Cultural Services departmentsParticipate in monitor and review activitiesParticipate in and ensure appropriate levels of training are undertaken with Critical Function Recovery Strategy Managers On Activation: <ul style="list-style-type: none">Operate as a member of the IMTAscertain the impact on business unit activities and report to IMTCo-ordination of business unit Critical Function Recovery Strategies implementation as requiredCollaborate with IMT Logistics Manager regarding supply and acquisition of required people and equipment in response to requests from emergency services or other CouncilsCollaborate with the IMT People Manager to implement process for briefing staff prior to deployment at required locations and establish reporting requirementsMonitoring implementation against the Business Continuity PlanMaintaining information and report on costs to IMTMaintain communications with staff in liaison with IMT Member - Communications		

Business Continuity

Plan



IMT Member - Planning			
Position	IMT Member - Planning	Staff Positions	General Manager City Development
During absence this role will be assumed by		Manager Innovation & Strategy	
Position Statement	A successful Incident Management Team (IMT) relies on expertise from within the organisation as they are the people that understand the business processes and related risks. Accordingly, the Executive Team members are the designated members of the IMT and charged with implementing the whole of organisation response. However, they still maintain responsibility for the continuity and recovery actions of their individual business units. The business unit activities are undertaken by the function managers in accordance with agreed recovery strategies.		
Knowledge Requirements	<div>1. High level of group activities and service delivery priorities</div> <div>2. High level knowledge of work area’s critical function recovery strategies.</div> <div>3. High level knowledge of overarching BCP.</div>		
Responsibilities	<div>Responsibilities include:</div> <div><div>• Maintain working knowledge of BCP & Critical Function Recovery Strategies for City Property, Innovation & Strategy, Economic Development, Development & Regulatory Services plus Strategic Projects departments.</div><div>• Participate in monitor and review activities</div><div>• Participate in and ensure appropriate levels of training are undertaken with Critical Function Recovery Strategy Managers</div></div> <div>On Activation:</div> <div><div>• Operate as a member of the IMT</div><div>• Ascertain the impact on business unit activities and report to IMT</div><div>• Co-ordination of business unit Critical Function Recovery Strategies implementation as required</div><div>• Be chief researcher for the IMT and obtain geographical mapping, site maps and floor plans</div><div>• Lead the IMT in coordination and response when alternative office locations are required</div><div>• Facilitate medium and longer tem planning discussion with the IMT</div><div>• Monitoring implementation against the Business Continuity Plan</div><div>• Maintaining information and report on costs to IMT</div><div>• Maintain communications with staff</div></div>		

Business Continuity

Plan



IMT Member - People			
Position	IMT Member - People	Staff Positions	Manager Human Resources
During absence this role will be assumed by		Unit Manager HR	
Position Statement	A successful Incident Management Team (IMT) relies on expertise from within the organisation as they are the people that understand the business processes and related risks. Accordingly, the Executive Team members are the designated members of the IMT and charged with implementing the whole of organisation response. However, they still maintain responsibility for the continuity and recovery actions of their individual business units. The business unit activities are undertaken by the function managers in accordance with agreed recovery strategies.		
Knowledge Requirements	1. High level of group activities and service delivery priorities 2. High level knowledge of Work Area's critical function recovery strategies. 3. High level knowledge of overarching BCP.		
Responsibilities	Responsibilities include: <ul style="list-style-type: none">• Maintain working knowledge of BCP & Critical Function Recovery Strategies for Human Resources, Finance, ICT, Contracts & Operational Support plus Corporate Governance departments• Participate in monitor and review activities• Participate in and ensure appropriate levels of training are undertaken with Critical Function Recovery Strategy Managers. On Activation: <ul style="list-style-type: none">• Operate as a member of the IMT• Ascertain the impact on business unit activities and report to IMT• Co-ordination of business unit Critical Function Recovery Strategy implementation as required• Collaborate with IMT Logistics Manager to implement process for briefing staff prior to deployment at required locations and establish reporting requirements• Recommend staff services/amenities required to foster staff wellbeing during the event• Collaborate with people managers regarding management of individual staff issues ie working from home, designated alternative locations and other workforce management issues• Collaborate with IMT Communication Manager to liaise with people managers at affected locations to provide status updates re staff• Monitoring implementation against the Business Continuity Plan• Maintaining information and report on costs to IMT• Monitor the wellbeing of the IMT and associated support roles (ie ICT Manager)• Maintain communications with staff		

Business Continuity

Plan



IMT Member - Logistics			
Position	IMT Member - Logistics	Staff Positions	Unit Manager Operational Support
During absence this role will be assumed by		Manager Contracts	
Position Statement	A successful Incident Management Team (IMT) relies on expertise from within the organisation as they are the people that understand the business processes and related risks. Accordingly, the Executive Team members are the designated members of the IMT and charged with implementing the whole of organisation response.		
Knowledge Requirements	1. High level of group activities and service delivery priorities 2. High level knowledge of overarching BCP.		
Responsibilities	Responsibilities include: <ul style="list-style-type: none">• Maintain working knowledge of BCP.• Participate in monitor and review activities On Activation: <ul style="list-style-type: none">• *Be the Local Government Emergency Centre Coordinator as outlined in the CEMP (see Table 2)• Operate as a member of the IMT• Estimate future services, consumable, material and support requirements• Supply and acquisition of required resources and equipment in response to requests from the IMT ie waste receptacles, ICT, telephone and other equipment in the establishment of the IMT centre• Supply and acquisition of required people and equipment in response to requests from emergency services or other Councils, as outlined in the CEMP• Implement process for briefing staff prior to deployment at required locations and establish reporting requirements		

Business Continuity

Plan



IMT Member – Elected Member Engagement			
Position	IMT Elected Member Engagement	Staff Positions	Manager Corporate Governance
During absence this role will be assumed by		Unit Manager Governance & Records	
Position Statement	A successful Incident Management Team (IMT) relies on expertise from within the organisation as they are the people that understand the business processes and related risks. Accordingly, the Executive Team members are the designated members of the IMT and charged with implementing the whole of organisation response.		
Knowledge Requirements	1. High level of group activities and service delivery priorities 2. High level knowledge of overarching BCP including communications strategy		
Responsibilities	Responsibilities include: <ul style="list-style-type: none">• Maintain working knowledge of BCP.• Participate in monitor and review activities On Activation: <ul style="list-style-type: none">• Operate as a member of the IMT• Provide all required support to the Mayor and Elected Members, liaise with the IMT Member - Communications on Elected Member engagement and communication and provide updates to the IMT Leader, the IMT and the ELT.		

Business Continuity

Plan



IMT Member - Communications			
Position	IMT Member - Communications	Staff Positions	Unit Manager Communications
During absence this role will be assumed by		Communications Advisor	
Position Statement	A successful Incident Management Team (IMT) relies on expertise from within the organisation as they are the people that understand the business processes and related risks. Accordingly, the Executive Team members are the designated members of the IMT and charged with implementing the whole of organisation response.		
Knowledge Requirements	1. High level of group activities and service delivery priorities 2. High level knowledge of overarching BCP including communications strategy		
Responsibilities	Responsibilities include: <ul style="list-style-type: none">• Maintain working knowledge of BCP.• Participate in monitor and review activities On Activation: <ul style="list-style-type: none">• Operate as a member of the IMT• Invoke the Communication Strategy and oversee all communication undertaken with the IMT Leader, the IMT and the ELT.		

Emergency Contacts



Business Continuity Management Tools

Emergency Contacts

Incident Management Team

IMT Position	Staff Position	Contact Details	Alternate Staff Position	Contact Details
IMT Leader	CEO	Adrian Skull 8375 6878/0421 100 176	General Manager Corporate Services	Vincent Mifsud 8375 6618/0402 902 494
IMT Coordinator	Unit Manager Risk	Sherie Walczak 8375 6822/0466 327 831	Risk Coordinator	Karen Peake 8375 6885/0479 048 394
IMT Administration Officer	Risk Coordinator	Karen Peake 8375 6885/0479 048 394	WHS Coordinator	Paul Johns 8375 6659/
IMT Member - Operations	General Manager Operations	Tony Lines 7420 6421/0466 505 926	Manager Eng & Field Services or Manager Community & Cultural Services	Mat Allen 7420 6440/0412 071 501 Liz Byrne 8375 6751/0466 774 344
IMT Member - Planning	General Manager City Development	Abby Dickson 8375 6672/0434 567 690	Manager Innovation & Strategy	Fiona Harvey 8375 6807/0481 010 454
IMT Member - People	Manager Human Resources	Steph Roberts 7420 6413/0466 479 840	Unit Manager HR	Rachel Read 7420 6411/0421 586 563
IMT Member - Logistics	Unit Manager Operations Support	Roger Belding 7420 6407/0412 870 222	Manager Contracts	Colin Heath 8375 6756/0412 071 143
IMT Member – Elected Member Engagement	Manager Corporate Governance	Kate McKenzie 8375 6625/0402 387 843	Unit Manager Governance & Records	Jaimie Thwaites 8375 6641/0402 297 497
IMT Member - Communications	Unit Manager Communications	Craig Clarke 8375 6661/0434 600 637	Communications Advisor	Richard Watson 8375 6714/0413 543 426

Executive Leadership Team

Staff Position	Contact Details	Staff Position	Contact Details
Chief Executive Officer	Adrian Skull 8375 6878/0421 100 176	General Manager Corporate Services	Vincent Mifsud 8375 6618/0402 902 494
General Manager City Development	Abby Dickson 8375 6672/0434 567 690	General Manager Operations	Tony Lines 7420 6421/0466 505 926

Senior Leadership Team

Staff Position	Contact Details	Staff Position	Contact Details
Manager Human Resources	Steph Roberts 74206413/0466 479 840	Manager Economic Development	Neil McNish 8375 6686/0419 811 043
Manager City Property	Carol Hampton 7420 6468/0466 349 171	Manager Finance	Ray Barnwell 8375 6825/0435 146 208
Manager ICT	John Deally 8375 6829/0418 829 856	Manager Corporate Governance	Kate McKenzie 8375 6625/0402 387 843
Manager Strategic Projects	John Valentine 8375 6603/0412 469 855	Manager Eng & Field Services	Mat Allen 7420 6440/0412 071 501
Manager Community & Cultural Services	Liz Byrne 8375 6751/0466 774 344	Manager Innovation & Strategy	Fiona Harvey 8375 6807/0481 010 454
Manager Dev & Regulatory Services	Steve Hooper 8375 6665/0422 652 840	Manager Contracts	Colin Heath 8375 6756/0412 071 143

Site Locations & External Contacts



Site Locations & External Contacts

Site Locations

Site / Address / Contacts	Site / Address / Contacts	Site / Address / Contacts
Administration Building 245 Sturt Rd, Sturt 5047 Tel: 8375 6600 After Hrs 8375 6666	City Services 935 Marion Rd, Mitchell Park 5043 Tel: 8375 6600	Southern Depot Majors Road, O'Halloran Hill 5158 Tel: Roger Belding 7420 6407/ 0412 870 222
Marion Heritage Research Centre 245 Sturt Rd, Sturt 5047 Tel: 7420 6455	Cooinda NC Cnr Sturt & Diagonal Rd, Sturt, 5043. Tel: 8375 6703	Mitchell Park NC 1 Cumbria Court, Mitchell Park, 5043 Tel: 8277 8435
Glandore Community Centre 25 Naldera Street Glandore 5037 Tel 8371 1139	Trott Park NC 34 Hessian Court, Trott Park, 5158 Tel: 8387 2074	Living Karna Cultural Centre Warriparinga Drv, Bedford Park 5042 Tel: 8357 5900
Marion Library Diagonal Rd, Oaklands Park 5046 Tel: 8375 6785	Park Holme Library Duncan Ave, Park Holme 5043 Tel: 8375 6745	Hallett Cove Civic Centre 1 Ragamuffin Drive, Hallett Cove 5158 Tel: 8375 6755
Marion Cultural Centre 287 Diagonal Rd Oaklands Pk 5046 Tel: 8375 6855	Marion Swimming Centre Oaklands Rd, Park Holme 5043 Tel: 8276 4939	

Key External Contacts

Service	Company	Contact Details
Emergency Services	SAPOL	000 / 1234 5678
	Ambulance	000 / 1234 5678
	CFS	000 / 1234 5678
	MFS	000 / 1234 5678
SA Police	Terrorism emergencies	Emergency – 000 Non-urgent Assistance – 131 444
State Emergency Services	Severe weather and/or flooding	Storm & flood response - 132 500 Regional Duty Officer – 0417 487 366
Country Fire Services	Rural Fire	Emergency – 000 Hotline – 1300 362 361
Metropolitan Fire Services	Urban Fire	Emergency – 000 Enquiries – 8204 3600
SafeWork SA	Escape of Hazardous Materials	24hr Hotline – 1800 777 209 Help Centre – 1300 365 255
Primary Industries & Regions SA	Animal & Plant Disease	Emergency animal diseases - 1800 675 888 Emergency plant pest - 1800 084 881
Dept of Health	Human Disease	Emergency Management Enquiries – 8226 7115
Dept of Transport, Environment & Industry	Earthquake	Road hazards & emergency – 1800 018 313
Dept for Communities & Social Inclusion	Recovery Office	Enquiries – 8415 4302
Volunteering SA	Volunteer registration	Enquiries – 1300 782 322

Incident Management Team Meeting Agenda



Incident Management Team Meeting Agenda

Initial IMT Meeting	Role	Completed
The IMT Leader calls the initial IMT meeting and, to allow for a high level risk assessment, the following information is sought from the relevant business areas impacted:		
• Staff/clarification of roles		
• Any associated Emergency Services issues		
• Building facilities		
• Public relations/ media/communications		
• Damage/security/safety		
• Salvage of building and/ or IT equipment.		
During the meeting information will have been gathered by the various IMT members to produce an evaluation of the incident. A formal record of the meeting to be collated by IMT Administration Officer with particular emphasis on items to be actioned. This record needs to be regularly reviewed and updated as additional information comes to hand.		
Other Issues for consideration include	Role	Completed
• Scheduling of site visit		
• Identification of affected departments		
• Public notification		
• Schedule of staff meetings		
• Development of initial plan for operations (short term)		
• Allocation of temporary work locations.		
• In the event of a community emergency the IMT may also, in accordance with the CEMP, need to: <ul style="list-style-type: none"> o liaise with key personnel from the Southern Adelaide Zone Emergency Management Plan and determine cross-council resource assistance o provide relief and recovery support during the emergency and work with recovery organisations to undertake recovery operations as directed 		

