

His Worship the Mayor
Councillors
CITY OF MARION

NOTICE OF FINANCE AND AUDIT COMMITTEE MEETING

Council Chamber, Council Administration Centre
245 Sturt Road, Sturt

Tuesday, 26 February 2019 09:30 AM

The CEO hereby gives Notice pursuant to the provisions under Section 83 of the Local Government Act 1999 that a Finance and Audit Committee meeting will be held.

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 Centre on Sturt Road, Sturt.



Adrian Skull
Chief Executive Officer



TABLE OF CONTENTS

OPEN MEETING	4
KAURNA ACKNOWLEDGEMENT	4
ELECTED MEMBERS DECLARATION (if any)	4
CONFIRMATION OF MINUTES	4
Confirmation of the minutes for the Finance and Audit Committee Meeting held on 11 December 2018	4
APPENDIX 1	5
BUSINESS ARISING	13
Business Arising Statement	13
APPENDIX 1	14
REPORTS FOR DISCUSSION	19
Elected Members Report	19
Internal Audit Program 2018/19 scoping documents	21
APPENDIX 1	23
APPENDIX 2	50
Project Management Framework	54
APPENDIX 1	56
Climate Risks for Councils	71
APPENDIX 1	75
Service Review Program and Recommendations - Progress Update	79
APPENDIX 1	81
APPENDIX 2	82
The Collection of Long Outstanding Rates Debt	86
APPENDIX 1	90
APPENDIX 2	91
APPENDIX 3	92
APPENDIX 4	93
Draft Annual Business Plan 2019/20 and Long Term Financial Plan	94
APPENDIX 1	96
APPENDIX 2	103
APPENDIX 3	104
APPENDIX 4	106
Corporate Reporting Framework - Progress Update	107
Internal Audit Tender	109
REPORTS FOR NOTING	111
Improved Asset Valuation Process	111
Internal Audit Program - Implementation of Recommendations	114

APPENDIX 1	115
CONFIDENTIAL ITEMS	128
Cover Report - S48 Prudential Management Review - Waste Services	128
S48 Prudential Management Review - Waste Services	129
WORKSHOP / PRESENTATION ITEMS	130
OTHER BUSINESS	130
MEETING CLOSURE	130

OPEN MEETING**KAURNA ACKNOWLEDGEMENT**

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

ELECTED MEMBERS DECLARATION (if any)**CONFIRMATION OF MINUTES****Confirmation of the minutes for the Finance and Audit Committee Meeting held on 11 December 2018**

Originating Officer Governance Officer - Victoria Moritz

Corporate Manager Manager Corporate Governance - Kate McKenzie

Report Reference: FAC190226R01

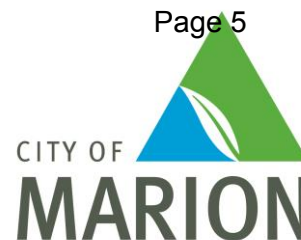
RECOMMENDATION:

That the minutes arising from the Finance and Audit Committee Meeting held on 11 December 2018 be taken as read and confirmed.

ATTACHMENTS:

#	Attachment	Type
1	FAC181211 - Minutes_Final	PDF File

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON 12 DECEMBER 2018**



PRESENT

Mr. Greg Connor (Chair), Mrs Emma Hinchey, Ms Natalie Johnston, Councillor Clancy and Councillor Gard

In Attendance

Mr. Adrian Skull	Chief Executive Officer
Mr. Vincent Mifsud	General Manager Corporate Services
Ms. Abby Dickson	General Manager City Development
Ms Kate McKenzie	Manager Corporate Governance
Mr. Ray Barnwell	Manager Finance and Contracts
Mr Greg Salmon	Manager, City Activation (item F01)
Ms. Carla Zub	Project Manager Strategic Projects (item F01)
Ms Fiona Harvey	Manager Innovation and Strategy (item R04,)
Ms. Cass Gannon	Performance and Innovation Leader (item R04)
Mr. John Deally	Manager, ICT (R06)
Ms Sherie Walczak	Unit Manager Risk (R08)
Mr Justin Jamison	KPMG
Mr Eric Beere	KPMG
Ms Heather Martens	KPMG

1. OPEN MEETING

The meeting commenced at 9.33am . The Chair welcomed all those present to the meeting, noting that Councillor's Clancy and Gard will be the Elected Member representatives on the Committee for the next 12 months.

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 had a conflict of interest regarding any item of the agenda.

Councillor Clancy declared that her sister is the Labour candidate for Boothby which may be a perceived conflict of interest if the Committee discussed any federal funding opportunities within that electorate.

4. CONFIRMATION OF MINUTES

9.35 am Confirmation of the Minutes for the Finance and Audit Committee Meeting held 2 October 2018

Moved Mrs Hinchey, Seconded Councillor Clancy the minutes of the Finance and Audit Committee (the Committee) meeting held on 2 October 2018 are confirmed as a true and correct record of proceedings.

Carried Unanimously

5. BUSINESS ARISING

9.36am Business Arising Statement Report Reference: FAC181211R01

The Committee noted the report and that some actions are starting to lag. It was noted that this was due to the loss of key staff with two (2) resignations at the Senior Leadership Level and two (2) senior staff. The Committee queried the CEO if he was concerned about staff turnover. The CEO indicated that he wasn't concerned with turnover however he was concerned with recruitment and making sure the right people are placed into the vacant positions.

The Manager Finance commented on item 7 in the business arising – Trade and Other Payables noting that they were high at the end of the of 2016/17 financial year due to significant catch-up works on the road reseal program. However, it was confirmed that there was no lag or delay in payments to suppliers who continued to be paid in a timely manner.

6. CONFIDENTIAL ITEM

9.47 am Expression of Interest – 262 Sturt Road, Marion – Outcome of Business Case Process

Moved Councillor Gard, Seconded Ms Johnson that:

1. Pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Councillor Telfer, Adrian Skull, Chief Executive Officer; Vincent Mifsud, General Manager Corporate Services, Abby Dickson, General Manager City Development; Tony Lines, General Manager City Services; Kate McKenzie, Manager Corporate Governance, Carla Zub, Project Manager Strategic Projects and Greg Salmon, Manager City Activation be excluded from the meeting as the Council receives and considers information relating to the report *Expression of Interest - 262 Sturt Road - Progress Report and Next Stage* upon the basis that it is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential on the grounds that the report contains information of a commercial nature and would on balance, be contrary to the public interest.

Carried Unanimously

9.49 am the Committee moved into confidence

Moved Councillor Gard, Seconded Mrs Hinchey that the Finance and Audit Committee:

1. In accordance with section 91(7) and (9) of the *Local Government Act 1999* the Council orders that this report, Expression of Interest – 262 Sturt Road – Outline of Business Case Process, any appendices to this report and the minutes arising having been considered in confidence pursuant to Section 90(2) and (3)(b) of the Act, except when required to effect or comply with Council's resolutions regarding this matter, be kept confidential and not available for public inspection, for a period of 12 months from the date of this matter, This confidential order will be reviewed at the General Council Meeting in December 2019.

Carried Unanimously

7. REPORTS FOR DISCUSSION

10.21am Terms of Reference and Overview of Skills

Report Reference: FAC181211R02

The Committee provided an overview of their skills and experience as it related to the Committee.

Action: The Committee requested that a Skills Matrix be developed for the Committee.

10.16am Elected Members Report

Report Reference FAC181211R03

The Committee noted the report and highlighted that the end of financial year statements were considered and adopted at the Council meeting of 9th October.

Councillor Gard provided an overview of the Elected Member report highlighting the following points:

- The National Resources Management Reforms will have an impact on Council, however, Council has embraced the reforms well. Council has written a comprehensive response noting that the City of Marion wanted to be recognised as a metropolitan council rather than a hills council. It was also noted that Council did not want to be responsible for collecting the NRM levy. Various motions have been submitted to the Local Government Association (LGA) Annual General Meeting about this issue and the LGA has been unable to make progress with the State Government.
- Waste Management has been an issue and Council is seeking the best value option for the ratepayer. The City of Marion joined with the Cities of Charles Sturt, Port Adelaide Enfield and Adelaide City Council (the Participating Councils) to progress a collaborative approach to the procurement of Waste Management Services, led by Council Solutions. It was noted that Onkaparinga have their own fleet and manage their own waste and that they could provide a shared service and tender for the Waste Management Services procurement being led by Council Solutions.

The Committee noted the first budget review was considered by Council at its meeting of 27 November 2018 and suggested that Council needs to ensure that it has good processes in place to ensure it does not overspend. Council can easily exceed the budget with ad-hoc Council resolutions if an appropriate discipline is not applied to spending.

It was further noted that if there are savings identified within the quarterly budget review, that it should be reflected if the funds have been redirected for other purposes.

10.37 am Service Review Program and Recommendations – Progress Update

Report Reference FAC181211R04

The Performance and Innovation Leader provided an overview of the report noting that the program is on track and the team are supporting the implementation of 21 existing open actions from previously completed service reviews. It was noted that of these 21 recommendations five (5) are complete and 16 are in progress.

Three (3) reviews are yet to commence which is mathematically correct, however the Committee queried to how large the remaining reviews are. It was noted that the ICT review was one of these, however the team was well positioned to complete this work within 2018/19 as planned.

The Committee queried if quality assurance and the service reviews were linked? The General Manager City Services noted that the whole process of a service review looks at quality and what is being delivered. It reviews the process end to end.

The Committee noted the report.

10.44 am Ombudsman Report 2017/18 Report Reference FAC1181211R05

The Manager Corporate Governance provided an overview of the reporting noting that the Ombudsman had not yet completed its Annual Report for 2017/18, however the Council receives a report every six (6) months regarding any complaint the Ombudsman has received about the City of Marion. In 2017/18, a total of 26 complaints were received. Each of these complaints have been reviewed to ensure that they have been closed out appropriately.

The Committee suggested that Council may not have enough information available to the community regarding how to progress complaints. It was noted that KPMG, via the Internal Audit Program were reviewing 'customer experience' and complaint management was included within the scope. This report was scheduled to come to the Committee in February 2019.

The Committee noted the report.

10.50 am Service Review – Scope – Corporate Information and Communication Technology Report Reference FAC181211R06

The Performance and Innovation Leader provided an overview of the scope noting that this review will focus on Infrastructure Service Delivery, Information Cyber Security and Audit, as well as Business Applications and Project Support for the ICT Team. The Committee highlighted that this review needs to be holistic and that this should include an assessment regarding if the service (whole or part) should be managed off site. The Committee suggested that the review should address if the existing infrastructure is appropriate, how well the management of ICT services is delivered across the organisation and how does this compare with other councils and options. It should also reflect any potential gaps in services. The Committee also recommended that this review requires a level of independence to ensure there is no bias. It was noted that the review would be completed by the Performance and Innovation Team with the support of Erika Comrie.

The Committee queried as to why the Business Systems Fitness Review (BSFR) is out of scope, and suggested that this needs to be integrated and considered together. The General Manager Corporate Services clarified that whilst the BSFR work (an assessment of the organisations core systems) had been completed separately, the outcomes and recommendations from this review would in fact be fully considered and taken into consideration as part of this Service Review. The Committee asked that this be better reflected in the Service Review scope document.

The Committee noted the scope of the review and requested that the outcome should not be a focus on the organisations systems, which had already been assessed as part of the recently completed BSFR.

11.02 am The meeting was adjourned for five (5) minute
11.09 am The meeting resumed.

The Chair noted the arrival of KPMG and sought leave of the meeting to vary the order of the agenda. Leave was granted and item FAC181211R10 was brought forward.

**11.09am Internal Audit Program 2018/19 scoping documents
Report Reference FAC181211R10**

Mr Justin Jamison from KPMG introduced Mr Eric Beere who is the new engagement partner for the City of Marion contract. Mr Beere will be supported by Ms Heather Martens and James Rivett who have been working with the Council for some time. They will be responsible for most of the on ground work.

Ms Martens introduced the Procure to Pay report highlighting a total of six (6) recommendations and three (3) performance improvement opportunities. Ms Martens highlighted that the process of procurement had effective controls in place and the framework was very strong. The Council has invested significant work over the past few years with the implementation of the online requisition system, however the process is still very manual and had an impact on resource requirements to operate efficiently.

The Committee noted the report and the data analysis on page 121 states that nearly 60% of all transactions are under \$5k. It was suggested that Council needs to consider a higher use of credit cards in its procurement. With a well-structured and managed system of credit cards, Council can create good efficiencies.

The Committee noted the report and noted the system issues with Civica. It also noted the non-compliance with the use of purchase order procedure and queried if KPMG reviewed the exemptions list. KPMG indicated that the exemptions list was reviewed and it seemed reasonable. No change was recommended. The Committee suggested that management undertake a further review of the exemptions list to ensure that it is appropriate.

ACTION: that the exemptions list for Online Requisitions be reviewed.

The Committee also queried the risk rating for finding 3 (GST payment made to supplier with a cancelled GST registration) and suggested that although in this instance the figure was low, it had the potential to be a higher risk. It was also suggested that recommendation 6 – (review of supplier master file) had a fraud potential and should be addressed as soon as possible. It was noted that periodic reviews have been completed and that a purchase order could not be raised for an inactive supplier.