Incident Management Team Action Log



Incident Management Team Action Log

Upon activation of the BCP the Incident Management Team Leader and the IMT Managers, will facilitate the following actions:

Activation of IMT	Role	Completed
1. Determine the IMT structure required, according to the nature and known scale of the disruption event	IMT Leader	
2. Determine meeting point for the IMT. Is it safe and appropriate to meet at the Governance Unit work area? If not, IMT to specify nearby facility to be used	IMT Leader	
3. Determine which, if any, IMT support roles or teams need to be activated or put on standby	IMT Leader	
4. Contact designated IMT members to notify them of activation and meeting point	IMT Coordinator	
5. Determine if the IMT kit is required	IMT Leader	
6. IMT kit contents to be checked and ready if required	IMT Admin Officer	

IMT Actions	Role	Completed
7. Ensure staff and public safety	IMT Leader	
8. Determine what information is required to clarify damage assessment or address information gaps	IMT Leader	
9. Determine specific action/s required for impact containment in line with IMT members roles and responsibilities	Relevant IMT Managers	
10. Advise affected managers that the IMT, the BCP, and associated Recovery Strategies are being activated. If required, instruct affected managers to suspend normal business operations	Relevant IMT Managers	
11. Determine what immediate communication is required to ensure staff and client/resident safety. Prepare a statement of what has occurred, for use in responding to internal or external as per the Press Release provided within the Business Continuity Management Tools.	IMT Comms Manager	

Stand Down of IMT	Role	Completed
12. Confirmation that disruption event has stabilised or finalised	IMT Leader	
13. Statement prepared for dissemination to staff	IMT Comms Manager	
14. Transfer operations back to line managers (business as usual)	IMT Leader	
15. All documentation finalised and reviewed by the IMT	IMT Admin Officer	
16. IMT conduct a debrief activity	IMT Leader	
17. Commencement of Post Event Evaluation Report	IMT Leader	

Incident Management Control Centre Checklist



Incident Management Control Centre Checklist

Incident Management Control Centre		
Element	Issues to be addressed	Actions
Location of IMCC	The location of the City of Marion Control Centre is the Governance Area, Level 1 Administration Building or Council Chambers, 245 Sturt Rd. Sturt, SA providing that the building is not subject to the interruption event	
Alternate Location of IMCC	City Services, 935 Marion Rd. Mitchell Park, SA.	
Floor Plan of IMCC		
Provision of telecomms facilities		
Provision of internet facilities		
Emergency power requirements for IMCC		
Management and Staffing	See Responsibility Statements for nominated positions <ul style="list-style-type: none"> • IMT Leader • IMT Coordinator • IMT Administration Officer • IMT Members 	
Security		
Media		
Information Displays	Information Board required in IMCC <ul style="list-style-type: none"> • Current Operations Display Board, showing all tasks currently being carried out • Contacts Display Board Used to display important contact telephone and fax numbers in regular use • Resources Allocation Board Showing resources location, resources committed and resources available • Staff Rosters for longer or protracted use of the IMCC • Timing Details recording of Briefing, meetings Situation Report etc • Media Releases Copies of publicly released materials 	
Plans and Documents	Hard and soft copies of BCP, including Critical Function Recovery Strategies	
Administration	Stationery equipment list to be developed by the IMT coordinator	
Extended Operations	Staff roster to be developed if protracted use of the IMCC is expected	
Briefing Sessions	Suitable briefing timing sessions to be identified by the IMT <ul style="list-style-type: none"> • Staff • Media • Community • Elected Members 	
Stages of Operation Stand down	Stand down of the IMCC will be at the discretion of the IMT Leader A stand down of the coordination centre may be a gradual phasing down over a period of time or it may be immediate cessation of the operation	
Forms	IMT Coordinator to identify suitable forms to be used to collect and record information within the IMCC	
Date Approved by IMT		

Communications Checklist



Communications Checklist

Messages need to incorporate the following considerations:	Completed Y/N
What has happened... Known facts in relation to the event	
Where ... Locations affected by disruption	
Who is managing incident... IMT Leader, Incident Management Team members and location of the Incident Management Team office	
What to do – specific instructions on activation of the activation of Recovery Strategies for which disruption scenarios (ie Loss of Telecommunication etc). All services to continue or revert to Critical Activities only?	
How ... Communication will be issued and expectation of people managers with respect to communication to their teams.	
When ... Timing of updates expected to be provided – link to request for local feedback/update to Incident Management Team	

IMT Member – Communications need to ensure the following are undertaken:	Completed Y/N
Advise the Mayor of the incident, the activation of the BCP and the Incident Management Team (IMT).	
Advise the relevant Elected Members , appropriate to affected service areas, of the incident, the activation of the BCP and the Incident Management Team (IMT).	
Provide Internal Communication to all staff and specifically affected staff/sites	
Provide the Community an update via Social Media mechanisms	
Provide relevant Third Parties appropriate communication where affected	

Media Enquiry Record Form



Media Enquiry Record Form

Business Continuity – Media Enquiry Record Form			
Taken by:			
Issue:			
Date:		Time of call:	
Journalist name:			
Contact numbers:			
Media outlet:			
Deadline:			
Publication date:			
Question:			
Taken by:			
Issue:			
Response by:			
Position in City of Marion:			
Response:			
Date:		Time:	



Press Release

On (insert day and date) at approximately (insert time) Council experienced a business interruption event (describe event) as a result of this event the following services are currently impaired:

- Rates
- Water & Sewer
- Roads
- Community Services

Services that are not impacted by the business interruption include:

- Libraries
- Swimming pools etc

Workarounds are currently being put in place in line with Council's Business Continuity Plan.

Council will advise the community via the media once service delivery strategies have been confirmed.

Council's contact number remains (insert number) and will be manned from (insert times) until further notice.

Issued by

Chief Executive Officer
City of Marion
(Time)
(Date)

Post Event Evaluation Form



Post Event Evaluation

Upon deactivation of the BCP the Incident Management Team Leader and the IMT, will evaluate the functions and effectiveness of the BCP relative to the disruption event that occurred.

Business Continuity – Post Event Evaluation Form			
Completed by:			
Disruption Event:			
Date of Event:		Time of Event:	
Further description of events that occurred	What:		
	Where:		
	When:		
	Who:		
Was the WEMP and CEMP invoked also?			
Relevant Recovery Strategies invoked:			
What went well and what could be improved?			
Recommended Improvement Actions:		Action Owner:	

Business Continuity Plan - Appendix A

Critical Function Recovery Strategies



Appendix A - Critical Function Recovery Strategies

Division/ Group	CEO		
Business Unit	Work Area	Function	Max Acc Outage
Human Resources	Human Resources	Critical	
Division/ Group	OPERATIONS		
Business Unit	Work Area	Function	Reference
Engineering & Field Services	Civil Services	Critical	
	Engineering	Critical	
	Open Space Operations	Critical	
Community & Cultural Services	Libraries	Non-Critical	
	Arts & Cultural Development	Non-Critical	
	Living Kurna Cultural Centre	Non-Critical	
	Community Development	Non-Critical	
	Community Wellbeing	Non-Critical	
	Customer Service	Critical	
Division/ Group	CITY DEVELOPMENT		
Business Unit	Work Area	Function	Reference
City Property	Land & Property	Critical	
	Marion Swimming Centre	Non-Critical	
	Marion Cultural Centre	Non-Critical	
Innovation & Strategy	Open Space & Recreation	Non -Critical	
	Asset Systems	Critical	
	Strategy & Innovation	Non-Critical	
	Environmental Sustainability	Non-Critical	
Economic Development	Economic Development	Non-Critical	
Development & Regulatory Services	Development Services	Critical	
	Community Health & Safety	Critical	
Strategic Projects	Strategic Projects	Non-Critical	
Division/ Group	CORPORATE SERVICES		
Business Unit	Work Area	Function	Reference
Finance	Finance	Critical	
	Rates	Non-Critical	
ICT	ICT	Critical	
Contracts & Operational Support	Operational Support	Critical	
	Contracts	Non-Critical	
Corporate Governance	Governance & Executive Support	Critical	
	WHS / Risk	Critical	
	Communications	Critical	
	Records Management	Non-Critical	

Business Continuity Framework

Critical Function Recovery Strategy



APPENDIX B

Work Area: Engineering & Field Services		Leader/Manager: Engineering & Field Services Manager	
Critical Function:	Civil Services		
Prepared by	Field Supervisor Infrastructure & Coordinator Civil Services	Creation Date	30/06/16
		Review Date	31/07/17
Recovery Strategy Owner:	Unit Manager Civil Services This plan is owned by the <i>Recovery Strategy Owner</i> who has overall responsibility for this plan.		
Routine Maintenance Owner:	Coordinator Civil Services The <i>Routine Maintenance Owner</i> is delegated responsibility for the management of the plan, for ensuring its accuracy and currency and advising the <i>Recovery Strategy Owner</i> of any changes required.		
Identified Critical Business Functions			
Drainage, kerb and water table, road maintenance, footpath maintenance, customer events response. Reactive works, planned works & capital works.			
Overview of Functions (Context)			
Flood prevention, water egress to private property. Road user safety. Footpath user safety.			
Business Impact Analysis			
Business Impact of Function Loss	Penalties for Non Delivery	Functional Interdependencies	
<ul style="list-style-type: none">Increased risk of flooding – and associated damage to properties and infrastructureInfrastructure damage not repaired in timely mannerIncrease in insurance claimsCustomer complaintsStaff moralReduced community safety/wellbeingFinancial	<ul style="list-style-type: none">Increase in insurance premiums.Reputational loss.Injuries.Loss of staff who are responding to the emergency from a personal perspective.	<ul style="list-style-type: none">IT communications service (CES & phones)Fleet and plant (hire)Relevant field staff – Safety, First Aid & HRMaintenance workshopsEngineeringAssetsFinanceOpen Space Ops	
Current Resources Premises/ Equipment/ Staff	Minimum Resources Required	Alternate Manual Process or Work Around	

Business Continuity Framework

Critical Function Recovery Strategy



APPENDIX B

Work Area: Engineering & Field Services		Leader/Manager: Engineering & Field Services Manager	
Critical Function:	Civil Services		
<ul style="list-style-type: none">▪ People - 47▪ Works depot▪ Fleet 4 Backhoes, 1 Excavator, 4 tandems, 6 medium trucks, 5 small trucks, 1 grader & 1 loader	<ul style="list-style-type: none">▪ Small Plant▪ Phones - 12▪ Computers - 8	<ul style="list-style-type: none">▪ 1 x PC for civil services▪ Internet & network connections▪ Mobile phones x 12▪ Available staff and fleet as required	<ul style="list-style-type: none">▪ Use facilities at the site i.e. admin at depot, southern depot.▪ Hire Plant and Equipment▪ Labour hire▪ Manual record keeping
Disruption Scenario			Max Acceptable Outage
<ul style="list-style-type: none">▪ Loss of buildings▪ Loss of network / PC / enterprise software▪ Loss of power▪ Loss of multiple staff at one time▪ Massive environmental disaster▪ Loss of critical Plant			1 week Immediate / ASARP Immediate / ASARP Immediate / ASARP Immediate / ASARP Immediate / ASARP
Authority for Invoking Plan		Leader / Manager via IMT	
Key Decision Makers to be assembled			
<ul style="list-style-type: none">▪ Senior Leadership Team▪ UMs	<ul style="list-style-type: none">▪ General Manager▪ CEO	<ul style="list-style-type: none">▪ Supervisors▪ IMT	
Stakeholders other than process owner			
Internal		External	
<ul style="list-style-type: none">▪ IMT▪ ELT▪ ICT	<ul style="list-style-type: none">▪ Op. Sp.▪ Op Services▪ Engineering	<ul style="list-style-type: none">▪ Residents/ Businesses▪ Contractors	<ul style="list-style-type: none">▪ Vehicles on road▪ Key suppliers
Pre Event Preparedness Current policies & procedures & access points required to deliver function			
Action Owner: Work Area Leader / Manager			
Staff Contacts:		Critical Contacts:	
<ul style="list-style-type: none">▪ Manager Civil: xxxx xxxx▪ Team Leader Civil: xxxx xxxx▪ Supervisor: xxxx xxxx▪ WHS Coordinator: xxxx xxxx▪ ICT help desk: xxxx xxxxx		<ul style="list-style-type: none">▪ Emergency Services: 000▪ APMS: 8295 2333▪ Kennards Hire: 8296 1001▪ Coates Hire: 8268 0300▪ SA Water: 1300 883 121▪ APA (Gas): 1300 306 622▪ SA Power Networks: 1300 555 727▪ DPTI: 8226 8222▪ Randstad: 8268 0300	

Business Continuity Framework

Critical Function Recovery Strategy



APPENDIX B

Work Area: Engineering & Field Services		Leader/Manager: Engineering & Field Services Manager	
Critical Function:	Civil Services		
Electronic copies: <ul style="list-style-type: none">V:\Reports\Business Tools\Business Continuity Recovery StrategiesUSB		Hard copies: <ul style="list-style-type: none">On UM Civil's work desk	
Emergency Response Immediate actions required if function is lost.			
Action Owner: Site Chief Warden / Emergency Control Officers			
On being advised of a business interruption event the following immediate responses should be considered: <ul style="list-style-type: none">Ensure safety of people, buildings and/or fleetIf necessary, contact Emergency Services, and provide information updates			
Continuity Management Actions required to ensure continued availability of the function			
Action Owner: Work Area Leader / Manager			
In the event of a business interruption event occurring as identified within the disruption scenario analysis , that exceeds the identified MAO the following responses may be appropriate (identify immediate actions required to ensure continued availability of the function): <ul style="list-style-type: none">Contact Incident Management Team Leader (currently UM Risk)Contact WHS Coordinator to assess introduced hazards as a result of emergency, if requiredSet up computer, phone communication (or 2 way radios)Assess available staff, fleet, plantSource temporary staff, fleet, plantPartner with other councilsBrief staff re plan to respond to incident/emergency			
Communication Considerations			
Action Owner: UM Communications via IMT			
Internal		External	
<ul style="list-style-type: none">ELT via IMTrelevant staff		<ul style="list-style-type: none">Emergency ServicesElected MembersAdjoining CouncilsGovernment DepartmentsMediaResidents	
Further Treatment/ Action Plans Actions required for continuous improvement			
Action Owner: Work Area Leader / Manager			
Treatment/ Action Plan		Position Responsible for development	Target Date
Investigate option for more 2-way radios in trucks		UM Operational Support	xx/xx/xx

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
4 OCTOBER 2016**

Originating Officer: Sherie Walczak, Risk Unit Manager

Manager: Kate McKenzie, Corporate Governance

General Manager: Vincent Mifsud, Corporate Services

Subject: Local Government Association Mutual Liability Scheme
Annual Risk Review 2016

Reference No: FAC041016R7.10

REPORT OBJECTIVE

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

EXECUTIVE SUMMARY

The key points covered within the report are:

- The Scheme's new approach to categorising, reviewing and measuring a Council's Risk Management practices from 2016 onwards.
- Council received an overall rating of 69.0%, but as the criteria assessed differs from past years, a comparative result cannot be provided against historical results. A bonus of \$45,249 was achieved this year which is an increase on the \$41,359 bonus from last year. This results in a net contribution to the Scheme of \$187,466 which equates to a nil increase on last year's contribution.
- Council's proposed response to the recommendations for improvement outlined in the Scheme's 2016 LGAMLS Risk Profile Action Plan.
- The City of Marion's liability claims experience continues to align with the overall Local Government profile.