The Committee noted the scope of the Business Continuity, IT Disaster Recovery and Emergency Management and queried if a disaster recovery scenario would be run as part of the exercise. The Manager Corporate Governance advised that this was not intended as part of the review and the Council undertakes two business continuity exercises each year.

**11.32 am Framework and Key Assumptions for the preparation of the 2019/20 ABP&B and LTFP
Report Reference FAC181211R07**

The Manager Finance provided an overview of the report noting that the 2019/20 business planning process was similar to prior years. The key assumptions are based on actual spend from the prior year and the process has continued to improve over the past few years.

The Committee noted that the engagement with Elected Members is commencing the week of 17th December 2018 and the Annual Business Plan (ABP) and the 4 year Strategic Plan will need to run a parallel process.

The Committee noted the report and made the following comments:

- Although improving, carryovers continue to be high. What is Council's options/plan regarding how these will be managed? Should further controls or limits be established?
- Does the employee forecast still apply or does this need to be reconsidered? Council may potentially need to consider a small increase.
- Council may need to consider extra resources for implementation on ICT projects.
- The maintenance of assets in accordance with the Council Asset Management Plans needs to be appropriately reflected within the framework. Functionality and fit for purpose are included as part of this review.
- The rate increase for 2015/16 noted on page 55 is incorrectly listed at 4.9% and should have read 2.9%

The Committee noted that the Council budgets 1% each year for estimated growth. It was noted that if the property market dropped and the total value of properties decrease, Council would adjust the rate in the dollar to ensure it met its financial obligations without impacting on service delivery. The Committee discussed the equity in property values by the Valuer General (VG) noting that the VG is undertaking a 5 year project to have property values more aligned with market values within 5 years.

12.05am Biennial WHS & Risk Combined Evaluation Report Reference FAC181211R08

The Unit Manager Risk provided an overview of the report highlighting that this is a new process combining the risk and WHS audit/evaluation in one process. The results have demonstrated improvement on previous year's results and an action plan has been developed in conjunction with the LGA Schemes (both Workers Compensation and Mutual Liability) to address any non-conformance issues. The actions are tracked monthly and reported to the City of Marion via the CEO.

It was noted that hazard management and contractor management have been non-complying for some time. The Committee was advised that these are the largest areas audited and the most difficult to obtain compliance in. The Council is working towards these areas meeting compliance within the next two years.

The Committee noted the report and queried the assessment made regarding planning assessment and suggested that this may be contradictory to the internal audit completed earlier in 2018. It was noted that this audit was assessing the industry base line and not best practice. It was also noted that it was not to the same depth and scrutiny of the internal audit.

The Committee noted the report and the outcomes of the audits.

12.16 am Finance and Audit Committee Work Program and Meeting Schedule for 2019 Report Reference FAC181211R09

The Committee noted the report and agreed to the proposed meeting schedule for 2019.

Moved Mrs Hinchey, Seconded Councillor Gard that the Finance and Audit Committee:

1. Notes the proposed work program for 2019 identified at Appendix 1 to the report and includes a report on the new accounting standards in May 2019.
2. Adopts the following schedule of meetings for 2019:
 - Tuesday 26 February 2019 (9.30 am - 12.30 pm)

- Tuesday, 28 May 2019 (9.30 am - 12.30 pm)
- Tuesday 20th August 2019 (4 pm to 6 pm plus followed by joint workshop with Council from 6.30 pm onwards)
- Tuesday, 1 October 2019 (9.30am to 12.30 pm)
- Tuesday, 10 December 2019 (9.30 am to 12.30 pm)

Carried Unanimously

12.19 am Treasury Management – Borrowings versus Cash Strategy Report Reference FAC181211R11

The Committee discussed the report and made a firm viewpoint that if you have cash available, it should always be used first instead of borrowing. The only exemption to this is if you need to establish a credit rating, then you should borrow to do so. The Committee agreed there are two types of debt – good and bad. Bad debt is when money is borrowed for operational business (i.e. core operations). Borrowings should only be considered for major new projects.

The Committee suggested that better clarity should be provided in regards to the definition of a bank in the Treasury Management Policy.

Councillor Gard suggested that Council needs a clear policy on this which states that projects that span over multiple generations could be funded by borrowings to ensure that costs are shared by those who use it.

It was noted the continual increase in Council cash reserves may reflect overcharging the ratepayer. The Committee suggested that this is a question of whether the rates are too high and not about borrowings which is a separate investment decision.

The Committee suggested that the Council should determine what is the prudent amount required for Council reserves and also determine if Council needs to set a credit rating for financial institutions where Council's funds are deposited as part of its Treasury Management Policy.

12.30 pm Extension of Meeting

Moved Councillor Gard, Seconded Ms Hinchey that the meeting be extended by 15 minutes to conclude the agenda.

Carried Unanimously

It was noted that Council has the option of purchasing an Interest Rate Collar to hedge against increases in interest rates into the future. This may be something for Council to consider.

8. REPORTS FOR NOTING

12.37 pm Internal Audit Program – Implementation of Recommendations Report Reference FAC181211R12

The Committee noted the report and requested that management review all recommendations. If some of the recommendations are no longer relevant, the Committee requested an explanation as to why and then these should be removed from the list.

The Committee appreciated the additional information provided, but suggested that the report needed some tidying up.

It was noted that Council should consider if it needs to pay Civica additional fees to fix some of the outstanding systems issues (i.e. the recommendations from the Fines and Enforcement Review)

Councillor Clancy also requested a copy of the NDIS report.

12.47 pm Project Management Framework Update Report Reference FAC181211R13

The Committee noted the report and that 80 staff have been trained in the new project management software. The Committee requested a demonstration at the next meeting and that the Framework also be presented.

ACTION – At the February 2019 FAC meeting the Project Management Framework be presented and a demonstration of the software be provided.

9. WORKSHOP / PRESENTATION ITEMS

Nil

10. ANY OTHER BUSINESS

Nil

11. MEETING CLOSURE

The meeting was declared closed at 12.45 pm

12. NEXT MEETING

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

Time: 9.30 am - 12.30 pm

Date: Tuesday 26 February 2019

Venue: Council Chamber, Administration Building

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CHAIRPERSON

/ /

BUSINESS ARISING

Business Arising Statement

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC190226R01

REPORT OBJECTIVE

The purpose of this report is to Review the Business Arising from previous meetings of the Finance and Audit Committee Meetings.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Note the report.**

Attachment

#	Attachment	Type
1	FAC180226R01 - Business arising statement	PDF File

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	August 2018	Unsolicited Proposals Policy In the next review of the Finance and Audit Committee Terms of Reference, ensure that the requirements within the Unsolicited Proposal Policy are reflected	K McKenzie	December 2018 Revised due date: May 2019	The FAC Terms of Reference have been scheduled for review by the Committee in May 2019.	
2.	August 2018	Internal Audit Program Report Reference FAC180821R03 Development Assessment Planning A one page report be brought to FAC meeting in December 2018 on the implementation of recommendations for this internal audit.	A Dickson	December 2018 Revised due date: May 2018	A number of recommendations have progressed. Recruitment for the Manager position is still yet to be completed. The General Manager City Development will make the recommendations a priority for the new manager when appointed.	
3.	August 2018	Work Health & Safety - Annual Performance Report 2018 Report Reference FAC180821R10 Benchmarking of Council's hazard and near miss data to be presented at the Committee meeting in December 2018.	S Walzcak	December 2018 Revised date – Feb 2019	The LGA now collects Incident data through SkyTrust, however hazard and near miss reporting is not mandatory, therefore not all councils are using the functionality. Contact was made with Group A Councils plus our closest neighbouring Councils and received some level of response. Our hazard and near miss reporting, whilst appearing low when compared to other industry sectors, appears favourable when compared to the limited data received. Our WHS Plan 2017-19 includes a KPI target to increase in hazard and near miss incident reports by 20% on the previous year which results in our target for this year being 11.7 (from 9.7 last year). Marion – 10.9 per month Mitcham – 3.8 per month Burnside – 3.3 per month Charles Sturt – 6 per month Holdfast Bay – 10 per month	Complete

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
4.	October 2018	Corporate Reporting Policy and Framework The Committee requested some further work and the item be represented in December	K McKenzie	December 2019 Revised due date: May 2019	The Executive Management Team reviewed a draft of the Framework and provided feedback. A progress report is included within the agenda and the draft Framework will be presented in May.	
5.	December 2018	Elected Member Report: The Committee requests that a Skills Matrix be developed for the Committee	K McKenzie	May 2018	This will be undertaken in conjunction with the review of the Terms of Reference to ensure the skills match the Committees requirements.	
6.	December 2018	Internal Audit Program 18/19 That the exemptions list for Online Requisitions be reviewed	R Barnwell	Feb 2019	A review was completed of the online requisition exemption list in Feb 2019	Complete
7.	December 2018	Project Management Framework Update At the February 2019 FAC meeting, the Project Management Framework be presented and a demonstration of the software be provided	F Harvey	Feb 2019	This is included within the agenda	Complete

* Completed items to be removed are shaded

SCHEDULE OF MEETINGS 2019			
Day	Date	Time	Venue
Tuesday	26 February 2019	9.30am – 12.30 pm	Administration Centre
Tuesday	28 May 2019	9.30am – 12.30 pm	Administration Centre
Tuesday	20 August 2019	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council)	Administration Centre
Tuesday	1 October 2019	9.30am – 12.30 pm	Administration Centre
Tuesday	10 December 2019	9.30am – 12.30 pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2019
TUESDAY, 26 February 2019

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2019/20 and Draft Long Term Financial Plan	Review and Feedback
Internal Audit Tender Process	Review and Feedback
Climate Change Risk	Review and Feedback
Overdue Rates Debtors	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback

TUESDAY, 28 May 2019

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2018/19 (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Internal Audit Tender Outcome and Recommendation	Review and Recommendation
Organisational Key Performance Indicators 2019/20	Review and Recommendation
Internal Audit Program – Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Review of the FAC Terms of Reference and Skills Matrix	Review and Recommendation to Council
Corporate Reporting Framework	Review and Feedback
Annual Report on Business Continuity	Review and Feedback

Corporate Risk Profile	Review and Feedback
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TUESDAY, 20 August 2019 (Joint Workshop with Council)

Topic	Action
Elected Member Report	Communication Report
Annual Review of WHS Program	Review and Feedback
Asset Valuations	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program – Scopes, Reviews and Monitoring	Review and Feedback
Meeting with Internal auditors in camera	Seeking feedback from Auditors
Joint Workshop with Council (6.30pm onwards)	

TUESDAY, 1 October 2019

Topic	Action
Elected Member Report	Communication Report
Independence of Council's Auditor for the year end 30 June 2019	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2019	Review and Recommendation to Council
Investment Performance 2018/19	Noting
Debtors Report	Noting
Meeting with external auditors in camera	Seeking feedback from Auditors
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback

Tuesday, 10 December 2019

Topic	Action
Elected Member Report	Communication Report
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback

Work Program and Meeting Schedule 2020	Review and Feedback
Ombudsman SA Annual Report 2018/19	Review and Feedback
Framework and Key Assumptions for preparation of 2020/21 ABP and LTFP	Review and Feedback

REPORTS FOR DISCUSSION

Elected Members Report

Originating Officer	Governance Officer - Victoria Moritz
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC190226R02

REPORT OBJECTIVE

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

EXECUTIVE SUMMARY

Since the last Finance and Audit Committee meeting on 11 December 2018, Council has held three (3) General Council meetings on 11 December 2018, 29 January 2019 and 12 February 2019. Council has also held one (1) Special General Council Meeting on Tuesday, 22 January 2019.

RECOMMENDATION

That the Finance and Audit Committee;

1. **Note this report.**

GENERAL ANALYSIS

At these four (4) meetings, the Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order:

DISCUSSION

11 December 2018 - General Council Meeting

Westfield Marion Redevelopment (GC181211F04)

The Council received a confidential report regarding the redevelopment of Westfield Marion and the Council endorsed a formal representation to the State Commission Assessment Panel (formal notification received as an adjacent land owner). The response highlighted key concerns such as reduced parking and the impact on Council infrastructure.

Confidential Order Review (GC181211R17)

Council completed its annual review of its confidential orders and released a number of confidential items.

22 January 2018 - Special General Council Meeting

Cove Sports and Community Club Licence (SGC190122F01)

The Council considered a confidential report regarding a breach of licence by the Cove Sports and Community Club. The report remains confidential however the Council released the minutes which state that the Club is in breach of its licence due to the removal and disposal of Council owned Assets (Commercial Kitchen) without landlord approval. The Council has served notice on the Club for termination of the licence. The Council will be entering licenses directly with each club and employing an interim facilities manager.

29 January 2019 - General Council Meeting**BMX Project (GC190129F02)**

Council considered a further report regarding the potential location of the BMX facility (particularly focusing on the site discussed at Darlington). The Council resolved to note a report from EBS Heritage regarding unresolved cultural heritage issues from the Ramindjeri and Kaurna people about the proposed site and that Council would not progress the undertake the BMX development at the Darlington site out of respect to Kaurna wishes.

BMX Project (GC190129R02)

Following the above report, Council then resolved to authorise Administration to progress option 1 within the report (Majors Road location) to detailed design for the Sam Willoughby BMX track. Council committed additional funding of \$1m from Council's Asset Sustainability Reserve during 19/20 for the project's delivery, subject to the state government addressing the traffic management solution for Majors Road.

12 February 2019 - General Council Meeting**Mitchell Park Sports and Community Club Redevelopment (GC190212F01)**

The Council considered a report regarding the redevelopment of Mitchell Park Sports and Community Club. The report from the meeting remains confidential however the Council released the minutes which confirms that the Council has committed up to \$10m to undertake the redevelopment of Mitchell park Sports and community Club and neighbourhood centre facilities. The Council noted that a final redevelopment option would be subject to council further considering an updated section 48 Prudential Management report.

Mitchell Park Sports and Community Club - Community Needs Analysis (GC190212R06)

The Council considered a report regarding the community needs for the Mitchell Park site and noted that the Mitchell Park location provides the greatest number of potential partners, economic and social benefits to basketballers, footballers, cricketers, dog trainers, fitness clients, neighbourhood hub participants, social group members and others. The Council then resolved that the preferred facility development option is for an integrated, regional, indoor, multi-purpose sports and community centre.

Internal Audit Program 2018/19 scoping documents

Originating Officer	Governance Officer - Victoria Moritz
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC180226R03

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with the ICT Cyber Security scoping report and the Customer Experience final report for the 2018/19 internal audit program.

EXECUTIVE SUMMARY

The 2018/19 Internal Audit Program has commenced, with the following projects and status identified for the FAC;

- Customer Experience - Final report included as Appendix 1
- ICT Cyber Security - Scope included as Appendix 2

Audit work has commenced on the Tendering Review and the Business Continuity and Workplace Emergency Management Review with these reports due to be presented to the FAC May 2019.

The following documents have been prepared and are attached for review by the FAC:

Customer Experience - Final Report (Appendix 1)

The objective of this internal audit was to evaluate the City of Marion's Customer Experience practices across identified areas of the organisation. The audit focused on assessing the risks and controls associated with the management of customer strategies, planning, operations and the handling of complaints. The assessment looked at the overall organisational structure in relation to Customer Experience and the process for managing customer service requests and complaints. There was a total of five (5) findings. Two (2) have been identified as low risk and (3) identified as moderate. There were also three (3) performance improvement opportunities identified.

ICT Cyber Security - Scoping Document (Appendix 2)

The purpose of this internal audit was to conduct a high level cyber maturity assessment to follow up on the status and recommendations of the previous cyber security internal audit project conducted in 2016/17. The following areas will be considered: Leadership and Governance, Human Factors, Information Risk Management, Business Continuity, Operations and Technology, Legal and Compliance. It is proposed the project will commence in early May 2019 with a report completed by 30 June 2019, for delivery to the CoM Finance and Audit Committee scheduled for August 2019.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Notes this report**
- 2. Provides feedback regarding the attached reports;**
 - Customer Experience - Final Report
 - ICT Cyber Security - Scoping Document

Attachment

#	Attachment	Type
1	Customer Experience - Final Report	PDF File
2	Cyber Security - Scoping Document	PDF File



City of Marion

Customer Experience (including complaints) Internal Audit Report

February 2019



Table of Contents

1.0 Executive Summary	page 3
2.0 Background	page 5
3.0 Internal Audit Findings	page 12
4.0 Performance Improvement Opportunities	page 17
Appendix 1 - Better Practice Assessment	page 20
Appendix 2 - Stakeholder Consultation	page 24
Appendix 3 - Classification of Findings	page 25



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In accordance with the 2018/19 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on the CoM’s customer experience (including complaints) was performed. The objective, scope and approach are outlined below.

Objective

The objective of the internal audit project was to assess the risks and controls associated with the CoM’s management of customer strategies, planning and operations including handling of customer complaints. The internal audit considered customer experience practices across the following areas of the CoM:

- Customer Experience
- Engineering and Field Services
- Corporate Governance – Risk (Claims and Insurance) and Governance
- City Property
- Development and Regulatory Services*

Scope

The scope of this internal audit was to assess the CoM’s customer experience, including:

- Documented policies, procedures and systems in place intended to provide governance over customer experience and complaints handling across the organisation
- Overall organisation structure, resources, roles and responsibilities in relation to customer experience
- Process for managing customer service requests and complaints in accordance with Council’s Service Level Agreements (including returned phone calls)
- Customer experience and complaints monitoring and reporting
- Benchmarking against the International Organisation for Standardisation (ISO) 10002 Customer Satisfaction and Complaints Handling Standard.

** Development & Regulatory Services included a desktop review of procedures, as a result of the FY18 Regulatory – Fines and Enforcements and Planning Assessment audits conducted for these areas.*

Observations and summary of findings

Since the inception of the Customer Experience team, a plan has been developed to outline how the sustainable implementation of customer experience will be embedded throughout the CoM, supported by the Customer Experience Plan. The internal audit indicated employees understood the need for high levels of customer service, including timely responses and assisting even where the enquiry was beyond the scope of the Council’s requirements within the community. Internal Audit also conducted sample testing over customer events (including complaints) stored within the Customer Event System (CES) for the period November 2017 to October 2018. This testing was broad due to the large number of events (~61,000), however highlighted the need for reporting and monitoring, as a large number of entries lacked information (e.g. allocation of a responsible team). It also highlighted the need to review the achievability of the KPIs (Key Performance Indicators) stored within the CES and the opportunity to consider moving towards a customer relationship management (CRM) system. The shift to a CRM will facilitate a change from an individual event view of customer interactions (i.e. the current CES) to an overarching view of customers’ interactions with the CoM and their overall customer experience.

Positive Observations

A number of positive observations were made during the internal audit, summarised below:



Organisation wide customer service training has been undertaken by all staff, with further targeted training for those with higher volumes of customers interactions.



A number of well-received, beneficial initiatives have been introduced via the Customer Experience Plan, including ‘First Call Resolution’ and ‘Closing the Loop’.



Team members have undertaken time in other team members’ roles to understand the varying customer service requirements, including cross divisional training and site visits (see Performance Improvement Opportunity 1).



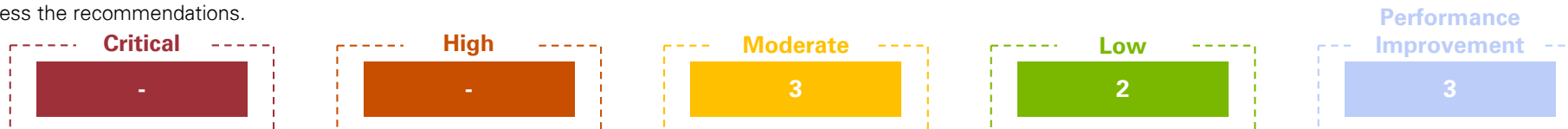
Introduction of a centralised complaints area within the Customer Service Centre allowing for oversight and resolution within a timely manner.



The CoM use a ‘Knowledge Base’ platform within the CES that is reviewed annually, and contains all standard operating procedures for customer events. Other Councils have visited the CoM to look at their Knowledge Base system.

Internal audit findings

Through our discussions with the process owners, documentation review and sample testing performed, Internal Audit identified five findings for customer experience (including complaints, as well as three Performance Improvement Opportunities (PIOs). The following table provides a summary our risk rated findings, and the relevant issue owner and target date for implementation. These findings and recommendations were discussed with the CoM Management. Management has accepted the findings and has agreed action plans to address the recommendations.



Rating	Ref #	Description	Issue Owner	Target Date
Moderate	F1	KPIs are not linked to customer experience and there is no measurement of customer satisfaction	Manager Customer Experience	1. 30 June 2019 2. 30 September 2019 3. 31 December 2019
Moderate	F2	Inadequate reporting and monitoring of customer events (including complaints) in relation customer experience	Manager Customer Experience	1. 31 March 2019 2. 30 April 2019 3. 31 December 2019*
Moderate	F3	Incomplete picture and lack of understanding of the customer at the CoM	Manager Customer Experience	30 April 2019
Low	F4	Lack of documented procedures in relation to customer experience	Manager Customer Experience	31 December 2019
Low	F5	Requirement to review resourcing to deliver the Customer Experience Plan	Manager Customer Experience	31 March 2020
PIO	PIO 1	Improved resolution of customer events through cross-divisional understanding and experience	Manager Customer Experience	31 December 2019
PIO	PIO 2	Further customer experience training, including tailored refresher training	Manager Customer Experience Manager Human Resources	31 December 2019
PIO	PIO 3	Increased accessibility of the Complaints and Grievance Policy	Manager Corporate Governance	31 December 2019

The classification of risk ratings in this report are based on the risk ratings documented at **Appendix 3**. *Refer to dependency noted in F2 on page 13.

Customer Experience

Customer experience is the sum of all experiences a customer has with an organisation over the duration of their relationship. At the CoM, 2017 was the ‘Year of the Customer’ and a Customer Experience Plan was developed to show the future vision of customer experience at the CoM. Key milestones in the customer experience journey to date have included:

- The creation of the Customer Experience Charter, which is prominently on display in the Customer Service Centre
- The development of a Customer Experience Department
- The appointment of a Customer Experience Manager
- Organisation wide customer service training, to improve quality.

A number of initiatives, such as ‘closing the loop when customers request services’, ‘first call resolution’ and ‘improving the physical appearance of the Customer Service Centre’ are detailed as goals in the Customer Experience Plan, which is aligned to the CoM’s strategic planning process for the first year, before becoming a stand alone program. It is noted that a number of these initiatives have started to be implemented and have been received well by customer facing employees. The CoM’s Customer Experience team’s vision is:

We listen to our community to provide insights to help our people improve our residents’ quality of life

At the CoM there is a strong drive across the organisation to achieve good customer service, which was demonstrated through all stakeholder interviews undertaken. There is a sound understanding of what constitutes good customer service, including the ability to determine the right course and level of action required in relation to a customer enquiry or complaint, as well as an understanding that timely responses to customers assists with building rapport. There is an opportunity however for staff to extend their understanding of good customer service to better appreciating that customer experience is driven by a more broader view of the sum of all experiences a customer has with an organisation rather than those related to enquiries or complaints that they may specifically raise with that organisation.

The ability of CoM employees to ‘champion the customers’ presents a strong opportunity for the Customer Experience team to deliver consistent customer experience throughout interactions with customers across all departments.

However, there are a number of obstacles that the Customer Experience team must overcome to do this, including:

- The lack of understanding of the difference between ‘customer service’ and ‘customer experience’, and the effort required to build this understanding.
- The shift in customer enquiries from in person, phone calls and letters to a digital customer, where customers may no longer want in-person interactions.
- The public perception of a Council and juggling dissatisfaction of rate payers in relation activities that are not undertaken by Council and perceived to be Council responsibilities (e.g. water or other utility road works).

Why does Customer Experience matter?

Customer experience can help guide resource allocation, in order to maximise growth and reduce wastage. Customer centricity is not a new concept but it is a challenging one.

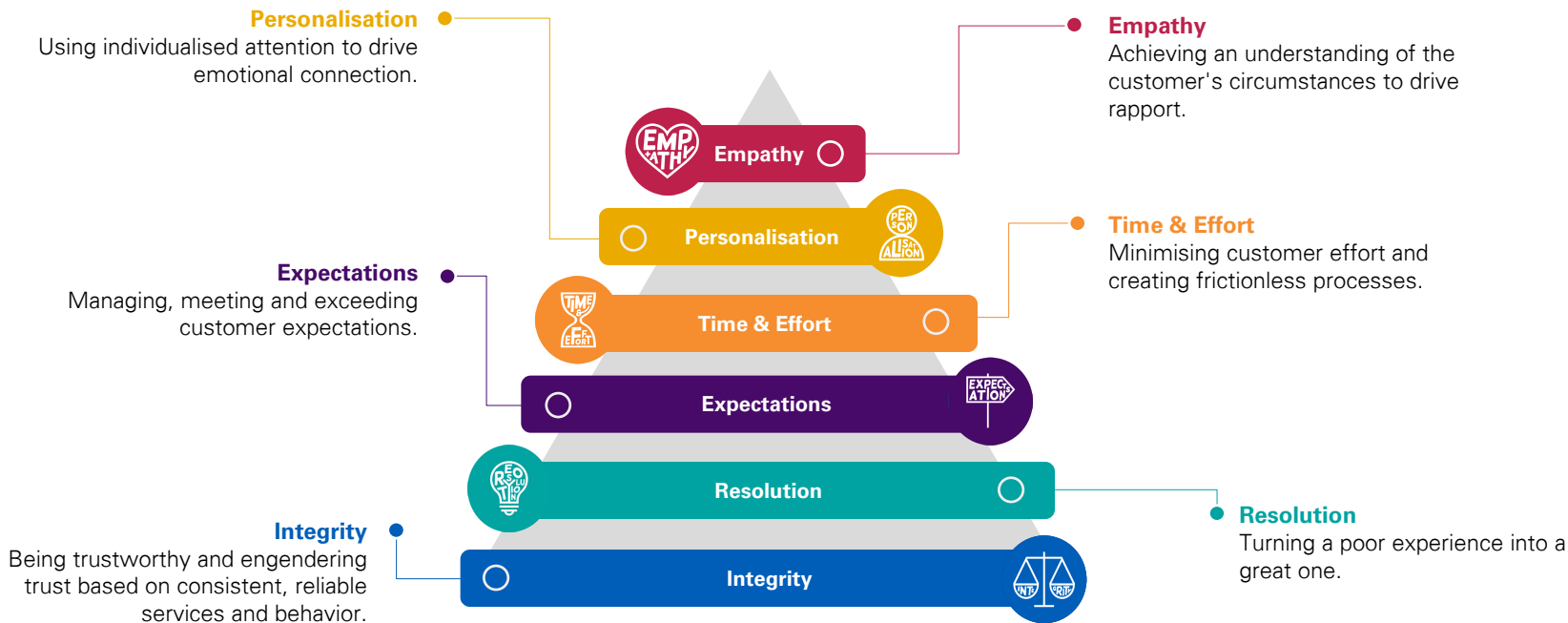


In creating customer experience it is important to balance the business’ values and those of the customer and avoid both under and over delivering with respect to customer experience.

Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	Appendices
-------------------	-------------------	------------	-------------------------	--------------------------	------------

KPMG Six Pillars of Customer Experience Excellence™

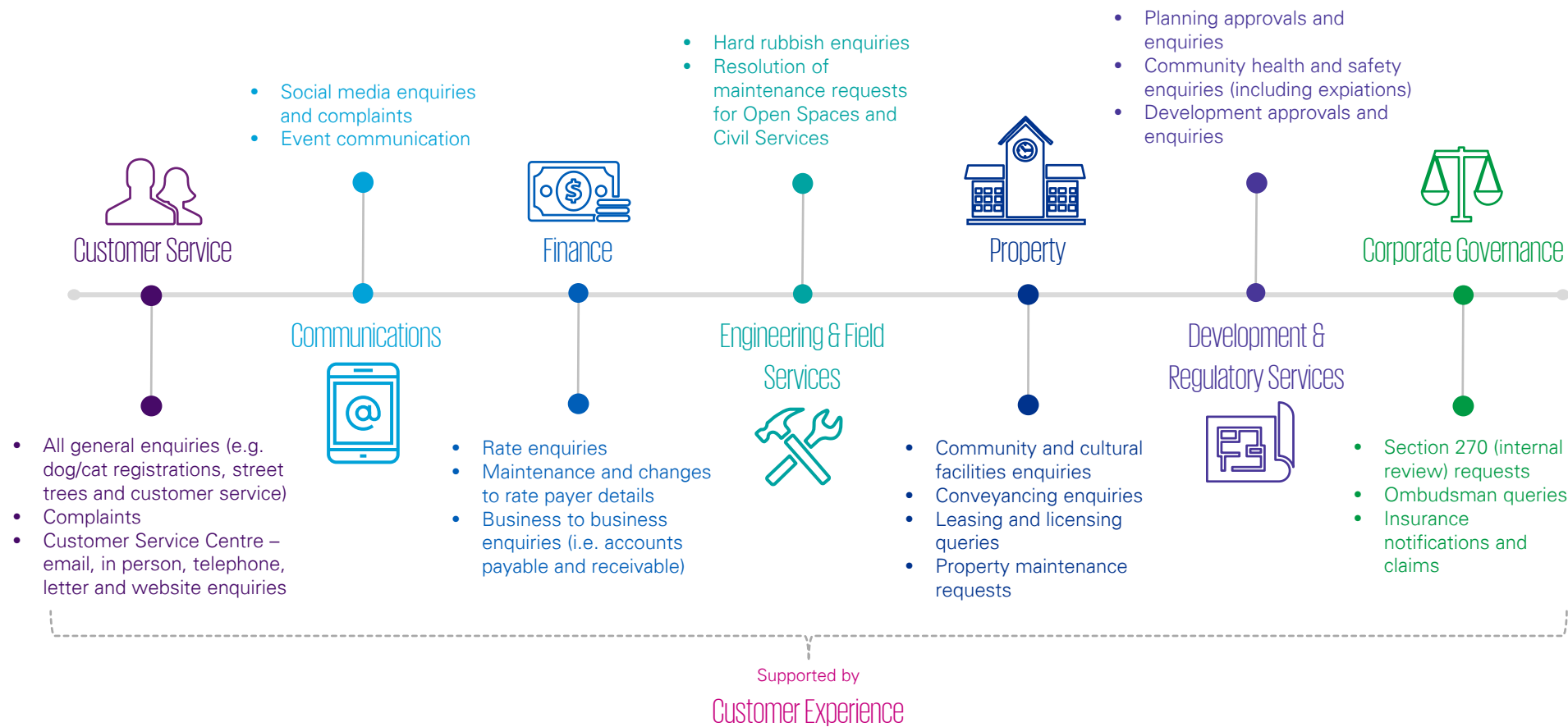
KPMG’s Customer Experience Excellence Centre has conducted a research project, involving over two million customer evaluations, and covering more than 920 brands. From this, KPMG has developed the Six Pillars of Customer Experience Excellence. This framework (and the research toolkit that supports it) is used by KPMG to diagnose the individual drivers organisations need to focus on in order to deliver excellent customer service.



The above KPMG Six Pillars of Customer Excellence have been considered throughout the review and have been incorporated into the recommendations for the Internal Audit Findings and PIOs where appropriate. Generally these Six Pillars of Customer Excellence should be considered by the CoM moving forward as they progress with their Customer Experience Plan.

The Customer and the CoM

The diagram below shows the customer-facing teams that were in scope for the internal audit (refer Executive Summary), along with their key customer related interactions.



Systems

Customer Event System (CES)

The CoM utilise the CES in order to track all customer related enquiries, feedback and complaints. The CES is supported by the vendor Open Office (based in Melbourne but with a user friendly/efficient ticketing system) and is maintained by the Customer Systems Partner at the CoM in conjunction with the IT team.

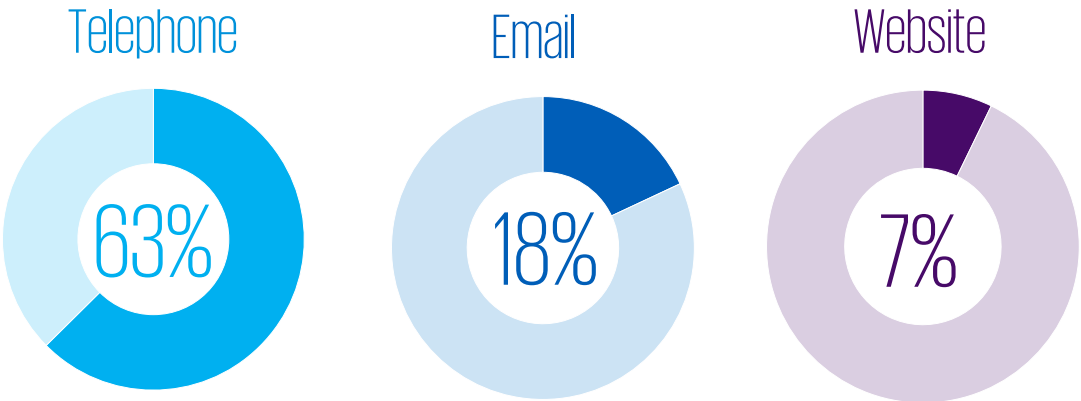
Within the CES, the CoM have linked all of their customer related enquiry standard operating procedures (i.e. for frequently asked questions or standard answers) within a platform called 'Knowledge Base' (see right).

Last year, **61,153 customer events** were logged in the CES by the CoM. In the infographic below, it is indicated which are the **three most common sources** of customer events (all types i.e. enquiries, feedback and complaints) entered into the CES. However it is noted that the 'telephone' result may be skewed (i.e. too high) as this is the default (pre-selected) option when a new customer event is opened in the CES. In other words, if a user does not complete the drop-down box selection, the event will default to 'telephone'.

Knowledge Base

Knowledge Base stores standard operating procedures for how to handle customer events (i.e. a step-by-step walkthrough of each type of customer event or complaint). For example, by searching "dog" and "registration" Customer Service Centre staff are able to easily bring up the current procedure for handling dog registration queries. Knowledge Base is updated at least annually, with staff often requesting the Customer Systems Partner update any procedures they find to be out of date (i.e. proactively updating procedures).

Should the customer's query be more complex than what is detailed in Knowledge Base, the Customer Service Centre operator will reach out to relevant team to answer the query, or as a last resort transfer the call to the team. Each time a query is received, a customer event is logged in the CES.



Graphs above - Most common sources of customer enquiries (Nov 2017 – Oct 2018)

Customer Event KPIs

The CES also stores the KPIs for teams, which are attached to the sub-category of customer event (e.g. how many working days it should take staff to resolve a query regarding ‘damaged or missing parking sign’).

From discussions with stakeholders, it is understood that these KPIs have been set internally by the relevant teams and reviewed on a quarterly basis, with Management receiving an email prompt to do so. It is also understood that there is no external benchmarking or testing of KPIs (i.e. comparison to other councils) or any review as to whether there is customer satisfaction with the current KPIs, or linkage to customer expectations and experience (see **Finding F1**).

There is also currently no corporate reporting done by teams in relation to whether they are meeting their KPIs (see **Finding F2**).

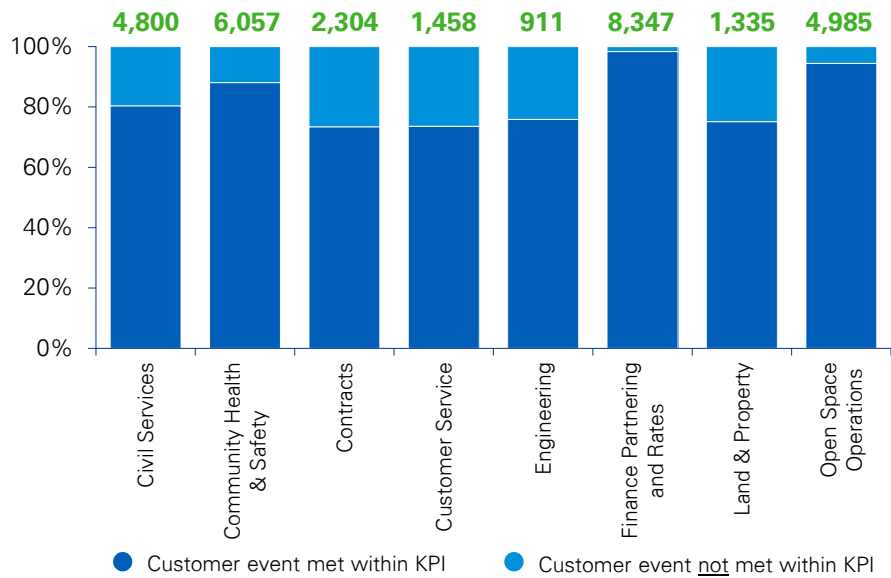
From the data supplied from the CES, Internal Audit undertook an analysis of the number of customer service events (excluding complaints) for the last year to compare the relevant KPI to the actual number of days it took for the team to close the enquiry.

The best performing team in relation to meeting KPIs was Finance, Partnering Rates (94% of customer events were met within their KPI, out of 8,347 events), and lowest performing team being Contracts with 72% of 2,304 events being met within their KPI.

82%

of customer events were met within the KPI timeframe in the CES.

Graph below - Customer events met within KPI per department:



Overall the above indicates a strong performance of the CoM teams in relation to customer events being met within set KPIs. However a similar analysis should be reviewed if the recommendations in **Finding F1** are undertaken to ensure any revised KPIs are met.

Customer Complaints

In September 2018, the CoM introduced a centralised staff member to deal with complaints within the Customer Service team. This Customer Service Consultant handles all incoming complaints (approx. one to three complaints per week). They manage the resolution of the complaint by either:

- Speaking directly to the customer and resolving the issue;
- Providing details to a nominated complaints champion in a relevant department to provide further information to resolve; or
- Escalating difficult or complex complaints to the Unit Manager to resolve.