RECOMMENDATIONS (2)

DUE DATES

That the Finance and Audit Committee:

- | | |
|---|----------------|
| 1. Notes the financial outcomes of the LGAMLS's 2016 Risk Management Review. | 4 October 2016 |
| 2. Provides feedback on the adequacy of the proposed actions in response to the risk management considerations for improvement. | 4 October 2016 |

BACKGROUND

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

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

As outlined in last year's report, the method by which scores are calculated was revised significantly in 2016. The aim was to provide a more accurate method of assessing a Council's, and ultimately the sector's, maturing business risk profile. Based on the previous scoring methodology, Council's five-year average Risk Profile score was 93.32% compared to the metropolitan council average of 93.06%.

The new methodology focusses on a continuous improvement methodology and scores are awarded based on the following scoring method outlined in Table 1 below.

Table 1. LGRS Risk Profile – Scoring Method

0	Does not exist	No documentation in place – assistance required in this area
3	Working on it	Council starting to look into this – evidence of some work – assistance required
5	Benchmark	Documentation in place – partially implemented
7	Getting there	Documentation in place – implementation is happening – improvement to be made
10	No improvement required	Council is outstanding in this area – documentation in place, completely implemented

The outcome of these changes is a significant effect on the scoring outcomes resulting in the current and future years not being able to be compared to previous years. The change in methodology needs to be understood so there is no false perception that Councils Risk Management has taken a serious downturn. When taking the new scoring methodology into consideration, the LGA MLS has advised that Council should consider scores above 50% as the overall benchmark figure which, together with Council's claims performance over a 7-year period, will provide the overall profile and bonus allocation. If Council records a score lower than the Metro Average, the LGAMLS have developed Risk Management Programs to support Councils in building their Risk Framework and Risk Culture. Moving forward, Council will be able to use this scoring system to track their improvements compared to the results in the previous Risk Review and claims data.

In accordance with the revised method of assessment, the categories represented in the Risk Profile Review for 2016 are more aligned to a Council's strategic Plan and Goals and are outlined in Table 2 below.

Table 2. LGRS Risk Profile – Categories

Governance/Finance/People <ul style="list-style-type: none"> • Reputation & Integrity • Strategic Risk & Governance • Procurement, Contract Management Systems • Volunteers/Vulnerable Groups/Committees • People 	Operations/Services/Functions <ul style="list-style-type: none"> • Environment/Vegetation/Trees • Emergency Management • Community Land Recreation/Leisure Services • Road & Footpath Management • Use by other parties - facilities/land
--	--

DISCUSSION

Risk Review Results 2016

The methodology used to score was a self-assessment model, discussed with and ratified by Council's LGRS Risk Consultant and the result outlined in Table 3 below. Council officers were modest with their scoring, with the average result being seven. This was due to the considerable number of areas where the "documentation is in place" and the "implementation is happening" which have been recognised as Response Actions. These actions, which are currently in progress, will further improve our systems and processes. Once completed, these categories will attract a higher score in next year's assessment.

Table 3. LGRS Risk Profile – Category Scores and Response Actions

Category	Score	Response Actions
Reputation & Integrity	7.5	Incorporate the new suite of Strategic Management Plans into the Risk Working Group's quarterly review of the Corporate Risk Register
Strategic Risk & Governance	7	Incorporate Risk Management into the development of the Project Management Framework.
Procurement, Contract Management Systems	7	Finalise the review of the Contract Management suite of documentation with the provision of training and monitoring of implementation. Consider additional training requirements for prudential reviews/due diligence reports.
Volunteers/Vulnerable Groups/Committees	7	Implement actions from the LGRS Volunteers Report specifically definition of roles, skills assessments, training requirements, hazard assessments and risk management strategies.
People	7	Include Risk Management training in the Training Needs Analysis for identified roles and schedule training accordingly.
Environment/Vegetation/Trees	6.5	Review the tree/vegetation strategy to ensure appropriate policy statement and processes with regards to when, where, why and what we plant which includes maintenance of planting and considers climate adaption in current practices.
Emergency Management	6	Finalise the implementation of the BCP by conducting a training desktop exercise, adding identified roles to the Training Needs Analysis and completing the evaluation form to identify improvement opportunities. Review the LGA iResponda process implementation with Council processes for responding to emergencies.
Community Land Recreation/Leisure Services	6.5	Finalise the implementation of the site-specific Workplace Emergency Management Plans across all Council owned and operated sites.
Road & Footpath Management	7.5	Finalise the road and kerb audits ensuring that risk management principles are incorporated in the Asset Management Plans.
Use by other parties - facilities/land	7	Review the recently implemented Event Management Process to ensure a pre/post facility assessment and an event evaluation process was incorporated.

On the above basis, Council achieved an overall score for 2016 of 69.0% which is higher than the benchmark of 50% but lower than the Metropolitan average of 77.6% however improvement is projected in next year's result.

A bonus of \$45,249 was achieved this year which is an increase on the \$41,359 bonus from last year. This results in a net contribution to the Scheme of \$187,466 which equates to a nil increase on last year's contribution.

Risk Profile Response/Action Plan

Claims Reports provided by the Scheme are developed from our claim history over the broad timeframe of 2010-2016. Data outlining the City of Marion's Claims Cause is

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

Council Claims Experience 2016

Claims Reports provided by the Scheme are developed from our claim history over the broad timeframe of 2010-2016. Data outlining the City of Marion's Claims Cause is provided in **Appendix A** and Claims Cost in **Appendix B**.

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

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

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

CONCLUSION

The Scheme has undertaken a review of Council's risk systems which has resulted in an overall score of 69.0% which is higher than the benchmark of 50% but lower than the Metropolitan average of 77.6% however improvement is projected in next year's result.

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

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

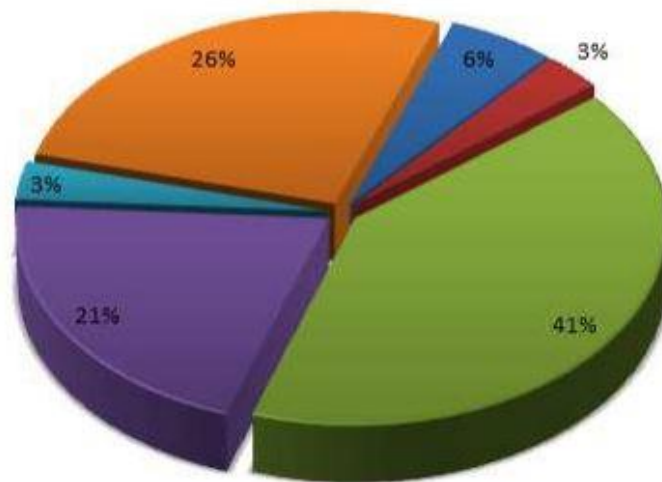
APPENDICES

Appendix A. Types of Claims based on Cause

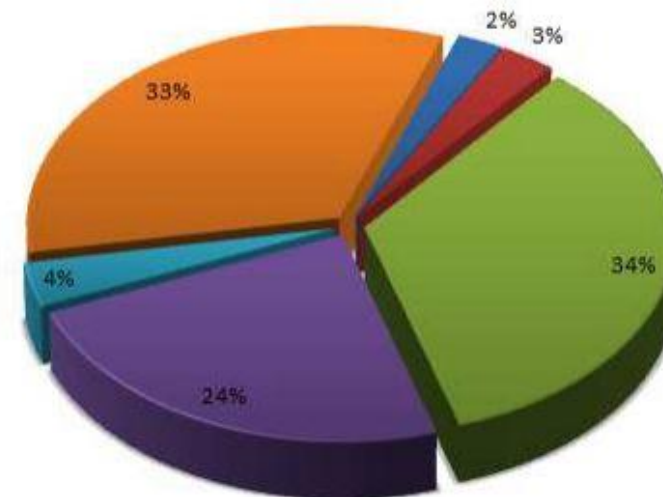
Appendix B. Types of Claims based on Cost



CoM - Types of Claims based on Cause

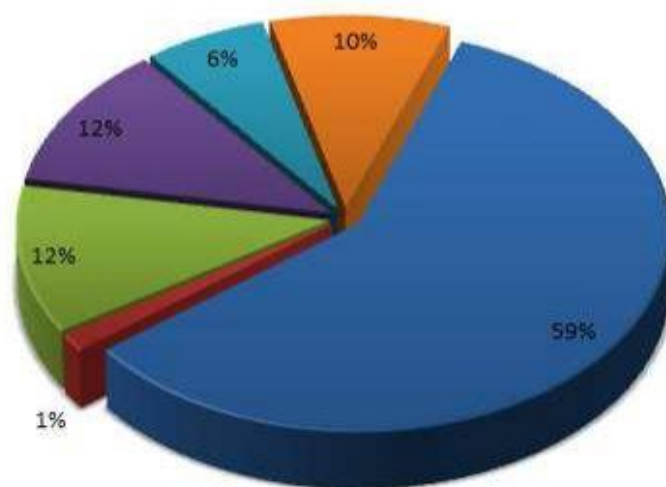


Metro Average - Types of Claims based on Cause

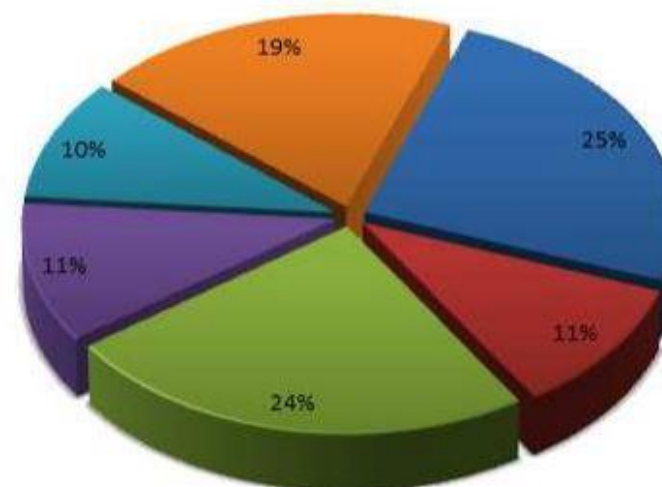




CoM- Types of Claims based on Cost



Metro Average - Types of Claims based on Cost



**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
4 OCTOBER 2016**

Originating Officer: Deborah Horton, Unit Manager Performance & Improvement

Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Ray Barnwell, Acting General Manager Corporate Governance

Subject: Organisational Service Review update and stage two scopes for 2016/17

Report Reference: FAC041016R7.11

REPORT OBJECTIVES

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

- A copy of the Service Review Program for 2016/17 (Appendix 1)
- Scopes for the first 6 reviews to be completed (Appendices 2 – 9)
- A status update regarding progress of the reviews already commenced.

EXECUTIVE SUMMARY

The Council adopted the Service Review Program for 2016/17 at its meetings of 27 September 2016 and a copy of the program is attached as Appendix 1. This Program address those service reviews that will progress to a stage 2 review and will be used to report the progress of the Service Reviews Program.

Following this, scoping documents for eight service reviews proposed to commence in quarter 1 and 2 of the 2016/17 financial year are included for consideration and feedback from the Committee.

Finally, the report provides a status update of each of the reviews completed/commenced to date, noting that the implementation of recommendations is on track.

RECOMMENDATIONS (2)

DUE DATES

That the Finance & Audit Committee:

- | | |
|--|------------|
| 1. Notes this report. | 4 Oct 2016 |
| 2. Provide feedback on the proposed service review scopes for;
Recruitment (Appendix 2)
City of Marion Outdoor Swim Centre (Appendix 3)
Parking Management and Regulation (Appendix 4)
Governance (Appendix 5)
Management of Recycling Depot (Appendix 6)
Stores (Appendix 7)
Commonwealth Home Support Program (Appendix 8)
Drainage (Appendix 9) | 4 Oct 2016 |

BACKGROUND

The City of Marion has been working on the development of a Service Review Program focusing on achieving efficiency and effectiveness with the aim to achieve on-going savings that can be passed onto the rate payer. At its meeting of 27 September 2016, Council resolved (GC270616R05) to endorse the Service Review Framework and the Service Review Program for 2016/17. With Council now endorsing the Framework and Program, it provides clear direction regarding the implementation of the service reviews across the organisation.

ANALYSIS

Organisational service reviews 2016/17

The Service review program identified the following reviews to be completed in 2016/17.

- Recruitment
- Maintenance of Council Facilities
- Marion Outdoor Swim Centre
- Parking Management and Regulations
- Asset Information Management
- Governance Systems
- Records Management
- Management of Recycling Depot – Processing of Operational Waste
- Store – Storage and Inventory
- Commonwealth Home Support Program
- Roads (Civil) and Roads and Footpaths (Engineering)
- Drainage
- Libraries

A copy of the scope documents for the reviews to be completed in quarter 1 and 2 are attached as appendices to the report.

Recruitment (Appendix 2)

This service review will assist Council to determine what efficiencies can be implemented for the provision of this service by providing an analysis on current operations, the effectiveness of the service, and the relevance of its services and resources.

City of Marion Outdoor Swim Centre (Appendix 3)

Building upon the work already undertaken on the pool regarding a Master Plan and Management options, this review will focus on finding efficiencies that will increase patronage and reduce costs.

Parking Management and Regulation (Appendix 4)

This review will critique parking monitoring and regulation across the community focussing on all areas of council that have input to this service to ensure it is as efficient and effective as possible.

Governance (Appendix 5)

This review will focus on reporting processes and Elected Member support to ensure that these services are delivered in an efficient manner.

Management of Recycling Depot – Processing of Operational Waste (Appendix 6)

This review will assist Council to validate the efficiency and effectiveness of the service and the extent of benefits being realised by the processing and reuse of operational waste. KPMG will assist with the financial component of this service review to provide a high level of autonomy with fiscal reporting.

Stores – Storage and Inventory management (Appendix 7)

This review will assist Council to determine the effectiveness of council's stock management processes and storage of general items. KPMG will assist with the financial component of this service review to provide a high level of autonomy with fiscal reporting.

Commonwealth Home Support Program (Appendix 8)

The Commonwealth Government has introduced "consumer directed care" approach to ageing which will fundamentally change the way Australians receive funding for and access to services as they grow older. This service review address Councils role in supporting needs of people as they get older and examine the provision of community services for older people in the changing landscape of funding and reforms.

Drainage (Appendix 9)

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

MONITORING AND REPORTING

The following table provides a status update of the service reviews currently in progress or completed.

Service	Commenced		Status		
	Y	N	Progress %	1st Draft (F&AC)	Final Report Council
Hard Waste	Completed		100%	✓ Mar-16	23 Aug-16
Living Kurna Cultural Centre (LKCC)	Completed		100%	✓ May-16	14 Jun-16
Libraries	✓		35%	TBA	TBA

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

Hard waste

The service review has been completed and a report was presented to Council in August 2016 (GC230816R06) where fee for service models were explored. Council resolved to defer the item until 22 November 2016 to enable the matter to be discussed first at an Elected Member forum.

Living Kurna Cultural Centre (LKCC)

Meetings have taken place to establish timelines to progress the implementation of recommendations including the development of the LKCC Service Agreement. A time line has been reviewed with the aim to have a final service agreement signed by May 2017, with the view to commence the new governance model in July 2017. An MOU has been drafted for the development of the LKCC Service Agreement between City of Marion and the Kurna group. Steering Group membership representatives from both organisations are currently being established.

Libraries

The scope of the Libraries service review was presented to the Committee in May 2016 (FAC310516R7.10) and is progressing as planned, with Robert Henshaw Consultancy Services (RHCS) recently engaged to assist with components of the review. An Elected Member forum held on 20 September 2016 sought Elected Member comment on various elements including regional collaboration, opening hours, multi-branch operations and potential management models.

Upcoming Reports

In line with the scope documents, it is anticipated that the reports for Recruitment, Marion Outdoor Swim Centre and Governance System will be presented to the Committee at its meeting in December 2016.

CONCLUSION

The Service Review Program provides assurance to the Council (via the Finance and Audit Committee) that the services Council provides are operating in an efficient and effective manner. Feedback from the Committee on the scopes and progress of the program will assist management in the overall objectives and deliverables.

Service Review Program (Stage 2) - 2016/17

Authorisation Date: 27 September 2016
Author: Unit Manager Performance and Improvement
Approval: Council (GC270916R0X)
Review Date: 2017

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Executive Summary

Introduction

Since the Local Government Elections in November 2014, the City of Marion has clearly expressed a commitment to lower rates for the community. A Service Review Framework and Program has been developed with a concerted effort focusing on achieving efficiency and effectiveness with the aim to achieve on-going savings that can be passed onto the rate payer.

The underlying principles of a service review are to ensure the service offered is commercially viable, meets or exceeds public value and to imbed to facilitate a culture of innovation and continuous improvement across the organisation.

In accordance with the Service Review Framework, the service reviews have been undertaken in two stages, the first is a preliminary self-assessment (Stage 1) by completing a service statement which informs the priorities for a second stage (Stage 2) of a more rigorous review.

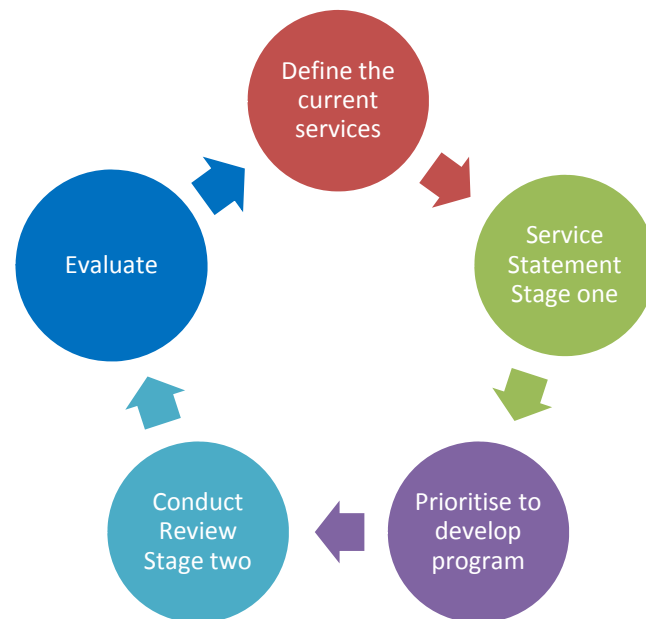
The Stage 1 service statements provided a profile of a service at a point in time about what it is, what it does, who uses it and the resources required in order to provide it. This data was compared with the service's alignment with the three principles of commercial viability, public value and culture of improvement. Other factors such as the Internal Audit Program 2015-2017, budget considerations, resources available and industry informs were also some of the many further considerations in the context of determining the service's likelihood and prioritisation of a Stage 2 review.

The purpose of the Service Review Program (Stage 2) 2016/17 is to define what Stage 2 reviews are to be undertaken in 2016/17.

The Service Review Program 2016/17 provides a schedule of reviews to be completed but should be flexible to include or substitute other relevant services as required.

Time

The Service Review Program is a three-year integrated program spanning the 2016/17, 2017/18 and 2018/19 financial years. This Program addresses the 2016/17 financial year. A further report will be presented in 2017 to consider the Stage 2 reviews to be completed in 2017/18 and 2018/19.



APPROACH

The approach for the development of the Service Review Program is based on the parameters of the Service Review Framework including:

- Integration of the service reviews across the organisation as part of the annual work area planning process;
- Understanding the current service and its likely future state;
- Undertaking a Stage 1 review of all services using the three principles of; commercial viability, public value and continuous improvement;
- Prioritising Service Reviews for the Service Review Program (Stage 2 reviews);
- Determining and implementing efficiencies to services where ever possible.

1.1 Process for organisational service reviews

Stage one of the service review process commenced in March 2016 which aimed to firstly identify the services offered and to extract as much data as possible regarding that particular service. Following this, the results were measured against the three principles of commercial viability, public value and innovation/continuous improvement to assist in determining the services likelihood of progressing to a stage two review. Essentially the higher the score, the more opportunities for improvement were attributed to the service and therefore, the more likelihood the service would progress to a stage two review as a more rigorous approach. The higher the score for the individual principle, the more likelihood opportunities exist for improvements to be achieved and therefore, the focus of the stage two review.

Results

2.1 Service statements identification of service list (stage one)

As a result of Stage 1, 131 services were identified and 130 service statements were completed (see Appendix A).

2.2 Service statements results (stage one)

The data of the Stage 1 Service Statements has been analysed and the following provides a high level overview of the service statements, noting that this is a self-assessment and the results have not been audited (evidence based) at this point.¹

Profile of the services

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

¹ Please note: Anomalies exist in the calculations due to a number of factors including (but not limited to); contradictory responses, more than one response to a question, responses where they were not required.

² % results provided are calculated upon the total responses NOT the total number of service statements as some questions could provide more than one answer. In addition, the LKCC was included as a 'no response' to each question.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

Appendix 1



Commercial viability

- 59% of services are funded completely by rates, 21% as a user charge or combination of rates and user charge, 10% as a grant or combination of user charge or 'other', 8% as a combination of rates, grants and user charge, 2% did not know and 1% didn't provide a response.⁶
- 35% of services have identified that a fee could be charged for the service, 61% identified they couldn't, 3% did not know and 1% did not respond.
- Of the 35% of services that identified a fee could be charged for the service, 65% identified there were constraints that effected the implementation. Explanations include: legislation (40%), customers' ability to pay (32%), internal service (12%) and the remaining (16%) were attributed to a range of other individual constraints.

Public value

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

Innovation/Continuous Improvement

- 43% of responses had processes, 34% procedures, 23% policies.
- 82% of responses provided in the service statements indicated that improvements to some form of the service was identified in work area plans, 18% did not (of those 18% that did not include improvements to their work area plans, 19% indicated software was a barrier, 14% indicated they required resourcing, 17% indicated budget, 11% indicated approval and 31% indicated 'other' – but did not provide an additional response to understand what the 'other' reasons were, 8% identified policies/procedures as barriers).
- The most common form of improvements identified as a result of the service review include internal processes 40%, improvements made to the delivery of the service (or a component of the service) 28%, improvements made direct to the customer 10%, 6% were costs, 5% were charge and 11% did not know.

⁶ % results provided are calculated upon the total responses NOT the total number of service statements as some questions could provide more than one answer. In addition, the LKCC was included as a 'no response' to each question.

Appendix 1

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

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

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

Using the responses in the service statements, 19 services were initially identified as potential services that could progress to a stage two review as a priority one. After taking into consideration other factors (budget, strategic alignment, industry reforms etc.) not all of these services have been recommended to progress to a stage 2 review within the 2016/17 financial year. Table 1 below provides a high level overview of this assessment.

Table 1: Top 19 services as a priority 1				
Division and Service	Department	Explanation of tool assessment	Identified as Top 12 (with organisational input)	Explanation of in/exclusion to the Top 12
Chief Executive Officer				
1. Values and Culture	Human Resources	Scores indicating more opportunities for improvement of service standards, interdependence upon other departments of Council to deliver the service, absence of budget information, absence of evidential data that identifies audience, community need, satisfaction levels, performance and future need of the service.	No	Launched across the organisation on 30 June 2016. Given its relatively new status, will not proceed to a stage two review, but will be assessed as a component of work area plans each year.
General Manager City Development				
2. Capacity Building	City Property	Scores indicating more opportunities for improvement of interdependence upon other departments of Council to deliver the service, budget provided warranted exploration, absence of evidential data that identifies audience, community need, satisfaction levels, performance and future need of the service.	No	Over the last six months there has been an increased focus on capacity building and the sustainability of clubs, consequently it is recommended that it would be too soon to review this service. Over the last six month's resources have been developed and work has commenced with specific clubs.
3. Coastal Walkway	City Property	Scores indicating more opportunities for improvement of service standards, resourcing, budget information, absence of	No	This was not considered a 'service' but an asset that is better captured in the "Asset Management" service

Appendix 1

Table 1: Top 19 services as a priority 1

Division and Service	Department	Explanation of tool assessment	Identified as Top 12 (with organisational input)	Explanation of in/exclusion to the Top 12
		evidential data that identifies audience, community need, satisfaction levels, performance and future need of the service, improvements to be included in work area planning.		review. In addition, work currently being undertaken by Manager Land & Property is addressing these elements.
4. Commercial Leases / Management	City Property	Scores indicating more opportunities for improvement of service standards, budget information, absence of evidential data that measures performance, Commercial viability (user charges), community need, satisfaction levels, performance and future need of the service.	No	The Manager City Property is addressing these elements. This work has included the review of the leasing and licensing policy, process mapping, development and implementation of new processes, improvement in management reports and monitoring of the services.
5. Events - External	City Property	Scores indicating more opportunities for improvement of service standards, budget information, resourcing, evidential data that identifies audience satisfaction levels.	No	The Manager City Property has reviewed this service and developed a process map, information pack developed for event organisers, development and implementation of a checklist, Event Management system is now being used to monitor and manage activities.
6. Gallery M	City Property	Scores indicating more opportunities for improvement of Service standards, budget information, absence of evidential data that identifies community need and satisfaction levels, improvement opportunities were 'unknown', commercial viability and level of use by targeted audience was indicated as low.	No	Council considered this service in June 2015 (GC230615M04) and entered into a new Management Agreement until June 2018. It would be prudent to review this service prior to the renewal of the agreement and may form part of the 2017/18 Service Review Program.
7. Marion Outdoor Swim Centre	City Property	Scores indicating more opportunities for improvement of commercial viability, budget, Interdependence across other areas of the organisation to deliver the service, resourcing, performance monitoring and evaluation of previous review recommendations.	Yes	The relatively high budget value and customer service opportunities were identified as a priority and were included in the top 12. Council requested at the June 2016 meeting (GC280616M03) to explore new management options at the Marion Outdoor Pool.
8. Immunisation	Development & Reg. Services	Scores indicating more opportunities for improvement of resourcing, Commercial viability (user charges), absence of evidential data that identifies audience satisfaction levels.	No	Review is not recommended at this stage as the service has recently undergone a review with a decision to outsource to a contractor.