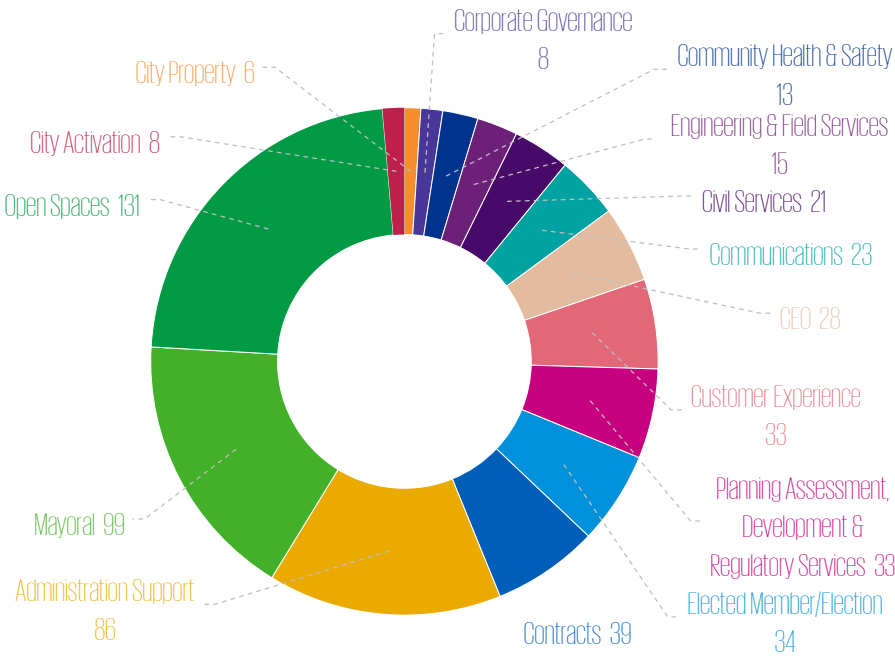
This approach allows for the complaints process to be centralised and for complaints to be dealt with in a consistent manner, with the assistance of respective departments where required.

However, through stakeholder discussions, it was apparent that not all complaints go through this centralised process, including complaints made directly to some of the organisational team (e.g. social media). This means there is no central oversight of responses being sent to address complaints and no way to ensure that the customer experience is consistent across departments.

Reporting

There is currently no reporting done in relation to complaints handling, and no oversight of when complaints are likely to escalate, the division with the highest number of complaints, or those departments that are consistently meeting or not meeting KPIs in terms of complaint handling (see discussion and graph on next page). The graph to the right shows the **number of complaints received per division** (November 2017 to October 2018). From the data provided the largest proportion of complaints related to the Community, Health & Safety team with 1,536 customer events relating to complaints in 2017/18. There were also 288 entries related to complaints that were not assigned a team, that for the purpose of this analysis we allocated a relevant team based on description.

Graph below – Customer complaints received by department (Nov. 2017 – Oct. 2018)



Future of Complaints Management

From discussions with Management, we understand that in the future, the CoM would like to have a better oversight of complaints that are not resolved and likely to escalate, as well as having visibility of customer complaints as a whole, rather than in siloed departments.

Further, the CoM would like to align itself to an industry standard for complaints in the future. As part of this review we have undertaken an initial better practice assessment between the current complaints handling process for the CoM and ISO 10002 Customer Satisfaction and Complaints, guidelines for complaints handling in organisations. This assessment is detailed at **Appendix 1** and some improvement opportunities are identified in **PIO 3**.

Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	Appendices
-------------------	-------------------	------------	-------------------------	--------------------------	------------

Complaints Procedure and Complaint KPIs

There are two main documents that govern the handling of complaints at the CoM, the Complaints and Grievance Policy, and Complaints and Grievance Procedure. Both of these documents, as well as details of how to escalate complaints/challenge complaint outcomes (i.e. Section 270 review and Ombudsman), are accessible on the CoM’s website. As noted in our assessment of better practice in **Appendix 1**, CoM complaints policy and procedure is only available in English on the CoM website and at the Customer Service desk (**PIO 3**).

CoM’s KPIs for complaint handling is one to three working days from the date of the complaint (entered into the CES), per the Complaints and Grievance Procedure. If the resolution of the complaint is expected to take longer than the three working days, the complaint handler is expected to notify the customer of the delay and new target date. From our discussions with Management, it is understood that the complaint target dates are updated to reflect any revised timeframe within the CES.

94%
of complaints are handled within the target period in the CES.

The graph below shows the **average days over the target date** per team, for **complaints** that were not met within the target time period. As per the last graph, any entries where the team was blank in the data, we attempted to identify the relevant team based on the description for the purpose of the analysis.

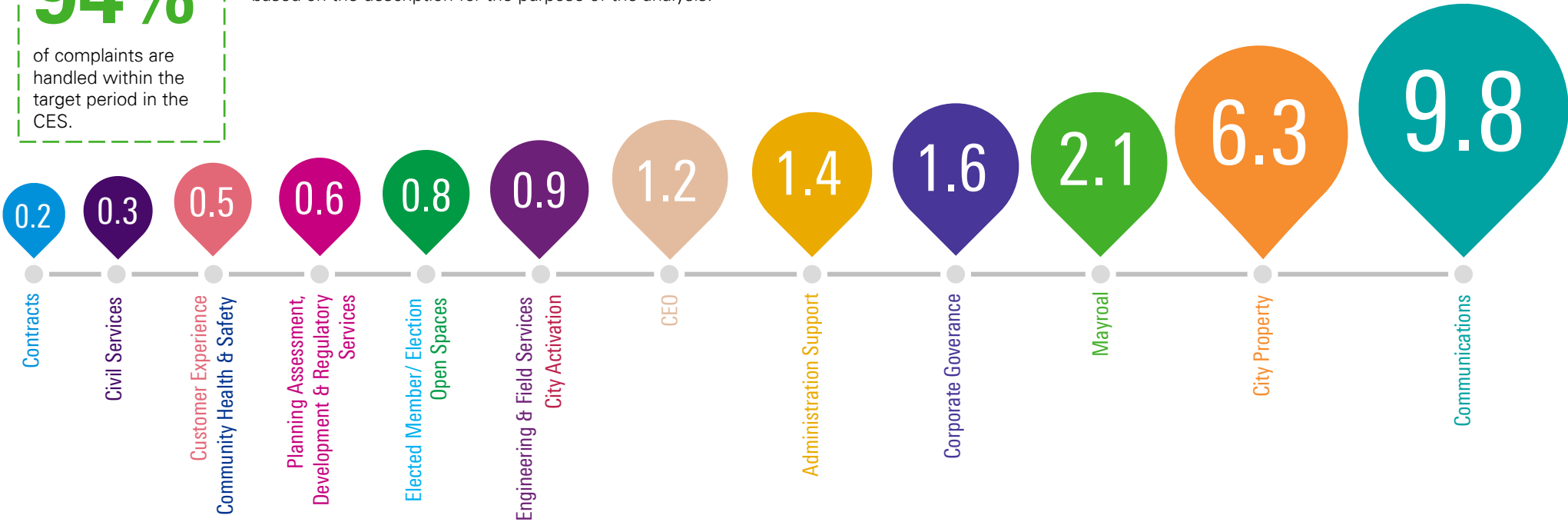


Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	Appendices
-------------------	-------------------	------------	-------------------------	--------------------------	------------

Finding 1 – KPIs are not linked to customer experience and there is no measurement of customer satisfaction

Moderate

Finding(s)

The Key Performance Indicators (KPIs) used by CoM in relation to target time frames for resolution of customer events (including complaints) are not linked to customer experience (i.e. they do not take into account any measure of customer experience) and there is no measurement of customer expectation or satisfaction of these KPIs.

The KPIs set by the CoM for customer events (including complaints) are developed internally by the respective departments and stored within the CES. The KPIs are reviewed on a quarterly basis to ensure that they are still in line with the respective departments’ capacity to deliver. However, when the KPIs are set, there is no reference to any external measures, such as:

- other councils’ KPIs and other better practice benchmarks
- customers’ satisfaction nor expectation with the current KPI timeframes.

Further, the KPIs do not link to timeframes that have been validated with the CoM’s customers. The KPI measures should be customer (externally) driven and should reflect an understanding of the customers’ expectations.

Risk(s)

By not linking KPIs to customer experience and not having KPIs that reflect customer satisfaction expectations, the CoM create the risk that their KPIs are not delivering on customer expectations, are not accurate or do not reflect better practice. This may lead to a negative customer experience and negative reputational impacts for the CoM.

Recommendation(s)

Internal Audit recommend that the CoM undertake a review of KPIs on a departmental basis to ensure that they reflect:

- customer expectations
- where it is not possible to meet customer expectations, understand why this is not possible and have clear communication in place to bridge the gap with customer expectations.

Any delays in meeting customer expectations should be accompanied by timely communication with the customer of the status of remedial actions, in order to mitigate potential dissatisfaction. This communication requirement should be reflected in the CoM customer experience procedures (see the recommendation in **Finding F4**).

In order to gain an understanding of customer expectations the CoM may:

- undertake a survey or focus groups of customer satisfaction with the current KPIs
- compare reviewed KPI time frames with other councils or similar service organisations to determine what better practice is expected by customers.

Agreed Management Action(s):

The CoM has built a customer satisfaction tool, which was implemented within the Development and Regulatory Services team as a pilot in February 2019.

Management will complete the following:

1. Roll out the customer satisfaction tool to all teams within the scope of this internal audit, as follows:
 - Customer Experience
 - Engineering and Field Services
 - Corporate Governance – Risk (Claims and Insurance) and Governance
 - City Property
 - Development and Regulatory Services.
2. Review the customer satisfaction outcomes identified from the tool and recommend changes to KPIs.
3. Implement changes to the KPIs as identified in step 2 above.

Responsibility: Karen Cocks, Manager Customer Experience

Target date(s): 1: 30 June 2019, 2: 30 September 2019, 3: 31 December 2019

Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	Appendices
-------------------	-------------------	------------	-------------------------	--------------------------	------------

Finding 2 – Inadequate reporting and monitoring of customer events (including complaints) in relation customer experience

Moderate

Finding(s)

There is minimal reporting and monitoring of customer events (including complaints) in relation to customer experience at the CoM. From the stakeholder interviews conducted, it is understood that while customer experience reporting is currently not required, the CES is not considered a user friendly or well understood system should Management want to generate their own reports.

Currently, to run a tailored report, departments need to approach the Customer Systems Partner to set up the report for them to then generate. As departments do not run these reports on a regular basis, users are not well versed in navigating the CES and often struggle to run their reports on an ad hoc basis. Further, it is understood that there is no overall customer experience report (i.e. how each department is performing in terms of the Customer Experience Plan), or report that reflects on how departments are handling their respective service levels KPIs. Stakeholders identified this as something that they would find beneficial. There is also minimal formal monitoring of customer events in relation to KPIs from a departmental level.

Risk(s)

The lack of reporting and monitoring creates a risk that the CoM does not fully understand what is occurring in relation to customer events and complaints from a KPI and customer experience perspective. This may result in certain departments providing less than appropriate customer experience through prolonged periods of missing target KPIs, which may have reputational impacts for the CoM.

Recommendation(s)

The CoM should investigate whether standardised templates can be designed in the CES to suit departmental reporting in relation to customer experience. However, given the CES is not user friendly, it is also recommended that the CoM investigate the possible use of a CRM system that may better support the reporting requirements (see the recommendation in **Finding F3**).

The CoM should also implement regular reporting for each department in relation to customer experience and the management of their KPIs.

In the interim, it is recommended that the CoM provide training to staff in relation to the key reports they would like to extract from CES, and how to access key information in CES. This could be supported by user guides.

Agreed Management Action(s):

- Short-term:
1. Management will develop complaints reporting to monitor complaints handling on a daily basis. This report will be presented to the Executive Leadership Team (ELT) on a monthly basis to monitor progress.
 2. Management will develop an interim report for the Senior Leadership Team (SLT) on a weekly basis that outlines outstanding (open) customer events.
- Long-term:
3. Once the CoM have implemented the ‘Metrics that Matter’ project, management will develop a corporate report for the ELT that includes the monitoring of customer events. This report will cascade to SLT and the wider leadership team for ongoing management of customer events.
- (The completion of this action 3 is reliant on the delivery of ‘Metrics that Matter’ (business intelligence reporting) project, which will give the CoM the reporting capability to monitor customer events more simply. The interim report within action 2 is manual and will be replaced with the new system.)

Responsibility: Karen Cocks, Manager Customer Experience

Target date(s): 1: 31 March 2019, 2: 30 April 2019, 3: 31 December 2019 (dependent on the outcomes of the ‘Metrics that Matter’ project)

Finding 3 – Incomplete picture and lack of understanding of the customer at the CoM

Moderate

Finding(s)

The CoM is at the beginning of their customer experience journey, with only a limited understanding of its customers, including their expectations, lifecycle and journey within the CoM. This incomplete knowledge of the customer is mainly due to the lack of quality data to support the CoM's interactions with their customer.

For example, our sample testing showed there were numerous instances where reassignment of customer events was not able to be explained or documented. This indicated a limited ability to track a customer and their interactions with the CoM (e.g. with rates, development and planning) and provide a personalised customer experience to meet that customer's expectations. Currently, the Customer Experience team are lacking technological support to achieve their overall goals in terms of customer experience. This includes:

- the ability to track customers within a system (i.e. not only view their current customer event, but all events they are related to) and to maintain oversight of the management of complaints
- appropriate data quality to provide a realistic picture of customer experience.

Risk(s)

The lack of appropriate customer data creates the risk that the CoM will not be able to advance its Customer Experience Plan appropriately and will fail to meet the expectations of the customer. This could lead to negative reputational risks for the CoM.

Recommendation(s)

The CoM should investigate whether a CRM (Customer Relationship Management) system would provide the Customer Experience department a more holistic overview of customers and their data.

A CRM will also have the potential to increase the quality of data collected by the CoM, which could lead to targeted feedback and personalisation of customer service (refer to Six Pillars of Customer Excellence on page 6).

Agreed Management Action(s):

The CoM is currently investigating a CRM with budget allocated from the 18/19 new initiative process. An options paper will be developed with recommendations on the way forward for the CoM.

Responsibility: Karen Cocks, Manager Customer Experience

Target date(s): 30 April 2019.

Finding 4 – Lack of documented procedures in relation to customer experience

Low

Finding(s)

With the exception of the overarching Customer Experience Charter, which is prominently on display in the Customer Service Centre, there are currently no further documented procedures in relation to customer experience at the CoM. For example, there are no procedures that detail what is appropriate customer experience or how to meet customer expectations during various interactions at the CoM.

Existing operational procedures also do not adequately reflect the “voice of the customer” and staff do not have a clear or consistent approach to supporting customer experience across the CoM departments.

In particular it was noted during the review that there was no procedures in the rates division or the developments and planning department for the process that should be followed for customers.

Risk(s)

While we understand that the Customer Experience team is a new division and yet to put in place formal procedures, the lack of documented processes creates the risk of poor customer experience (or understanding of customer experience requirements by the other divisions) which may result in reputational damage.

There is also the potential for knowledge loss if any of the Customer Experience team leave or are away from work for an extended period.

Recommendation(s)

It is recommended that the CoM create formalised procedures in relation to customer experience. To create these procedures the CoM may perform customer journey maps (i.e. looking at the journey of the customer with a department of the CoM such as dealing with Development applications from the customers’ point of view).

Any customer journey maps created by the CoM should identify:

- any pain points for the customer
- areas which are taking too long for the customer
- any other relevant issues faced by the customer.

The CoM should then look to change or remove the pain points in order to create a better customer experience.

Agreed Management Action(s):

Develop a ‘Customer Journey Mapping’ toolkit for the CoM to be able to use, linked to the Innovation Learning Lab training that staff have recently completed.

Management will then map the top ten customer event type customer journeys across the CoM, developing procedures with the findings.

As part of this project, the CoM will develop ‘Customer Journey Mapping’ champions across the departments to develop continuous improvement opportunities.

Responsibility: Karen Cocks, Manager Customer Experience

Target date: 31 December 2019

Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	Appendices
-------------------	-------------------	------------	-------------------------	--------------------------	------------

Finding 5 – Requirement to review resourcing to deliver the Customer Experience Plan

Low

Finding(s)

While the CoM has a detailed Customer Experience Plan which addresses what they would like to achieve in the upcoming years in terms of customer experience, currently they only have two resources (one contracted) dedicated in order to implementing the plan. Further, during the review, it was noted that several departments felt they were unable to deliver appropriate levels of customer service due to the number of customer events and the current staffing structure. One of the trends noticed from the testing undertaken in relation to complaints from the CES was that certain divisions struggled to meet the KPI (see page 11). Resourcing may be an attributing factor to this delay.

Risk(s)

Inefficient or insufficient allocation of current resourcing may create the risk that the CoM is unable to fully or properly implement their Customer Experience Plan.

Recommendation(s)

It is recommended that the CoM undertake a review of those departments that are failing to meet KPIs in relation to meeting customer event targets and review if resourcing is a contributing factor to the delays. As part of the review, the departments should ensure that resources are being used efficiently and effectively to meet KPIs across the department and organisation.

Agreed Management Action(s):

Once the actions for **Findings F1** and **F2** are delivered Management will complete a review of resources within departments, making recommendations to allocate existing resources to meet customer demand.

Where efficiencies are identified and savings made across departments, Management will recommend reallocation of resources to the Customer Experience team to continue to deliver Customer Experience Plan.

Responsibility: Karen Cocks, Manager Customer Experience

Target date: 31 March 2020

PIO 1 – Improved resolution of customer events through cross-department understanding and experience

PIO

Observation(s)

There is a potential for improved resolution of customer events (i.e. quicker and more informed) through cross-departmental experiences ('day in the life' of a colleague) and better understanding of the work done by different departments at the CoM. This includes improving the resolution of calls by the Customer Call Centre or better handling of customers' expectations (i.e. ensuring that the person the call is transferred to is actually able to assist).

It is noted that there has been a small number of cross-department experiences to date, including the Customer Service Manager attending onsite to a complaint, which improved the resolution and satisfaction of the customer. Further, some Property staff have sat in the Customer Service Centre and listened to calls to better understand what occurs in the initial customer interaction.

Building better understanding and relationships between different departments is key to ensuring that CoM staff are able to deliver a consistent and informed experience to its customers through the effective and efficient resolution of customer events. More detailed knowledge of other departments may also lead to more 'first call' resolutions.

Risk(s)

The lack of cross department understanding may result in customers having a negative experience with the CoM through transferred calls or customer events, creating delays in the resolution of their enquiry or complaint. This may lead to reputational risks to the CoM due to unsatisfied customers.

Recommendation(s)

It is recommended that the CoM look to ensure that all new staff undertake some form of cross department training, especially those with customer interactions and dealings with the Customer Care Centre on a regular basis.

Further, the CoM should look to continue its efforts to facilitate improved cross department knowledge by encouraging relevant staff to attend on site (e.g. attending Field Services visits) or sit in on Customer Care Centre calls where it is deemed appropriate to do so.

Agreed Management Action(s):

The CoM has introduced Customer Experience to the induction process. The CoM will introduce a report to monitor new starters' adherence to this part of the induction process.

All Customer Service staff will have field visits included within their personal development plan based on their knowledge gaps. Knowledge gaps will be identified via the quality monitoring that is performed on customer service staff calls.

Responsibility: Karen Cocks, Manager Customer Experience

Target date: 31 December 2019

PIO 2– Further customer experience training, including tailored refresher training

PIO

Observation(s)

Through stakeholder discussions, it was noted that there was a lack of understanding within the CoM departments as to the difference between customer experience and customer service. While many divisions had a good grasp of customer service, and were driven to deliver excellent services, many did not distinguish between customer service and experience.

Many of the customer facing staff at the CoM have undertaken initial customer service training, however customer experience was noted to not be part of onboarding and there is no refresher training offered to staff. Stakeholder discussions identified that this is an area that they would like more training in. Customer experience as a broader concept to customer service needs to be understood by staff so that a consistent approach to engaging with customers can be taken across the CoM. This will improve customer trust and build on customer relationships with the CoM.

Risk(s)

The lack of customer experience training may create a risk that the CoM staff do not understand customer experience and are unable to deliver a consistently positive experience to customers.

Recommendation(s)

It is recommended that the CoM provide customer facing employees with:

- customer experience training as part of initial onboarding
- customer experience refresher training on an annual basis.

It is also recommended that the CoM tailor their refresher customer experience training for current staff to be relevant to the customers they deal with. For example, the CoM could create customer personas which detail what is relevant to each customer group, as different things are important to customers depending on their needs and expectations. This information could also be obtained from a CRM.

Agreed Management Action(s):

Management will investigate Customer Experience training to focus on language skills for a positive first response, including:

- How to handle aggressive customers
- How to 'wrap up' an interaction.

Management will include formal customer experience training within the induction process (as outlined in PIO 1).

Training/(s) identified will be added to the training matrices by 31 December 2019, for implementation (as a refresher course) by 30 June 2020.

Responsibility: Karen Cocks, Manager Customer Experience and Steph Robert, Manager Human Resources

Target date: 31 December 2019

PIO 3 – Increased accessibility of the Complaints and Grievance Policy

PIO

Observation(s)

There is limited availability of the Complaints and Grievance Policy, which is only available online in English and physical copies of the same policy being made available in the Customer Service Centre. Under section 4.5 of ISO 10002 Customer Satisfaction and Complaints 2018, the complaints handling process should be easily accessible to all complainants (see **Appendix 1**). Specifically, section 4.5 states that:

“Information and assistance in making a complaint should be made available, in whatever languages or formats that the products and services were offered or provided in, including alternative formats, such as large print, Braille, or audiotope, so that no complainants are disadvantaged.”

There are no alternative formats available online (i.e. other languages) on the CoM’s website, and the policy is not available in Braille, large print or audiotope within the Customer Service Centre.

Further, from discussions, it is understood not all departments are aware of the centralised complaints function. Accordingly, teams are handling complaints within their department, when they could use centralised resources.

Risk(s)

The risk posed by not having the Complaints and Grievance Policy available to customers in the manner specified in section 4.5 of ISO 10002 2018 means that not all customers have equal access to the Policy, which may result in ineffective or poor customer experience. A lack of understanding by employees of the centralised complaints may also result in inefficient customer complaint resolution, and poor customer service.

Recommendation(s)

It is recommended the CoM look to provide copies of the Complaints and Grievance Policy in the manner specified in section 4.5 of ISO 10002 2018 within the Customer Service Centre. The CoM should also look to provide copies of the policy online in other languages (the languages selected could be modeled on customer data if a CRM is developed).

Additional internal communications should be provided to advise the organisation of the centralised complaints function that is available and explanation of how this fits into the CoM’s overall Complaints and Grievance policies and procedures.




Agreed Management Action(s):

This performance improvement opportunity will be investigated further and implemented based on available budget.




Responsibility: Kate McKenzie, Manager Corporate Governance





Target date: 31 December 2019





The following table provides an overview of our approach for consideration of the customer complaint handling practices as part of this internal audit. Internal Audit held discussions with key stakeholders and reviewed supporting documentation for each consideration. The overall structure and elements are based on the principles per the ISO 10002 Customer Satisfaction and Complaints, guidelines for complaints handling in organisations.




Customer Complaint Considerations	Description	Traffic Light Assessment	Observations and Commentary	Reference IA Finding
1. Commitment	The organisation should be actively committed to defining and implementing a complaints handling process.		<ul style="list-style-type: none"> The CoM has implemented a central area for complaints management, however social media and some other department complaints still are outside, or may not be channelled, to this remit. It is understood that not all departments are aware of the central complaints function 	Finding 3 PIO 3
2. Capacity	Sufficient resources should be made available for and committed to complaints handling, and should be managed effectively and efficiently.		<ul style="list-style-type: none"> Discussions indicated that there were sufficient resources to handle the volume of complaints received by the centralised complaints section of the Customer Service Centre at the CoM. 	N/A
3. Transparency	The complaints handling process should be communicated to customers, personnel and other relevant interested parties. Individual complainants should be provided with adequate information about the handling of their complaint.		<ul style="list-style-type: none"> The CoM has a “feedback and complaints” webpage, where it outlines their commitment to customers. Customers can submit feedback and complaints via different methods. Copies of the Complaints and Grievance policy and procedure is available on the webpage, as well as details of the Office of the Ombudsman website for escalations. From testing, difficult complaints or lack of resourcing can sometimes delay the turnaround times on complaints. 	Finding 5

Key:

-  Significant issues identified requiring immediate escalation to Management and short-term corrective actions.
-  Some issues identified requiring attention, to be raised to Management in due course and a plan put in place for corrective actions.
-  No significant issues identified with element assessed in relation to customer satisfaction and complaint.