Appendix 1

Table 1: Top 19 services as a priority 1

Division and Service	Department	Explanation of tool assessment	Identified as Top 12 (with organisational input)	Explanation of in/exclusion to the Top 12
9. Parking Management and Regulation	Development & Reg. Services	Scores indicating more opportunities for improvement of budget information, resourcing, commercial viability, absence of evidential data that identifies audience, community need, satisfaction levels, improvement opportunities were 'unknown', last reviewed in 2007.	Yes	Council has a legislative requirement to administer these pieces of legislation but <i>how</i> services are provided could be reviewed, including business and administrative support to provide the services.
10. Public Health: Non Mandatory	Development & Reg. Services	Scores indicating more opportunities for improvement of budget warranted exploration, level of satisfaction of the service by the target audience is unknown, only has documented processes, improvement opportunities have not been integrated into the Work Area Planning.	No	This service includes inspection of skin penetration businesses and auditing of high risk manufactured water systems (cooling towers and warm water systems). The benefits of a service review for the organisation at this time for these services are considered minimal and not urgent.
11. Innovation Pathway Oversight	Innovation & Strategy	Scores indicating more opportunities for improvement of service standards, budget information, Absence of evidential data that identifies audience, community need, satisfaction levels, performance and future need of the service, resourcing & future demand.	No	Given this services relatively new status, it will not proceed to a stage two review, but will be assessed as a component of work area plans each year.
12. NRM Education Program (hosted position/service)	Innovation & Strategy	Scores indicating more opportunities for improvement of interdependence upon other departments of Council to deliver the service, considered to be resource intensive, has not undergone a review, constraints restricting the delivery of service (hosted position guided by Funding Agreement with AMLR NRM Board until 30 June 2017).	No	Review will be conducted by NRM Board as owners of the service.
13. Open Space Planning, Policy and Open Space Asset Management	Innovation & Strategy	Scores indicating more opportunities for improvement of evidential data that identifies audience, community need, satisfaction levels, performance and future need of the service.	No	Asset Management Element of service is key consideration and will be incorporated into the Strategic Asset Management Review. Planning and policy elements are being progressed currently.
14. Systems Improvements	Innovation & Strategy	Scores indicating more opportunities for improvement regarding service standards, performance monitoring,	No	Priority systems review captured through targeted services reviews in other areas.

Appendix 1

Table 1: Top 19 services as a priority 1

Division and Service	Department	Explanation of tool assessment	Identified as Top 12 (with organisational input)	Explanation of in/exclusion to the Top 12
		absence of evidential data that identifies audience, community need, satisfaction levels, performance and future need of the service.		
General Manager Corporate Services				
15. Corporate Reporting	Corporate Governance	Scores indicating more opportunities for improvement regarding service standards, has not undergone a review, considered to be resource intensive, has constraints restricting the delivery of service (receiving data in a timely manner impacts on deadlines and old systems are unreliable), improvement opportunities have not been incorporated into the Work Area Plan.	No	Whilst considered a priority for governance, this service is included in the Internal Audit Plan 2015/17 and scheduled to commence in November 2016. This audit will be completed by KPMG, which will identify potential service improvement opportunities.
16. Policy Maintenance & Development	Corporate Governance	Scores indicating more opportunities for improvement regarding service standards, resourcing, lack of consistency and hasn't had a review.	No	Recently audited by Auditor General and this service is included in the Internal Audit Plan 2015/17 and scheduled to commence in March 2017. This audit will be completed by KPMG.
17. Service Review Program	Corporate Governance	Scores indicating more opportunities for improvement regarding service standards, resources, absence of budget information, has constraints restricting the delivery of service (staff restructure to resource the service and staff learning/development as the service is being delivered), level of satisfaction of the service by the target audience is unknown.	No	Given this services relatively new status, will not proceed to a stage two review, but will be assessed as a component of work area plans each year. As the Service Review Program has been developed for 16/17, this will allow opportunity for review/assessment prior to adopting the program for 2017/18 and 2018/19.
General Manager Operations				

Appendix 1

Table 1: Top 19 services as a priority 1

Division and Service	Department	Explanation of tool assessment	Identified as Top 12 (with organisational input)	Explanation of in/exclusion to the Top 12
18. Roads ⁷ (Civil – construction work area)	Engineering & Field Services	Scores indicating more opportunities for improvement regarding resourcing, Interdependence upon other departments of Council to deliver the service, has not undergone a review (currently finalising tender), only has documented processes.	Yes	It is acknowledged that this service is a high priority due to Large Spend (\$5.4 million), changing technology, reviewing systems and processes, high risk activity, opportunity to improve financial management. This was not originally included in the top 12 services report provided to the Finance & Audit Committee Meeting on the 16 August (FAC160816R7.7) however it has been incorporated in the Road & Footpath service review to provide a holistic approach.
19. Streetscapes	Engineering & Field Services	Scores indicating more opportunities for improvement regarding service standards, interdependence upon other departments of Council to deliver the service, budget information, delivery of service, satisfaction levels, performance and future need of the service.	No	It is acknowledged that this service is a high priority due to significant cost (to be defined), define process, develop risk management and mitigation and coordinate work activities, however, this would benefit for review in future years after the above is implemented,

⁷ There are two work areas that relate to roads which provided separate service standards. "Roads" = the construction (Civil) and "Roads and Footpaths" = the planning, scoping and engineering component (Engineering).

Appendix 1

2.3 Service Review Program (stage two) 2016/17

Following the above assessment, Table 2 below provides the program for 2016/17;



Table 2: Top 12 (Identified with organisational input) + Libraries (as an existing service review)																
Service	Department	2016/2017						2016/2017						2017/18		
		Qtr 1			Qtr 2			Qtr 3			Qtr 4			Qtr 1		
		J	A	S	O	N	D	J	F	M	A	M	J	J	A	S
1. Recruitment	Human Resources															
2. Maintenance of Council facilities	City Property															
3. Marion Outdoor Swim Centre	City Property															
4. Parking Management and Regulation	Dev & Reg. Svc															
5. Asset Information Management	Innovation & Strategy															
6. Governance Systems	Corporate Governance															
7. Records Management	Corporate Governance															
8. Management of Recycling Depot - Processing of Operational Waste	Contracts & Op Support															
9. Stores – Storage and Inventory Mgmt.	Contracts & Op Support															
10. Commonwealth Home Support Programme (CHSP), SA Home and Community Care (HACC), Disability & Carer Support	Community & Cultural Services															
11. Roads (Civil) and Road & Footpath Works Program (Engineering)	Engineering & Field Services															
12. Drainage	Engineering & Field Services															
13. Libraries	Community & Cultural Services															

Appendix 1

Table 2: Top 12 (Identified with organisational input) + Libraries (as an existing service review)

Service	Department	Explanation
1. Recruitment	Human Resources	Opportunities exist for driving more efficient and effective practices in the provision of this service rather than 'culture/values'.
2. Maintenance of Council facilities	City Property	The high budget value, potential organisational risk and need for contracts to be awarded reprioritised this service.
3. Marion Outdoor Swim Centre	City Property	Agreed with the tool assessment.
4. Parking Management and Regulation	Dev & Reg Svc	Agreed with the tool assessment.
5. Asset Information Management	Innovation & Strategy	Timely to incorporate this service into Strategic Asset Management Review reprioritising this service.
6. Governance Systems	Corporate Governance	Opportunities exist for driving more efficient and effective practices regarding Council reporting and compliance obligations as a stage 2 review (Priority 1).
7. Records Management	Corporate Governance	Timely to link a review with the integration of new organisational information software systems (i.e. the Lotus Notes Replacement Program) as a stage 2 review (Priority 1).
8. Management of Recycling Depot - Processing of Operational Waste	Contracts & Op Support	Opportunities exist for driving more efficient and effective practices regarding this service and will occur concurrently with the "Stores" service review. To ensure transparency, it is recommended that an external audit be undertaken for an independent financial analysis.
9. Stores – Storage and Inventory Management	Contracts & Op Support	
10. Commonwealth Home Support Programme (CHSP), SA Home and Community Care (HACC), Disability & Carer Support	Community & Cultural Services	The funding agreement for these projects ends on 30 June 2018. Given the significant value of the service, and its linkages with State/Fed Government funding, it is timely for this service to be reviewed as a stage 2 review (Priority 1). It is also noted that this service is scheduled for discussion with Elected Members at a forum in November.
11. Roads (Civil) <i>and</i> Roads & Footpath Works Program (Engineering)	Engineering & Field Services	Potential opportunities exist for driving more efficient and effective practices in the provision of this service due to the large spend (\$2.2million) footpaths and (\$5.4million) on Roads (Engineering <i>and</i> Construction) for a holistic approach. Includes planning, design and delivery across Engineering and Civil Services. Consideration of external providers for an independent financial analysis will be undertaken.
12. Drainage	Engineering & Field Services	Recent benchmarking with other Councils indicated the unit rates for drainage could be improved. Potential opportunities exist for driving more efficient and effective practices in the provision of this service due to the large spend (\$5.4million) and is therefore reprioritised as a stage 2 review (Priority 1).
13. Libraries	Community & Cultural Services	In Progress.

Appendix 1

Appendix A

Table 1: Services	
Division, Department and Service	No. of Services
Chief Executive Officer	
Human Resources	5
Learning and Development	
Recruitment	
Staff Performance and Development Management	
Values and Culture	
Workforce Planning	
General Manager City Development	
City Property	11
Capacity Building	
Casual Hirers	
Coastal Walkway	
Commercial leases / Management	
Events - External	
Gallery M	
Land Management	
Leases and Licences	
Maintenance of Council facilities	
Marion Cultural Centre	
Marion Outdoor Swim Centre	
Development & Regulatory Services	18
Animal Management	
Collection of discarded syringes and needle sharps	
Development Assessment Building	
Development Assessment Planning (including DAP)	
Development Enforcement & Compliance	
Development Inspections	
Development Plan Amendments	
Enforcement of Council's By-Laws	
Fire Prevention	
Food: Education, Inspections, Investigations & Auditing	
Immunisation	
Parking Management and Regulation	
Preliminary Planning Advice	
Public health: Enforcement of South Australia Public Health Act 2011	
Public health: non mandatory	
Section 7 Statement of the Land and Business (Sale and Conveyancing) Act 1994	
Supported Residential Facilities	
Volunteer Graffiti Program	

Appendix 1

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

Appendix 1

Table 1: Services	
Division, Department and Service	No. of Services
Freedom of Information Applications	
Governance	
Internal Audit	
Media liaison and issues management	
Policy Maintenance & Development	
Public relations and publications	
Records Management	
Risk Management (including Insurance and Claims Administration)	
Service Review Program	
Work Health & Safety (WHS)	
Finance	5
Accounts Payable	
Accounts Receivable	
Financial Management	
Payroll	
Rates	
ICT	3
GIS Mapping	
ICT Applications Support and Projects	
ICT Technical Support and Telecommunications	
General Manager Operations	
Community & Cultural Services	22
Adult Community Education	
Arts & Cultural Development	
Arts and Cultural Development Officer- Cultural Heritage	
Bookings and Hall hire of Neighbourhood Centres	
Commonwealth Home Support Programme (CHSP), SA Home and Community Care (HACC),	
Disability & Carer Support	
Community Arts Projects and Programs	
Community Bus	
Community Development Projects	
Community Hubs	
Community Passenger Network (CPN)	
Cultural Diversity & Reconciliation	
External Customer Service and Information	
Internal Customer Service and Information	
Living Kurna Cultural Centre	
Marion Celebrates Festival	
Marion Learning Festival	
Marion Library Service	
Neighbourhood Centres Programs and Services Council Funded	
Out & About Program	

Appendix 1

Table 1: Services	
Division, Department and Service	No. of Services
Public Art & Placemaking	
Volunteer Programs & Volunteer Development	
Youth Development	
Engineering & Field Services	21
Annual Street Tree Planting	
Bridges (Construction)	
Bridges (Engineering)	
Drainage	
Footpaths	
Engineering & Field Services - Continued	
Graffiti removal Council infrastructure	
Infrastructure Audit Unit (IAU)	
Irrigation Maintenance	
Landscape Maintenance	
Playground Maintenance	
Reserve Maintenance	
Road and Footpath Works Program	
Roads	
Sensitive Sites Maintenance	
Streetscapes	
Survey and Design (roads, drains, traffic control devices)	
Traffic and Parking Investigations	
Tree Maintenance	
Underground Electrical Services Permits	
Walking & Cycling	
Water Management	
Total	131

Service Review (Stage 2) Scope

Recruitment

Service Review Name:	Recruitment
Service Review Number:	1
Service Review Manager:	Stephanie Roberts
Service Review Sponsor:	Chief Executive Officer & Executive Leadership Team
Date:	4 October 2016 (Finance & Audit Committee)

1. Description of Service Review:

This review will assist Council to determine what efficiencies can be implemented for the provision of this service by providing an analysis on current operations, the effectiveness of the service, and the relevance of its services and resources.

2. Service Review Objectives:

The review will include consideration of:

- The role and functions performed by the Human Resources Team;
- The role and functions performed by the Recruiting Managers/panel;
- The use of agency staff (G6 contract);
- Legislative requirements, ie anti discrimination law;
- Equity and Diversity;
- Reviewing internal operations including processes and work practices;
- Identifying service levels, standards and processes (omitting any duplication of processes);
- The costs associated with providing the service;
- Service and activity innovations;
- Identify and recommend opportunities for improvement;
- Utilisation of external service providers in particular, preferred supplier arrangements (note these arrangements are not exclusive)

3. Deliverables:

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

- Define 'Recruiting' purpose for clarification;
- Process Map the provision of the service (review current process map);
- Analyse data from the September recruitment survey;
- Review of organisational policy and supporting documentation;
- Gathering of relevant data and analysis;
- Identify service improvements and cost efficiencies;
- Report – a final report with recommendations will be prepared for Council and Finance & Audit Committee review with any significant changes to the service to be provided in a report to Council;
- Clarity on the decision to recruit internal only versus internal and external.

4. Description of Constraints:

Service Review (Stage 2) Scope

Recruitment



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

5. Justification/Comments supporting the Service Review:

Opportunities exist for driving more efficient and effective practices in the provision of this service.