Customer Complaint Considerations	Description	Traffic Light Assessment	Observations and Commentary	Reference IA Finding
4. Accessibility	A complaints handling process should be easily accessible to all complainants. Information should be made available on the details of making and resolving complaints. The complaints-handling process and supporting information should be easy to understand and use. The information should be in clear language. Information and assistance in making a complaint should be made available, in whatever languages or formats that the products and services were offered or provided in, including alternative formats, such as large print, Braille, or audiotape, so that no complainants are disadvantaged.		<ul style="list-style-type: none"> Details of the complaints process is on the website, including different methods to submit complaint (i.e. form, phone, in person and by letter). Noted: no email address is given on website. Policy, procedure and website is in clear language. Other languages and formats not provided on website, such as large print, Braille or audiotape. 	PIO 3
5. Responsiveness	The organisation should address the needs and expectations of customers with respect to complaints handling.		<ul style="list-style-type: none"> Customers are the number one focus for the CoM, however complaints KPIs are not validated externally and customer satisfaction is not measured. 	Finding 1
6. Objectivity	Each complaint should be addressed in an equitable, objective and unbiased manner through the complaints handling process.		<ul style="list-style-type: none"> Each customer is provided the same complaints resolution process, which is now centralised for monitoring and objectivity. Complaints undergo an independent and objective section 270 review (internal review) where necessary. 	N/A
7. Charges	Access to the complaints handling process should be free of charge to the complainant.		<ul style="list-style-type: none"> There is no fee charged to customers in relation to complaints handling process. Councils are not allowed to charge a fee for section 270 review under the <i>Local Government Act 1999</i> (SA). 	N/A

Customer Complaint Considerations	Description	Traffic Light Assessment	Observations and Commentary	Reference IA Finding
8. Information integrity	The organisation should ensure that the information about its complaints handling is accurate and not misleading, and that data collected is relevant, correct, complete, meaningful and useful.		<ul style="list-style-type: none"> The CoM have now implemented a centralised complaints area, however not all departments use this (i.e. Communications, Social Media). Further the quality of data entries into CES is not completely accurate – with many default settings include for events (i.e. telephone), which may affect data quality. 	Finding 3
9. Confidentiality	Personally identifiable information* concerning the complainant should be available where needed, but only for the purposes of addressing the complaint within the organisation and should be actively protected from disclosure, unless the customer or complainant expressly consents to its disclosure or disclosure is required by law. (* Personally identifiable information is information that when associated with an individual can be used to identify him or her, and is retrievable by the individual's name, address, email address, telephone number or similarly specific identifier. The precise meaning of the term differs around the world.)		<ul style="list-style-type: none"> Information is stored in the CES with access by all staff members. There appears to be no privacy policy visible on “feedback and complaints” website, although a statement about information collected through website/email requests is included. It is noted that the South Australian Information Privacy Principles do not apply to Local Government Agencies. 	N/A
10. Customer-focused approach	The organisation should adopt a customer-focused approach with respect to handling complaints and should be open to feedback.		<ul style="list-style-type: none"> It was observed that the customer is always the first priority of all employees of the CoM, whether this be in relation to customer complaints or other customer events, such as incidents or feedback. 	N/A
11. Accountability	The organisation should establish and maintain accountability for, and reporting on, the decisions and actions with respect to complaints handling.		<ul style="list-style-type: none"> Recently, the CoM have centralised their complaints within the Customer Service Centre. However, there is minimal reporting on complaints received and the actions with respect to complaints handling, therefore the accountability for complaints and the decisions made is unclear. 	Finding 2

Customer Complaint Considerations	Description	Traffic Light Assessment	Observations and Commentary	Reference IA Finding
12. Improvement	Increased effectiveness and efficiency of the complaints handling process should be a permanent objective of the organisation.		<ul style="list-style-type: none"> The CoM have implemented a dedicated customer complaints person in the Customer Service Team, along with “champions” within departments to assist with complaint resolution. The Customer Experience Plan lists “Phase 2: Complaint Handling Improvement” as one of the 2018-2019 objectives of Voice of the Customer. It will be important to ensure that this remains a permanent objective of the organisation. 	Finding 3 Finding 5 PIO 2
13. Competence	Organisation personnel should have the personal attributes, skills, training, education and experience necessary to handle complaints.		<ul style="list-style-type: none"> Staff have undertaken training for customer service, but discussions uncovered a desire for further training, especially refresher training and also in difficult customer complaints/conversations. 	PIO 1 PIO 2
14. Timeliness	Complaints should be handled as expeditiously as feasible given the nature of the complaint and of the process used.		<ul style="list-style-type: none"> The majority of complaints are resolved within the allocated KPI time period (i.e. one to three business days), which was supported by our data analytics showing 94% were resolved during the target period. However, there has been no external validation of the KPIs to determine whether or not they are appropriate, or adequately reflect the needs of the customer. Also, some teams performed more poorly than others (see graph on page 11, Average Days over Target Date) which could be reviewed. 	Finding 1

The tables below summarises the CoM personnel who were involved in discussions and contributed to the findings and actions detailed in this Internal Audit Report.

Name	Title
Customer Experience	
Karen Cocks	Manager Customer Experience
Customer Service	
Raelene Govett	Unit Manager Customer Service
Lauren Mangelsdorf	Customer Service Consultant
Stephanie Patterson	Customer Systems Partner (& Accredited FOI Officer)
Communications	
Craig Clarke	Unit Manager Communications
Rebecca Kersten	Coordinator Digital Content & Graphic Design
Finance	
Ray Barnwell	Manager Finance
Kylie Jaggard	Team Leader Rating Services
Engineering and Field Services	
Mathew Allen	Manager Engineering & Field Services
Colin Natt	Unit Manager Civil Services
Brett Jaggard	Unit Manager Open Space Operations
Roger Belding	Unit Manager Operational Support
Corporate Governance	
Kate McKenzie	Manager Corporate Governance
Sherie Walczak	Unit Manager Risk

Name	Title
Property	
Victoria Masterman	Manager City Property (Acting)
Clare Benn	Unit Manager Land and Property
James O'Hanlon	Unit Manager Community Facilities
Heather Michell	Land Asset Officer/Registered Conveyancer
Chloe McDonald	Property Leasing Officer
Andrew Everton	Property Maintenance Officer
Janelle Arbon	Urban Landscape Design Leader
Debra Baum	Project Support Officer
Development & Regulatory Services	
Greg Salmon	Manager City Activation (Acting Manager Development and Regulatory Services)
Sharon Perin	Unit Manager Community Health and Safety
Alex Wright	Team Leader Planning (Acting)
Lana Martin	Acting Administration Coordinator - Development Services
Paul Skoumbros	Development Officer Building



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

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

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

Inherent Limitations

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

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

Third Party Reliance

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

Electronic Distribution of Report

This KPMG report was produced solely for the use and benefit of the CoM and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated February 2019 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report. Any redistribution of this report requires the prior written approval of KPMG and in any event is to be the complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree. Responsibility for the security of any electronic distribution of this report remains the responsibility of the CoM and KPMG accepts no liability if the report is or has been altered in any way by any person.



KPMG ENTERPRISE

City of Marion

Internal audit project scope:

Cyber Security

15 February 2019

Internal Audit Program 2018/19: Cyber Security

In accordance with the 2018/19 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on the CoM's cyber security is to be performed. The objective, scope and approach are outlined below.

Objective

The focus of this project will be on the status of recommendations and actions from the previous cyber security internal audit project conducted in 2016/17.

Scope of services

To address the overall objective, a follow up cyber maturity assessment, focusing on the current state and implementation of recommendations from the 2016/17 cyber security internal audit project will be conducted as follows:

- Conduct a high-level Cyber Maturity Assessment (CMA) covering the following domains:
 1. Leadership and Governance
 2. Human Factors
 3. Information Risk Management
 4. Business Continuity
 5. Operations and Technology
 6. Legal and Compliance.

- Following the CMA, internal audit will work with Management to identify the focus domains requiring improvement and develop the target maturity for these areas. Focus will also be given to the CoM's strategies and plans for increasing the maturity in the identified domains as well as identifying any additional opportunities that may be worthy of consideration based on KPMG's industry experience.

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.
- Information Technology Disaster Recovery and Business Continuity plans and strategies (these areas are addressed in the separate 2018/19 business continuity, IT disaster recovery and emergency management internal audit).
- Testing over recovery capability, plans or recovery strategies.
- 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.
- 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 the identification of positive observations, progress made since the 2016/17 internal audit, as well as key recommendations to improve maturity across each domain.
- Hold close out meeting to validate and confirm findings.
- Draft and distribute Internal Audit report for management feedback and comments.
- Presentation of the report to the CoM Finance and Audit Committee.

Stakeholders

The following CoM stakeholders will be consulted as part of the internal audit project regarding cyber security.

Personnel	Position title
Phil Mattingly	A/ Manager ICT
John Gosbell	ICT Business Engagement Partner
Vincent Mifsud	General Manager Corporate Services
Kate McKenzie	Manager Corporate Governance

Resources and Budget

The team members and proposed budget for the CoM cyber security internal audit project are listed in the following table:

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Eric Beere	Partner	\$350	4	\$1,400
Shannon Jurkovic	Director	\$295	18	\$5,310
James Rivett	Manager	\$239	12	\$2,868
Scott Minion	Sen. Consultant	\$155	60	\$9,300
Total (excl. GST)				\$18,878

Timing

The proposed timing for the cyber security internal audit project is for the project to commence in early May 2019 with a report completed by 30 June 2019, for delivery to the CoM Finance and Audit Committee scheduled for August 2019.

Approvals

We are in agreement with the scope document for the internal audit project focussing on the CoM's cyber security.

CoM Internal Audit Project Sponsor: **KPMG Internal Audit Partner:**

Name:

Name: Eric Beere

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's Management and personnel. We shall seek to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update the report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with 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 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 Strategic Risk and Internal Audit Group 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, 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.

Project Management Framework

Originating Officer	Project Management Leader - Annmarie Mabarrack
Corporate Manager	Manager Innovation and Strategy - Fiona Harvey
General Manager	General Manager City Development - Abby Dickson
Report Reference	FAC190226R04

REPORT OBJECTIVE

To provide the Finance and Audit Committee with a Draft Project Management Framework (PMF) for review and feedback and to showcase the new Enterprise Project Management System (EPMS) to the Committee members.

EXECUTIVE SUMMARY

A City of Marion Project Management Framework (PMF) has been in development and implemented in conjunction with a new Enterprise Project Management System (EPMS). Both the PMF and EPMS have been developed over the past 12 months in consultation with many staff across the organisation, with support from a Project Management Working Group and a Project Steering Committee.

The PMF guides the application of project management knowledge, skills, tools and techniques to achieve project and program outcomes on time and to budget. The draft PMF is provided in Appendix A.

The development of the PMF completes the final action of the 2015/16 Service Review of the Capital Works Program.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Provides feedback on the draft Project Management Framework, attached in Appendix A.**
- 2. Notes the demonstration of the new Enterprise Project Management System presented during the meeting.**

BACKGROUND

The City of Marion has been reviewing its project and program management practices over a number of years. In 2013 and 2014 two separate contractors were engaged (BDO and Thinc) to support the development of a framework for project and program management, particularly focused on high risk and high value projects, as defined by Section 3 of the Prudential Management Policy. High level frameworks were developed through these engagements however were not endorsed and implemented.

In September 2017 CoM established a Project Management Office (PMO) to lead and support improved Project Management functionality and capacity across the whole organisation. The Project Management Leader has been working with staff on an innovative Change Management project that has supported the development of a scalable PMF and supporting EPMS.

Throughout 2018 an EPMS was implemented that provides staff and executive with real time information on all projects' status, resourcing, budget expenditure and risks.

DISCUSSION

The project management system 'CoM Project' captures all programs and projects regardless of size or complexity, and workflows all project stages from initiate through to project close. Its scalable application, ease of use and integration with other systems means staff now have a single point of truth to manage projects, enhancing efficiency and delivery.

The PMF and EPMS have been designed by users and consultation with staff was critical to determine a common language and common project workflow for everyone to use regardless of project type. The extensive consultation process built 'buy in' from across the organisation and provide a platform for staff to build understanding and capability on project management tools, techniques and discipline.

The PMF (Appendix A) has been developed based on the principles of best practice project management, using the Project Management Body of Knowledge (PMBOK) framework to support the development.

Next Steps

The PMF and EPMS continue to be implemented, with support being provided from the PMO to project managers across the organisation. Tailored reports are being built to improve reporting to the varying audiences that receive project and program status reports.

Stage 3 of the development of the EMPS is scheduled for development and implementation in 2019/20 (subject to adoption of the annual budget). This stage is focused on developing an interactive dashboard of project information, suitable for Elected Member and Community use.

Attachment

#	Attachment	Type
1	City of Marion - Project Management Framework - Final Draft	PDF File



Project Management Framework

City of Marion

Document Control

Document Name	City of Marion Project Management Framework
Division	Innovation & Strategy
Unit	Project Management Office
Responsible Officer	Project Management Leader
Approval	General Manager, City Development
Version	v 1.0
Status	Draft
Issued	January 2019
Next Review	January 2020

DRAFT

Index

1	INTRODUCTION	4
2	PURPOSE	5
3	RISK ANALYSIS	5
4	PRINCIPLES	5
5	PROJECT MANAGEMENT FRAMEWORK (PMF)	5
5.1	Development.....	6
5.2	Project Definition	6
5.3	Project, Programs and Portfolios.....	7
5.4	Financial Management	7
5.5	Risk & Issue Management	7
5.6	Project Triggers	7
5.7	Project Life Cycle	8
5.8	Project types	9
5.9	Workflows	9
5.10	Phase Gates (Sign Off).....	9
5.11	Project Management Roles and Responsibilities	9
5.12	Corporate Project Prioritisation and Assessment Model.....	11
5.13	Change Requests	12
6	PROJECT PHASES	12
6.1	Initiation Phase.....	12
6.2	Decision Gate	12
6.3	Plan Phase	12
6.4	Deliver Phase.....	13
6.5	Monitor and Control	13
6.6	Close Phase	13
7	PROJECT GOVERNANCE ROLES & RESPONSIBILITIES	14
8	RELATED DOCUMENTS	15
9	REFERENCES	15

1 INTRODUCTION

An Enterprise Project Management System (EPMS) supports organisations to manage and adapt to change; it is a way of thinking, communicating and working, supported by an information system. The City of Marion in 2018 implemented an EPMS that has enabled Council to manage our diverse, complex activities, projects, and programs across several business units, whilst meeting our strategic vision and goals also ensuring that we meet our governance, statutory and financial reporting requirements.