6. Service Review Stakeholders:

Internal Stakeholders

- Executive Leadership Team
- Senior Leadership Team
- Leadership Team
- All staff (potential recruits)
- Human Resources
- Finance & Audit Committee
- Council

External Stakeholders

- Australian Services Union (ASU)
- Australian Workers Union (AWU)
- Suppliers
- Suppliers with contact arrangements

7. Program & Milestones:

Project Scope – Finance & Audit Committee: October 2016
 Project team – first meeting scheduled
 Undertake review process Oct 2016 – November 2016
 Project Plan for implementation of outcomes Oct 2016 – November 2016
 Report – Finance & Audit Committee: December 2016
 Implement outcomes of review to be completed by February 2017

8. Estimated Service Review Cost:

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

9. Service Review Governance

Project Sponsor: Executive Leadership Team – CEO, General Manager
Project Manager: Steph Roberts, Manager Human Resources

Service Review (Stage 2) Scope

Recruitment

**Project Team (internal):**

Manager Corporate Governance
 Performance & Improvement Team
 Unit Manager Human Resources Partnering
 Human Resources Co-ordinator

10. Risk Management Approach

Risks may include:

- Need for specialist knowledge or available resources to undertake research
- Time and appropriate resources to complete a thorough review of the service

Service Review Scope Approval**Service Review Manager**

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

Service Review Sponsor

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

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

Service Review (Stage 2) Scope

Marion Outdoor Swimming Centre

Service Review Name:	Marion Outdoor Swimming Centre
Service Review Number:	3
Service Review Manager:	Carol Hampton, City Property
Service Review Sponsor:	Abby Dickson, General Manager & Executive Leadership Team
Date:	October 2016

1. Description of Service Review:

This service review will focus on increasing attendances and revenue whilst reducing ongoing costs.

2. Service Review Objectives:

The review will include consideration of;

- The costs associated with providing the service (testing current knowledge of costs and benchmarking);
- Identifying cost savings;
- Identifying service levels, standards and processes (omitting any duplication of processes);
- Improved resource usage and management options;
- Reviewing internal operations including management and staffing structure, processes, and work practices;
- Exploring methods to optimise resource usage, including rationalising and making better use of assets;
- Service and activity innovations in alignment with Marion Outdoor Swim Centre Master plan;
- Identify and recommend opportunities for improvement that will increase patronage and reduce costs.

3. Deliverables:

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

- Gathering of relevant data and analysis;
- Identify service improvements and cost efficiencies;
- Report – a report with recommendations will be prepared for Finance & Audit Committee review with any changes to the service to be provided in a report to Council.

4. Description of Constraints:

- Timing – the review commenced in July
- Resources – being undertaken with existing resources
- Council consideration of the Master Plan
- No forced redundancies
- Seasonal operation of the pool – weather effects patronage, recommendations implemented the following season.

5. Justification/Comments supporting the Service Review:

- Council resolution (GC280616M03).

6. Service Review Stakeholders:

Service Review (Stage 2) Scope

Marion Outdoor Swimming Centre

Internal Stakeholders

- Finance
- Contracts
- Finance & Audit Committee
- Council
- City of Marion Outdoor Pool staff
- Human Resources
- Property
- Communications
- Performance & Improvement Team / Governance

External Stakeholders

- Australian Services Union
- Suppliers
- Neighbouring Councils
- Councils with outdoor pools in SA
- Friends of Marion Pool
- YMCA (Marion Leisure and Fitness Centre)
- SALC Indoor Pool
- Community

7. Program & Milestones:

Project Scope – Finance & Audit Committee: October 2016
 Survey other councils with outdoor pools: September 2016
 Review Marketing Plan: September 2016
 Action Plan developed and implemented: August – November 2016
 Status Report to F&AC – December 2016
 Implement outcomes of review to be completed by September 2017

8. Estimated Service Review Cost:

Within existing resources.

9. Service Review Governance

Project Sponsor: Executive Leadership Team – CEO, General Manager
Project Manager: Carol Hampton, City Property
Project Team (internal):
 Manager Corporate Governance
 Performance & Improvement Team
 HR Manager
 Outdoor pool staff
 Communications
 Finance

Service Review (Stage 2) Scope

Marion Outdoor Swimming Centre



Project Team (external):
Australian Services Union

10. Risk Management Approach

Risks may include:

- Need for specialist knowledge or available resources to undertake research
- Competing priorities for the City Property team
- Time and appropriate resources to complete a thorough review of the service
- Potential lack of relevant data and information
- Union involvement
- Ensure adherence to Surf Life Saving Standards/Guidelines.

Service Review Scope Approval**Service Review Manager**

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

Service Review Sponsor

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

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

Service Review (Stage 2) Scope

Parking Management and Regulation

Service Review Name:	Parking Management and Regulation
Service Review Number:	4
Service Review Manager:	Sharon Perin, Unit Manager Community Health and Safety
Service Review Sponsor:	Steve Hooper, Manager Development and Regulatory Services
Date:	September 2016

1. Description of Service Review:

This review will include consideration of the role and functions performed by the Community Safety Inspectors and other areas across the organisation that support this division to provide parking monitoring and regulation in the wider community (through the administration and management of Australian Road Rules and the Private Parking Areas Act 1986) and management of abandoned vehicles under the Local Government Act 1999 by;

- Reviewing internal operations such as staffing structure, processes, and work practices including after business hours' service levels and resources;
- Identifying service levels, standards and processes (triggers to these services and organisational response);
- Financial rigor regarding the costs associated with providing the service (testing current knowledge of costs and benchmarking);
- Identifying cost savings;
- Identifying Improved resource usage;
- Benchmarking with other Councils and exploring service delivery models including service sharing, strategic relationships;
- Service and activity innovations;
- Identify and recommend opportunities for improvement.

Note: The organisation is cognisant of Westfield's intention to instigate paid parking. Should such eventuate, this review will consider and identify contingencies.

2. Service Review Objectives:

To ensure Council's administration and management of relevant legislation regarding parking management for the safety of the community is undertaken as efficiently and effectively as possible.

3. Deliverables:

To explore if parking management, including administrative and information technology processes are as efficient and cost effective as they can be.

- Process Map Core Services – the core services will be defined and mapped;
- Gathering of relevant data and analysis;
- Identify service improvements and cost efficiencies;
- Report – a final report with recommendations will be prepared for Council and Finance & Audit Committee review with any changes to the service to be provided in a report to Council.

Service Review (Stage 2) Scope**Parking Management and Regulation****4. Description of Constraints:**

- Administrative and business support required to assist with undertaking this review.
- Ensure service delivery, customer service and Council's legislative responsibilities of administering a wide variety of legislation (not just regarding parking management) is not compromised during the service review.

5. Justification/Comments supporting the Service Review:

- This service was identified for a stage two review with the results indicating this service has the capacity to improve in equal measure regarding its profile and the three principles.

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

- Executive Support
- Manager Development & Regulatory Services
- Staff within Community Health and Safety
- Finance Department staff
- Customer Service Centre staff
- Manager Engineering Services
- Contracts Department staff
- I.T. Department staff

External Stakeholders

- Department of Planning, Transport and Infrastructure
- Fines Enforcement and Recovery Unit
- Westfield Marion Shopping Centre
- Civica (External provider for software for Authority database)
- Pinforce (External provider for software for expiation notices)
- External contractor for towing and impounding vehicles
- Australian Services Union Australian Services Union (ASU)
- Australian Workers Union (AWU)

7. Program & Milestones:

- Project Scope – Finance & Audit Committee: October 2016
- Project team – first meeting scheduled: October 2016
- Status Report – Finance & Audit Committee: December 2016
- Undertake review process Oct 2016 – March 2017
- Status Report – Finance & Audit Committee: January 2017
- Project Plan for implementation of outcomes February 2017 – March 2017
- Implement outcomes of review to be completed by June 2017

Service Review (Stage 2) Scope

Parking Management and Regulation

**8. Estimated Service Review Cost:**

- This service review will be undertaken internally and within current resources.

9. Service Review Governance

- **Project Sponsor:** Executive Leadership Team – CEO, General Manager, Steve Hooper, Manager Development & Regulatory
- **Project Manager:** Sharon Perin, Unit Manager Community Health & Safety
- **Project Team (internal):**
 - Community Health & Safety
 - Performance & Improvement Team
 - Input from Finance & ICT Functions

10. Risk Management Approach

Risks may include:

- Time and appropriate resources to complete a thorough review of the service;
- Legislative barriers to innovative measures;
- Current City of Marion Enterprise Bargaining and;
- Current City of Marion Local Work Area Agreement discussions.

Service Review Scope Approval**Service Review Manager**

Name: Sharon Perin

Position: Unit Manager Community Health and Safety

Signature: _____ Date: 27/9/16

Service Review Sponsor

Name: Steve Hooper

Position: Manager Development and Regulatory Services

Signature: _____ Date: 27/9/16

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

Service Review (Stage 2) Scope

Governance – Council Reporting & Elected Member Support

Service Review Name:	Governance –Elected Member Support & Council Reporting
Service Review Number:	6
Service Review Manager:	Jaimie Thwaites, Unit Manager Governance & Records Kate McKenzie, Manager Corporate Governance
Service Review Sponsor:	Vincent Mifsud , General Manager Corporate Services
Date:	4 October 2016 (Finance and Audit Committee)

1. Description of Service Review:

The term ‘corporate governance’ is defined by ASX Corporate Governance Council as *“the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations”*. Good corporate governance will promote community confidence in the Elected Members of the City of Marion. Elected Member Support and Council Reporting are two critical functions of the governance arrangements of the Council. The purpose of this service review is to determine what efficiencies can be implemented by providing an analysis on current operations, the effectiveness of these services, and the relevance of its services and resources.

2. Service Review Objectives:

The review will include consideration of:

- The role and functions performed by the Governance Team in delivering these services.
- Definition of the services provided to Elected Members including meeting and reporting for Council, Committees, Elected Member Forums, Ward Briefings and other ancillary services. Please note the Development Assessment Panel is out of scope for this review.
- The value of the functions performed by the Governance Team in delivering these services.
- Legislative requirements.
- Identifying service levels, standards and processes.
- The costs associated with providing the service to determine if cost reductions could be warranted.
- Service and activity innovations.
- Identify and recommend opportunities for improvement.
- Utilisation of external service providers for software to eliminate inefficient practices.

3. Deliverables:

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

- Process Map the provision of the service (review current process map).
- Benchmark current governance practices in the provision of these services with other councils.
- Gathering of relevant data and analysis.
- Identify service improvements and cost efficiencies.
- Report – a final report with recommendations will be prepared for the Finance & Audit Committee review with outcomes of recommended improvements to the service to be provided in a report to Council.

Service Review (Stage 2) Scope

Governance – Council Reporting & Elected Member Support

4. Description of Constraints:

- Resources – The team is currently lean meaning that resources are focused on day to day delivery of the services. The service review will impact on staff resources whilst they must continue to deliver normal services to the organisation.
- Depending on the nature of the recommendations from the review, resources will need to be considered to implement if beyond the capacity of the team.

5. Justification/Comments supporting the Service Review:

- Meetings and Reporting is a key governance requirement and is defined by the Local Government Act 1999. Resources across the whole organisation (from officer level to executive level) are used to deliver these services. There is opportunity to streamline how this occurs to ensure that Elected Members are well informed and supported to ensure optimal decision making of Council.

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

- Elected Members
- Executive Leadership Team
- Senior Leadership Team
- Leadership Team
- Governance staff
- Human Resources
- Finance & Audit Committee
- Council Committee's

External Stakeholders

- Software Providers
- Other Councils

7. Program & Milestones:

Internal SWOT Analysis: September 2016
 Project Scope – Finance & Audit Committee: 4 October 2016
 Project team – first meeting scheduled 30 September 2016
 Undertake review process October/November 2016
 Service Review Recommendations: Report – Finance & Audit Committee: 6 December 2016
 Project Plan for implementation of outcomes – to be defined within the review
 Implement outcomes of review to be completed by end of 2017.

8. Estimated Service Review Cost:

This project is to commence on the basis that internal resources are available to collect and collate relevant data.
 No external consultancy is proposed to be used

Service Review (Stage 2) Scope

Governance – Council Reporting & Elected Member Support

**9. Service Review Governance****Project Sponsor:** Vincent Mifsud, General Manager Corporate Governance,**Project Manager:** Kate McKenzie, Manager Corporate Governance, Jaimie Thwaites, Unit Manager Governance and Records**Project Team (internal):**

- Vincent Mifsud
- Kate McKenzie
- Jaimie Thwaites
- Yvette Zaric

10. Risk Management Approach

Risks may include:

- Need for specialist knowledge or available resources to undertake research
- Knowledge of legislative requirements and good governance principles
- Time and appropriate resources to complete a thorough review of the service
- Integration of software packages with current IT solutions
- Resources to implement IT review recommendations is unfunded

Service Review Scope Approval**Service Review Manager**

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

Service Review Sponsor

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

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

Service Review (Stage 2) Scope

Management of Recycling Depot – Processing of Operational Waste

Service Review Name:	Management of Recycling Depot – Processing of Operational Waste
Service Review Number:	8
Service Review Manager:	Manager Contracts & Operational Support
Service Review Sponsor:	General Manager Corporate Services
Date:	4 October 2016 (Finance & Audit Committee)

1. Description of Service Review:

This review will assist Council to validate the efficiency and effectiveness of the service, and the extent of benefits being realised by the processing and reuse of operational waste.

2. Service Review Objectives:

The review objectives include:

- Assessment of whether the service is achieving the anticipated benefits to council
- Assessment of whether there are appropriate staff levels and plant resources to undertake the service
- Identification of process improvements associated with internal processes and work practices (where relevant)

3. Deliverables:

To achieve the project objectives, the review will involve the following elements of work:

- Consider the initial business case justification for establishing the service;
- Analyse costs and benefits realised associated with providing the service;
- Consider market costs of waste disposal and product purchase;
- Review staff and plant resources used in the provision of the service, including opening hours of the Recycling Depot;
- Review internal processes and work practices;
- Obtain feedback from internal customers;
- Consult with Finance to gain a perspective on financial implications of current processes;
- Review operational matters (eg risks/opportunities, site security etc) associated with the service;
- Assess legislative requirements (ie EPA licence conditions, EPA 1993) against the current service;
- Identify and recommend opportunities for service improvement and cost efficiencies;
- Report – a final report with recommendations will be prepared for Council and Finance & Audit Committee review with any significant changes to the service to be provided in a report to Council;

4. Description of Constraints:

- Resources – impact on teams;
- Time to undertake a review that delivers upon the intended/expected outcomes whilst continuing to provide the service;
- EPA licence conditions governing the approved operational activities at the site

Service Review (Stage 2) Scope

Management of Recycling Depot – Processing of Operational Waste

5. Justification/Comments supporting the Service Review:

Formal review of the service has not been undertaken since its establishment in September 2010. Opportunities may exist to drive more efficient and effective practices in the provision of this service.

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

- Executive Leadership Team
- Internal customers (eg Engineering and Field Services, Strategic Projects, Open Space Recreational Planning)
- Operational Support team members
- Finance
- Finance & Audit Committee
- Council

External Stakeholders

- Australian Workers Union (AWU)
- EPA
- Suppliers with contract arrangements

7. Program & Milestones:

Project Scope – Finance & Audit Committee: October 2016

Project team – first meeting scheduled: October 2016

Status Report – Finance & Audit Committee: as required

Undertake review process: Nov 2016 – Mar 2017

Final Report (including Project Plan for implementation of outcomes) – Finance & Audit Committee: May 2017

Implement outcomes of review to be completed by: Indicative Aug 2017 (dependent on recommendations)

8. Estimated Service Review Cost:

This project is to commence on the basis that internal resources are available to collect and collate relevant data. To ensure transparency, it is recommended that independent financial analysis be undertaken by KPMG, at an estimated cost of up to \$25,000 (for both this and the Stores - Storage and Inventory Management service reviews).

9. Service Review Governance

Project Sponsor: General Manager Corporate Services

Project Manager: Manager Contracts & Operational Support

Project Team (internal):

Unit Manager Operational Support

Operational Support team members

Performance & Improvement Team

Internal customer representative(s)

Service Review (Stage 2) Scope

Management of Recycling Depot – Processing of Operational Waste

10. Risk Management Approach

Risks may include:

- Need for specialist knowledge or available resources to undertake research
- Time and appropriate resources to complete a thorough review of the service

Service Review Scope Approval**Service Review Manager**

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

Service Review Sponsor

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

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

Service Review (Stage 2) Scope

Stores – Storage & Inventory Management

Service Review Name:	Stores – Storage & Inventory Management
Service Review Number:	9
Service Review Manager:	Manager Contracts & Operational Support
Service Review Sponsor:	General Manager Corporate Services
Date:	4 October 2016 (Finance & Audit Committee)

1. Description of Service Review:

This review will assist Council to determine the effectiveness of council's stock management processes, and storage of general items processes.

2. Service Review Objectives:

The review objectives include:

- Assessment of the effectiveness of management of stock across council
- Assessment of the effectiveness of management of general storage items across council
- Assessment of whether there are appropriate staff levels and plant resources to undertake the service
- Identification of process improvements associated with internal processes and work practices (where relevant)

3. Deliverables:

To achieve the project objectives, the review will involve the following elements of work:

- Provide clarity regarding what is considered 'stock' compared to 'general storage items'
- Identify current internal processes and work practices to manage stock
- Identify current internal processes and work practices to manage 'general storage items'
- Compare current practices against good practices associated with the following:
 - Purchasing and issuing of stock
 - Physical controls over stock (stores access etc)
 - Stock levels held
 - Stock management (eg weekly/annual stocktake processes, storage layout)
- Consider the extent of storage of general storage items within council
- Consider processes for managing stock at the Recycling Depot
- Analyse costs associated with providing the service;
- Review staff and plant resources used in the provision of the service, including opening hours of the store;
- Obtain feedback from internal customers;
- Consult with Finance to gain a perspective on financial implications of current processes;
- Review operational matters (eg risks/opportunities, site security etc) associated with the service;
- Identify and recommend opportunities for service improvement (to optimise the service to internal customers) and cost efficiencies (to minimise cost of holding stock);
- Report – a final report with recommendations will be prepared for Council and Finance & Audit Committee review with any significant changes to the service to be provided in a report to Council;

Service Review (Stage 2) Scope

Stores – Storage & Inventory Management

4. Description of Constraints:

- Resources – impact on teams;
- Time to undertake a review that delivers upon the intended/expected outcomes whilst continuing to provide the service;
- Authority system limitations (inventory module)

5. Justification/Comments supporting the Service Review:

The process of moving into the new City Services site and store has identified a range of materials that have been historically purchased in bulk by various council teams (not as a stock item), and which have subsequently been identified as not managed effectively, surplus to requirements, obsolete, or reflecting significantly above our immediate requirements. This suggests the level of control over such items can be improved.

In addition, opportunity exists to ensure current practices (ie who undertakes purchasing of stock items, where they are stored and managed etc) are optimised to best support the delivery of services by staff to our community.

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

- Executive Leadership Team
- Senior Leadership Team
- Internal teams requiring stock (predominantly Engineering and Field Services teams)
- Finance
- Finance & Audit Committee
- Council

External Stakeholders

- Australian Workers Union (AWU)
- Suppliers
- Suppliers with contract arrangements

7. Program & Milestones:

Project Scope – Finance & Audit Committee: October 2016

Project team – first meeting scheduled: October 2016

Status Report – Finance & Audit Committee: as required

Undertake review process: Nov 2016 – March 2017

Final Report (including Project Plan for implementation of outcomes) – Finance & Audit Committee: May 2017

Implement outcomes of review to be completed by: Indicative Sep 2017 (dependent on recommendations)

Service Review (Stage 2) Scope

Stores – Storage & Inventory Management

8. Estimated Service Review Cost:

The project is to commence on the basis that internal resources are available to collect and collate relevant data. To ensure transparency, it is recommended that independent financial analysis be undertaken by KPMG, at an estimated cost of up to \$25,000 (for both this and the Management of the Recycling Depot service reviews).

9. Service Review Governance

Project Sponsor: General Manager Corporate Services

Project Manager: Manager Contracts & Operational Support

Project Team (internal):

Unit Manager Operational Support

Operational Support team members

Performance & Improvement Team

Internal customer representative(s)

10. Risk Management Approach

Risks may include:

- Need for specialist knowledge or available resources to undertake research
- Time and appropriate resources to complete a thorough review of the service

Service Review Scope Approval**Service Review Manager**

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

Service Review Sponsor

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

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

Service Review (Stage 2) Scope

Commonwealth Home Support Program

Service Review Name:	Commonwealth Home Support Program (CHSP)
Service Review Number:	10
Service Review Manager:	Manager, Community & Cultural Services
Service Review Sponsor:	General Manager, Operations
Date:	September 2016

1. Description of Service Review:

The Commonwealth Government has introduced “consumer directed care” approach to ageing which will fundamentally change the way Australians receive funding for and access to services as they grow older. The Commonwealth reforms will lead to a reduction in local government funding for meeting the needs of older people in our community. The changes will be fully implemented by July 2018.

The Commonwealth Home Support Programme (CHSP) funds a range of services delivered by Community Care and Neighbourhood Centres that support and enable people to remain in their home, while maintaining their independence, re-ablement, wellbeing and social connections and avoiding, or delaying entry into residential care. Council needs to be informed about these changes and to determine if Council has a role in supporting older members of our community and how this may look after July 2018.

Currently twenty-eight social programs are provided across the four neighbourhood centres enabling participants to stay physically active, socially connected and independent in their local community.

2. Service Review Objectives:

- Determine if Council has a future role in supporting needs of people as they get older
- Examine Council’s role in the provision of community services for older people in the changing landscape of funding and reforms
- Reaffirm their commitment to older residents in their community (or not – this will involve Council informing of their intention to cease services to older residents)
- Determine if Council wish to achieve “approve provider” status and become a customer’s provider of choice
- Determine which model, if any, Council wishes to provide support to older members of our community.

3. Deliverables:

- Briefing report to ELT (Oct 2016)
- Briefing report to Elected Members at an Elected Member forum (TBD)
- Determine possible models for the delivery of community services for older people aged care services and support beyond July 2018 (Sept-Dec 2016) (Active participation in the LGA Working Group established to determine such models, first meeting on 30 September 2016)
- Agree on preferred model of supporting older members of our community (Feb 2017)

4. Description of Constraints:

LGA is working to assist Council’s to determine potential models – timeliness of this work/report to enable appropriate decision making.

2017/2018 draft budget preparations will commence in October/November 2016 and not having a complete picture of possible models and the cost implications of these for inclusion

Service Review (Stage 2) Scope

Commonwealth Home Support Program

5. Justification/Comments supporting the Service Review:

The Commonwealth Government's *Living Longer Living Better* reforms to aged care were announced in the 2015/2016 budget. Of relevance to local government was the *Increasing Choice in Home Care* measure that aims to improve the way home care services are delivered by giving people greater choice and flexibility in the services they receive.

Stage One – intended to be delivered from February 2017; funding for a home care package will follow the consumer as they change providers or location. The My Aged Care website has been introduced for a consistent national approach to prioritising access to packages.

Stage Two – implemented from July 2018, home Care Packages Programme will be integrated with the Commonwealth Home Support Programme into a single care home program.

The new model consists of four levels of care packages that older people can move between as their needs change (basic, low level, intermediate and high level home care). The Commonwealth describes these reforms as consumer driven, less regulated and market based.

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

Community Care team, Neighbourhood Centres team, Finance, Community Bus Coordinator and Community Passenger Network Project Officer, volunteers, Council, ELT, Communications team, Human Resources,

External Stakeholders

Community members/residents who are aged 65 years and over living independently or Aboriginal and Torres Strait Islander people aged over 50 years of age; adults living with a disability (18-65 yrs. or 18-50 years for Aboriginal and Torres Strait Islander people); carers of people who look after these individuals.
Service organisations and agencies, NGOs, Union.

7. Program & Milestones:

Briefing report to ELT (Oct 2016)

Operating Models to be determined (Sept-Dec2016)

Briefing report and presentation of potential models to EM Forum (TBD)

Report to Council with recommended model of providing support to older members in the Marion community (Feb 2017)

8. Estimated Service Review Cost:

Nil – service review can be undertaken in-house within existing staffing resource allocation.
Implementation of preferred model will have cost implications, unknown at this stage.

9. Service Review Governance

General Manager, Operations; Manager Community & Cultural Services; Unit Manager Community Wellbeing; Team Leader Community Care; Coordinator Neighbourhood Social Participation;

10. Risk Management Approach

- Availability of staff to participate in the review

Service Review (Stage 2) Scope

Commonwealth Home Support Program



- Time and appropriate resources to complete a thorough review of the service
- Potential lack of relevant data and information
- Change management process
- Union involvement
- Confidence in analysis of alternative options for service delivery

Service Review Scope Approval**Service Review Manager**

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

Service Review Sponsor

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

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

Service Review (Stage 2) Scope

Drainage

Service Review Name:	Drainage
Service Review Number:	12
Service Review Manager:	Mat Allen
Service Review Sponsor:	Executive Leadership Team
Date:	4 October 2016

1. Description of Service Review:

The “Drainage” service review will assist Council to determine what efficiencies can be implemented for the provision of this service by providing an analysis on current drainage activities. A particular focus will be to find efficiencies by testing our current processes and suppliers and benchmarking this data with other Council’s. Research with other industry providers should be explored.

2. Service Review Objectives:

The review will include consideration of:

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

3. Deliverables:

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

- Process Map Core Services – the core services will be defined and mapped;
- Gathering of relevant data and analysis;
- Identify service improvements and cost efficiencies;
- Report – a final report with recommendations will be prepared for Council and Finance & Audit Committee review with any changes to the service to be provided in a report to Council.

4. Description of Constraints:

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

Service Review (Stage 2) Scope

Drainage

5. Justification/Comments supporting the Service Review:

The high budget value (\$5.4m) to provide this service, identified this as a stage 2 review (Priority 1).

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

- Civil Services
- Engineering
- Finance
- Contracts
- Assets
- Finance & Audit Committee
- Council

External Stakeholders

- Australian Services Union
- Australian Workers Union
- Suppliers
- Neighbouring Councils

7. Program & Milestones:

Project Scope – Finance & Audit Committee: October 2016
 Project team – first meeting scheduled
 Status Report – Finance & Audit Committee:
 Undertake review process XXX 2016 – XXX 2017
 Status Report – Finance & Audit Committee:
 Project Plan for implementation of outcomes XXX 2017 – XXX 2017
 Implement outcomes of review to be completed by XXX 2018

8. Estimated Service Review Cost:

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

9. Service Review Governance

Project Sponsor: Executive Leadership Team – CEO, General Manager
Project Manager: Mat Allen, Manager Engineering & Field Services
Project Team (internal):
 Manager Corporate Governance
 Performance & Improvement Team
 HR Manager
 Drainage & Engineering

Service Review (Stage 2) Scope

Drainage

Project Team (external):

Australian Services Union

Australian Workers Union

10. Risk Management Approach

Risks may include:

- Need for specialist knowledge or available resources to undertake research
- Time and appropriate resources to complete a thorough review of the service
- Potential lack of relevant data and information
- Union involvement

Service Review Scope Approval**Service Review Manager**

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

Service Review Sponsor

Name: _____ Position: _____

Signature: _____ Date: ____/____/____

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

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
4 OCTOBER 2016**

Originating Officer: Deborah Horton, Unit Manager Performance & Improvement

Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Governance

Subject: Internal Audit Program Status Report

Report Reference: FAC041016R7.12

REPORT OBJECTIVES

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

- An overview of the status of the internal audit program
- Scopes for the next reviews to be completed being:
 - Corporate Reporting
 - Accounts Receivable
 - IT Cyber security
- Progress of the implementation of recommendations

EXECUTIVE SUMMARY

The Committee endorsed the Internal Audit Program 2015-17 at its meeting of 15 December 2015 (AC151215R7.7).

Delivery of the program is on track with all reviews now complete for the 2015/16 financial year. Scoping for the 2016/17 financial year has now commenced and three (3) scopes are attached for the Committee to review and provide feedback. The work on these reviews is due to commence in October and November 2016. The Purchase Card review (deferred from 2015/16) is also due to commence in October 2016.

Implementations of recommendations are on track and recommendations assessed as high are separately reported in within this report.

RECOMMENDATIONS (2):

That the Finance & Audit Committee:

DUE DATES

- | | |
|---|------------|
| 1. Notes this report and provides any feedback on the progression and management of the Internal Audit Program. | 4 Oct 2016 |
| 2. Provide specific feedback regarding the proposed scope for;
Corporate Reporting (Appendix 1)
Accounts Receivable (Appendix 2)
Cyber Security (Appendix 3) | 4 Oct 2016 |

BACKGROUND

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

DISCUSSION

Five of the six projects identified for the 2015/16 financial year internal audit program have been completed. The sixth project "People, Leadership and Culture Management" did not progress (as better organisational outcomes could be achieved through a different type of consultancy/expert) and purchase cards have been deferred until October 2016 (see table below). The Purchase Card review was deferred and is now scheduled to occur in October 2016. This scope was reviewed by the Committee at its meeting of 8 March 2016.

Project	Commence Date	Scope	Progress	1 st Draft	Final Draft	FAC
Internal Audit Plan 2015-17	Completed					
Capital Works Program Delivery	Completed					
Payroll	Completed					
Purchase Card	Deferred October 2016					
Cash Handling	Completed					
Building Insurance and Asset Valuation	Completed					
People, Leadership & Culture	Not progressing					

Internal Audit Plan 2016/17

The following projects are scheduled for review in 2016/17 financial year;

Project	Commence Date	Scope	Progress	1 st Draft	Final Draft	F&AC
Corporate performance reporting	Nov '16	FAC 4 Oct				
Accounts receivable	Oct 16	FAC 4 Oct				
Purchase Cards	Oct 16	FAC 8 March				
IT Security – Cyber maturity	Nov 16	FAC 4 Oct				
Policy framework review	March 17	FAC Feb 17				
Property Portfolio Management	March 17	FAC Feb 17				

Attached to this report are scoping documents for three reviews (Corporate performance reporting, Accounts receivable and IT Cyber Security) with a short summary of each scope provided below:

Corporate performance reporting (Appendix 1)

This scope will focus on organisational reporting arrangements including how they align with key strategies and how they cascade through the organisation, purpose and use of reports, escalation of issues and accountabilities. Although reported previously as commencing in July 2016, this project has been delayed due to staffing resources. It is anticipated to be reported to the FAC in February 2017.

Accounts receivable (Appendix 2)

This scope will focus on procedures for receiving and receipting monies, aged debtors process, mater file maintenance, monthly reconciliations, management of overdue rates and the collection of rates. It is anticipated to be reported to the FAC in December 2016

IT Cyber Security (Appendix 3)

KPMG will utilise a “cyber security maturity model” to identify the current level of cyber maturity across the organisation with particular emphasis on;

- Leadership and governance,
- Operations and technology,
- Information Risk Management,
- Human Factors,
- Legal and compliance
- Business Continuity Management.

It is anticipated to be reported to the FAC in February 2017.

Monitoring Internal Audit Recommendations

The table below provides the status of recommendations from the Internal Audit Plan 2015-2017 as at 29 September 2016.

Project	Findings	In progress	Overdue	Completed	Comments
Internal Audit Plan 2015 – 17					
Capital Works Program	8	8	0	0	All recommendations are due at the end of September 2016. Further status report will be provided at the December 2016 FAC meeting regarding overdue actions. Some recommendations will require further consideration regarding the timing of implementation.
Payroll	6	2	0	4	The two remaining recommendations are due to be implemented by the due date.
Building Insurance & Asset Valuation	8	1	0	7	The outstanding recommendation relates to insurances and the original due date is 30 September 2016. The Council has requested a report to come to Council in March 2017 regarding the cost benefit of the LGA. This work will form part of that report. The due date needs to be adjusted till March 2017.
Cash Handling	8	4	-	4	5 and of 8 recommendations are due for completion at the end of September 2016. Of these 5, 80% of the recommendations are completed at the time of this report with the remaining 20% on track to be completed by 30 th September 2016.

From the reviews listed above, the following there are two recommendations assessed as high and details of their implementation are included below:

Project	Recommendation	Comments
Payroll	New entries and adjustments made to the employee Master File are not being regularly reviewed.	This has been fully implemented and closed off
Cash Handling	Improvement required to the security of cash storage	A review of all cash handling sites has now been undertaken. Finance are finalising a list of recommended actions to enhance security measures across each site. This is on track to be completed by 30 September 2016.

CONCLUSION

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



City of Marion

Internal Audit Project:
FY2016-FY2017

Corporate Performance Reporting

23 September 2016



Internal Audit Program FY2016/17: Corporate Performance Reporting

Objective

This internal audit will focus on the City of Marion's (CoM) corporate performance reporting arrangements including how they align with the key strategies and how they cascade through the organisation as well as through to the individual. The internal audit will also consider the purpose and use of the reports, escalation of issues and accountabilities.

Scope of services

The scope of the corporate performance reporting internal audit project will include consideration of the following:

- Corporate performance reporting's focus on a balanced set of measures and alignment to CoM's strategic objectives and organisational KPIs
- Linkages between monthly corporate performance reports, triannual budget reviews, quarterly corporate performance reports and annual report requirements
- Presentation of concise information of a legislated versus non-legislated nature and the focus on key issues, risks and opportunities
- Consideration of the accuracy, timeliness and completeness of inputs within the reporting
- Efficiency of production, including processes of data collation, analysis and timeframes for preparation of information
- Comparison of CoM's corporate performance reporting in the context of better practice principles.

Approach

The approach for the corporate performance reporting internal audit project will include the following key phases/activities:

- Interview key process owners and stakeholders within the corporate performance reporting processes, including members of the Executive Leadership Team, Senior Leadership Team, Finance, Governance, Performance & Improvement functions.
- Review of frameworks, corporate performance reporting documentation, policies and procedures in place as well as systems/recording of information, reporting and governance structures.
- Preparation of a report containing our findings and recommendations as appropriate.



Timing and reporting

The internal audit of corporate performance reporting is proposed to be initiated in early-November 2016 with the review of relevant documentation, stakeholder consultation and draft reporting expected to be completed by the end of November 2016. The draft report will be discussed with relevant members of CoM's Management team in terms of the factual accuracy of the findings and to obtain agreement of management responses and agreed action plans to address the internal audit findings and recommendations.

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

Target Audit Committee: February 2017

Proposed budget

The proposed budget for this internal audit project is \$18,570.00 excluding GST (based on 13 days' effort). Please note that any out-of-pocket expenses will be on-charged at cost (e.g. staff travel).

Name	Role	Hourly Rate (excl. GST)	Estimated Hours	Sub-total (excl. GST)
Justin Jamieson	Partner	\$ 350.00	4	\$ 1,400.00
Jared Lawrence	Director	\$ 295.00	28	\$ 8,260.00
James Rivett	Assistant Manager	\$ 197.00	28	\$ 5,516.00
Anneliese Pedler	Consultant	\$ 85.00	40	\$ 3,400.00
Total			100	\$ 18,576.00



Approvals

We are in agreement with the scope document for the internal audit project focusing on corporate performance reporting.

City of Marion Internal Audit Project Sponsor – Kate McKenzie
(Manager Governance)

KPMG Internal Audit Partner – Justin Jamieson

Name:

Name:

Signed:

Signed:

Date:

Date:

Disclaimers

Inherent limitations

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

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

Third party reliance

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

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



City of Marion

Internal Audit Project:
FY2016-FY2017

Accounts Receivable

23 September 2016



Internal Audit Program FY2016/17: Accounts Receivable

Objective

This internal audit project will focus on City of Marion's (CoM) key processes and controls and assess compliance with current procedures and guidelines relating to accounts receivable. The audit will include the process for receiving and receipting monies, aged debtors process, master file maintenance and monthly reconciliations. The focus of the audit will be in relation to rates collection, expiations and sundry debtors.

Scope of services

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

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

Key accounts receivable categories to be considered include:

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

Approach

The approach for the accounts receivable (rates, expiations and sundry debtors) internal audit project will include the following key phases/activities:

- Understanding of relevant operating guidelines (and other relevant documentation) in place in relation to rates collection, expiations and sundry debtors.
- Understanding of CoM's financial internal controls framework as relevant to accounts receivable



- Understanding of recent practices and processes in relation to CoM's management and administration of accounts receivable, including "walk-throughs" of relevant processes
- Consideration of systems used in relation to accounts receivables
- Consideration of key controls and risks associated with accounts receivable processes
- Detailed consideration of a sample of accounts receivable transactions
- Consideration of management reporting and monitoring processes
- Consideration of the efficiency and effectiveness of accounts receivable processes
- Consideration of better practice recommendations, including benchmarking to support CoM to manage the accounts receivable in an efficient manner
- Internal audit reporting, including identification of any performance improvement opportunities.

Stakeholders

The following stakeholders will be consulted as part of the internal audit project as to cover off on the focus of the accounts receivable internal audit in addition to any other stakeholders as identified by CoM management.

- Ray Barnwell *Manager Finance* *Rates, sundry debtors*
- David Harman *Financial Accountant* *Sundry debtors*
- Steve Hooper *Manager Development & Regulatory Services* *Expiations*
- Kylie Jaggard *Team Leader Rating Services* *Rates*

Timing and reporting

The internal audit focusing on accounts receivable (rates collection, sundry debtors and expiations) is proposed to be initiated in September 2016 with the review of relevant documentation, stakeholder consultation and draft reporting expected to be completed by end of October 2016. The draft report will be discussed with relevant members of CoM's management team in terms of the factual accuracy of the findings and to obtain agreement of management responses and agreed action plans to address the internal audit findings and recommendations.



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

Target Audit Committee: December 2016 Proposed budget

The proposed budget for this internal audit project is \$17,540 excluding GST (based on 13 days' effort). Please note that any out-of-pocket expenses will be on-charged at cost (e.g. staff travel).

Name	Role	Hourly Rate (excl. GST)	Estimated Hours	Sub-total (excl. GST)
Justin Jamieson	Partner	\$ 350.00	4	\$ 1,400.00
Jared Lawrence	Director	\$ 295.00	22	\$ 6,490.00
James Rivett	Assistant Manager	\$ 197.00	30	\$ 5,910.00
Anneliese Pedler	Consultant	\$ 85.00	44	\$ 3,740.00
Total			100	\$ 17,540.00

Approvals

We are in agreement with the scope document for the internal audit project focusing on accounts receivable.

City of Marion Internal Audit Project Sponsor – Kate McKenzie
(Manager Governance)

KPMG Internal Audit Partner – Justin Jamieson

Name:

Name:

Signed:

Signed:

Date:

Date:



Disclaimers

Inherent limitations

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

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

Third party reliance

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

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



KPMG ENTERPRISE

City of Marion

Internal Audit Project:
FY2016-FY2017

Cyber Security

Internal Audit Program FY2016/17: Cyber Security

Objective

This internal audit will consider the current cyber security posture of the City of Marion (CoM). This project will be a non-technical review and will focus on the current standing of cyber security at the CoM to identify areas of improvement.

Scope of services

To address the overall objective, the scope of the high level cyber maturity assessment will be as follows:

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

Scope Exclusions

Please note that the scope will specifically exclude the following areas:

- Assurance over the domains reviewed and reported on as part of the cyber maturity assessment (including assurance over any procedures and strategies);

- Testing the operational effectiveness or control samples of process controls or procedures, or technical security controls in operation;
- Any testing involving the use of any automated tools, including penetration testing or vulnerability assessments;
- Development of policies, procedures or framework documentation;
- Testing over recovery capability, plans or recovery strategies; and
- Implementation of remediation recommendations.

Approach

In light of the Scope, a summary of the approach is as follows:

- Review of key documentation, including security framework, policies and procedures, as well as IT DR and BCP plans and strategies;
- Interviews with key stakeholders to gain understanding of current cyber posture across the six domains of the cyber maturity assessment;
- Execution of relevant fieldwork to assess cyber maturity in accordance with KPMG's CMA methodology, and identify positive observations and key recommendations to improve maturity across each domain;
- Hold close out meeting to validate and confirm findings; and
- Draft and distribute Internal Audit report for management feedback and comments.

Stakeholders

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

- Vincent Mifsud *General Manager Corporate Services*
- Kate McKenzie *Manager Corporate Governance*
- John Deally *Manager ICT*
- Phil Mattingly *Infrastructure Services Manager*
- Paula Heaney *ICT Project Officer*

- Jessica Robinson *Project Coordinator ICT*
- Greg Starkey *CQR – Manager, Government and Commercial Business*

Timing and reporting

The internal audit project focusing on IT Security is proposed to commence on Monday, 14 November 2016, with review of relevant documentation, stakeholder consultation, fieldwork and draft reporting expected to be completed by Friday, 2 December 2016 (approximately three weeks elapsed time).

The draft report will be discussed with relevant members of CoM's Management team in terms of the factual accuracy of the findings and to agree management responses and action plans to address the internal audit findings and recommendations.

The final report, incorporating management responses and agreed action plans, together with responsibilities and target dates for actions, will be issued to the CoM Audit Committee.

Target Audit Committee: December 2016

Proposed budget

The proposed budget for this internal audit project is \$19,986.50 excluding GST (based on 12 days' effort). Please note that any out-of-pocket expenses will be on-charged at cost (e.g. staff travel).

Name	Role	Hourly Rate (excl. GST)	Estimated Hours	Sub-total (excl. GST)
Justin Jamieson	Partner	\$350.00	2	\$700.00
Jared Lawrence / Angela Pak	Director	\$295.00	4	\$1,180.00
Chris McDonald	Associate Director	\$255.00	12	\$3,060.00
Kate Monto	Manager	\$239.00	43.5	\$10,396.50
Daniel O'Shea	Senior Consultant	\$155.00	30	\$4,650.00
Total			91.5	\$19,986.50

Approvals

We are in agreement with the scope document for the internal audit project focusing on cyber security.

City of Marion Internal Audit Project Sponsor – Kate McKenzie
(Manager Corporate Governance)

KPMG Internal Audit Partner – Justin Jamieson

Name:

Name:

Signed:

Signed:

Date:

Date:

Disclaimers

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