Introducing an effective EPMS brings benefits to the City of Marion including:

- A common process and language for all projects, regardless of size and type;
- Greater visibility of issues, risks and mitigation strategies;
- More reliable timing, costing and delivery against expectations and strategic commitments;
- Benefits to community and the ability to demonstrate performance to project partners, elected members and stakeholders;
- Greater visibility of resource allocation and capacity to deliver;
- Increased efficiency in use of staff time (communication and reporting); and
- Improved accountability and governance

Trends across State and Local Government indicate movement towards:

- Adoption of a standardised methodology, with flexibility/scalability for unique projects
- A "portfolio project management" approach
- Standardisation of project management documents and templates
- Knowledge management such as project repositories including lessons learned
- Easier-to-collate, consistent reporting outputs
- Capacity building and up-skilling in project management
- Establishment of a single repository for all project information and minimising use of disparate tools that do not integrate with core business systems

The Project Management Framework (PMF) has been developed and integrated into the City of Marion's Enterprise Project Management System.

2 PURPOSE

The purpose of this document is to define the PMF and supporting Governance Framework that supports the City of Marion for delivery of its projects/programs regardless of size, type or complexity.

The document has been designed to guide the application of project management knowledge, skills, tools and techniques in order to achieve project and program requirements on time and to budget.

This framework and overarching EPMS incorporates formal policies, procedures and relevant checklists to govern the initiation, planning, delivery, monitoring and evaluation and closure of the City of Marion's programs and projects.

The framework has been established as a result of a Capital Works internal audit conducted in 2015/16 and is designed to help staff by providing consistency in processes to improve project initiation, planning, delivery, close and monitoring of all Council projects across all business units. It will assist project managers with guidance to meet Council expectations for successful and timely delivery of projects, and achievement of project outcomes and objectives.

3 RISK ANALYSIS

Implementation of a framework and EPMS for project management will reduce a wide range of project risks to Council that are caused by failure to properly manage and deliver projects, including delays to delivery, unexpected cost overruns, failure to meet project objectives, managing stakeholder expectations, and poor record keeping.

4 PRINCIPLES

Key principles of effective management of projects are:

1. Project decisions are aligned with organisational strategic plans to ensure we deliver value to our community.
2. Project planning decisions are based on an understanding of the design considerations, evaluation of alternatives, which incorporate 'whole of life cycle' costs, benefits and risks of ownership for project deliverables.
3. Projects have effective internal governance structures established to manage the projects.
4. Projects are managed based on size, complexity, type using a scalable project management approach

This Project Management Framework addresses these principles by providing guidance for staff about processes that need to be taken into account when managing a project, including; policies, procedures, frameworks, templates and relevant checklists, to facilitate:

- Effective and consistent project management across the organisation
- Appropriate project governance
- Effective change, communication, financial, schedule, and risk/issue management
- Improvement to Council's project methodology through the use of post implementation reviews and the capture of a lessons learnt register

5 PROJECT MANAGEMENT FRAMEWORK (PMF)

A PMF is a subset of tasks, processes, tools and templates used in combination by CoM staff to get insight into the major structural elements of the project in order to initiate, plan, deliver, monitor and control and close (or terminate) the project activities throughout the project management life-cycle.

Regardless of the type, size and nature of project, this PMF includes phases, templates and checklists, processes and activities, roles and responsibilities, training material and system guidelines. All of this information has been designed

and developed into an EPMS, allowing managers and project managers to control progress of their projects throughout the life-cycle.

The idea behind the project framework is to create and share a clear understanding of the basis of a project and share this understanding among all stakeholders, including the project team.

5.1 Development

Through consultation with key staff from across the organisation, a number of project management workflows have been designed to support a scalable PMF. These workflows include embedding a range of principles, cross-functional organisational frameworks and strategies (e.g. corporate risk matrix, community engagement framework and our 10-year strategic plan outcomes).

The PMF has been embedded into the EPMS which also includes relevant checklists and key project management principles to support best practice project management. This will assist project managers to effectively manage their projects regardless of size, type or complexity. The PMF has been designed to ensure that there is consistency in the approach to all projects and programs delivered and managed by the CoM.

A scalable PMF has been developed that has been adapted from two national standard approaches:

- The Project Management Institutes (PMI) Project Management Body Of Knowledge (PMBOK)
- Projects IN Controlled Environments (PRINCE2)

5.2 Project Definition

Council's [Prudential Management Policy](#) states that a Project means a new and discrete undertaking or activity that would involve the:

- Expenditure of money, and/or
- Deployment of resources, and/or
- Incurring or assuming a liability, accepting an asset or divestment of an asset.

The Policy also states that a project has a defined beginning and end. Regular, ongoing deliveries of Council services are not projects; these services are considered business as usual (BAU) activities.

This definition aligns closely with the PMBOK global definition that a project is "a temporary endeavor undertaken to create a unique product, service, or result," and that projects have a definite beginning and end.

Examples of some of the projects delivered at the City of Marion are:

- Projects that fall under the *Local Government Act 1999* (SA) Section 48 – e.g. Large Infrastructure Projects
- Playground/Open Space developments or redevelopments
- Property refurbishment
- ICT & Digital Transformation projects
- Improvement/performance projects
- Capital Works Programs – an array of projects that are rolled up to a program of works (e.g. Kerb and Water Table)
- Community/Environmental projects
- Asset renewal
- Internal Audits/Service Reviews
- Community/Cultural events

5.3 Project, Programs and Portfolios

The EPMS facilitates the following:

- **Project** – standalone independent project that has no inter-related projects that are dependent on delivery of the project objectives.
- **Programs** – inter-related projects that roll up into a Program of works, essentially a collection of projects delivered concurrently to achieve the overall Program Objectives.
- **Portfolio** – combination of projects and programs that are not necessarily inter-related but deliver organisational strategic goals.

A Project Hierarchy has been developed within the EPMS to differentiate between Project, Programs and Portfolios. The EPMS has been setup based on the CoM Organisational structure, which allows the Executive and Senior Managers to manage and view their Portfolio of Programs and Projects regardless of inter-relatedness.

There are parent/child relationships to account for the management and delivery of **Programs** of work. These Programs can be set up in the EPMS with multiple projects (child projects) that roll up into a Program (parent). This function will be used primarily for Capital Works Programs. There is also a standalone independent project option, these are **Projects** that are not associated with any other parent or child projects. A grouping of programs and projects that are not necessarily inter-related may be managed as a **Portfolio** with a view to achieving common strategic goals.

5.4 Financial Management

The EPMS has been integrated with council's financial management system, which enables all project managers to review their project budget and actual spend against key project milestones, that highlights any financial variances. Financial reports can be produced monthly for all projects.

5.5 Risk & Issue Management

Using CoM's [Risk Management Framework](#) the EPMS has integrated the risk Matrix into the system so that all projects are capturing and managing risks in the same format. This enables Executive a single point of truth for all Project Related Risks and the development of appropriate reporting to support effective risk management. Issue management has also been established in the EPMS that enables effective and proactive mitigation of all project issues as they arise and again a single point of truth for all CoM project issues.

5.6 Project Triggers

Projects within the City of Marion can be triggered in a number of ways:

- Strategic and Business Plan Development
- Council resolution
- New Initiatives
- Asset Management Lifecycle
- Business Improvements

5.7 Project Life Cycle

A Project Life Cycle (PLC) that has a series of project steps (Objects) within each Phase starting from Project Initiation, through to Project Close supports the PMF. The project lifecycle (Figure 1) has been designed around a series of project phases and underlying process to take a project through from start to finish.

As CoM manages a variety of differing projects that will vary in terms of specific activities and deliverables, the Project Life Cycle, provides the basic framework for the management of all projects regardless of the type and complexity. It provides a high-level view and a common reference that will enable comparison of projects even when they are different in nature.

The Project Lifecycle has been designed and built in the EPMS using a range of Project Workflows and Project Types (**Table 1**).

Project Lifecycle

Start the Project	Organising & Planning	Implement & Carry out the works	Ending the Project
Initiate	Plan	Deliver	Close
<ul style="list-style-type: none"> ❖ Project Details ❖ Project Overview ❖ Strategic Alignment ❖ Project Linkages ❖ Assessment & Prioritisation ❖ Proposed Budget 	<ul style="list-style-type: none"> ❖ Detailed Scope ❖ Roles & Responsibilities ❖ Project Schedule ❖ Risk Analysis ❖ Stakeholder Analysis ❖ Engagement Plan ❖ Concept Design ❖ Design/Survey ❖ Procurement ❖ Implementation Budget 	<ul style="list-style-type: none"> ❖ Final Agreed Scope ❖ Roles & Responsibilities ❖ Revised Delivery Schedule ❖ Revised Risk & Issue Analysis ❖ Final Budget ❖ Project Implementation 	<ul style="list-style-type: none"> ❖ Review Project Outcomes ❖ Project Handover ❖ Evaluation Performance ❖ Capture Lessons Learned ❖ Close the Loop with Project Stakeholders ❖ Financial Acquittal ❖ Formal Project Closure
<i>Sign off SLT & GM - to determine if supported to progress to ELT/Council Assessment (*Decision Gate)</i>	Monitor & Control <ul style="list-style-type: none"> ❖ Schedule ❖ Risk/Issues ❖ Cost/Budget Management ❖ Contract Management ❖ Quality Management ❖ Project Reporting 		

***PMO manages outcome with direction from ELT**

◆ Phase Gate - Sign off SLT & GM based contractual delegations

■ Project Phase ■ Process Group

❖ Project process

Figure 1: City of Marion Project Management Lifecycle

5.8 Project types

Within the EPMS Project Types (Table 1) have been established based on major classifications of our projects. These are then supported by project workflows. There are a range of project types that will use the same workflow but within the EPMS visibly criteria has been set using a series of standard questions to streamline the project management approach. The use of Project Types will give CoM the ability to report on certain project types within the EPMS.

Table 1: Project Types with description and workflow use

Project Types	Description	Workflow
Project	This is the main project type that all projects will use, with the exception of service review implementation projects	Main Workflow
Program	Project, Individual Capital Works and Service Review Project types will be able to be related (child project) to a Program	Program Workflow
Individual Capital Works	To be used for individual (child projects) to Capital Works Programs	Main Workflow
Service Review	To be used to determine Service Review Projects	Main Workflow
Service Review Implementation	To be used for Service Review Implementation Projects to track actions	Service Review Implementation

5.9 Workflows

The EPMS has been set up using a number of project workflows. The workflows consist of project management processes, checklists, supporting documents and frameworks that enable Project Managers to utilise a systematic, repeatable approach to the delivery of projects regardless of type or complexity.

5.10 Phase Gates (Sign Off)

A Phase Gate (Figure 1) sits at the end of each phase of the project and provides a method of control to move from one phase of the project to the next. This forms the governance model around project decisions, and these decisions are made by appropriate delegate/s driven by the overall project cost and is based on the financial delegation of the appropriate Senior Leadership Team members designed responsibility for the project.

5.11 Project Management Roles and Responsibilities

To ensure successful delivery of projects the following projects roles and essential duties are outlined in Table 2 below. Clarity on roles is essential so team members clearly understand their role as part of the project team and their associated duties.

Table 2: Project Management Roles and Responsibilities

Role Title	Role Description	Duties	System Permission Summary
Project Sponsor (ELT)	<p>This role, normally containing Executive Leadership is responsible for overseeing the progress of the portfolio of projects in their responsibility and for resolving any strategic problems. They will also be the final approvers of project phase gates.</p> <p>The Project Sponsor is the person who charts and authorises the projects that may have a change impact.</p>	<ul style="list-style-type: none"> • Carry ultimate responsibility for the project • Approve all changes to the project scope • Provide additional funds for scope changes • Approve project deliverables • Make key business decisions for the project • Approve the project budget • Ensure availability of resources • Communicate the project's goals throughout the organisation • Review Monthly Report Updates for all projects within the portfolio 	The Project Sponsor can view all fields and edit all fields; they can also edit all fields including some fields after a sign off.
Project Owner (SLT)	<p>Accountable to Project Sponsor for reporting on projects including the schedule, budget, and quality of all Project/Program elements. They are also responsible for being actively involved in Sponsoring Projects that have a Change Management approach required.</p>	<ul style="list-style-type: none"> • Review changes to the project scope • Support additional funds for scope changes • Review project deliverables • Support key business decisions for the project • Review the project budget • Ensure availability of resources • Communicate the project's goals throughout the organization • Review Monthly Report Updates for all projects within the portfolio 	The Project Owner can view, add and edit most fields and are involved in sign-off approval process.
Leadership Team Owner (LT)	<p>Leadership Team Level Position that the project falls under - this role is required to ensure that the relevant LT can view and edit projects in the absence of the Project Manager.</p>	<ul style="list-style-type: none"> • Support Project Managers that work within their workareas • Provide back up support if/when required • Review Monthly Report Updates for Line Managed Staff 	Same access as the Project Manager
Project Manager	<p>Project Manager is responsible for creating, updating and on-going management of the project scope, budget, risk, issues, project team, communications/engagement and schedule development and management. They are also responsible for the on-going monitoring and reporting of projects to ensure that they are accurately reported on monthly. The Project Manager is the accountable person</p>	<ul style="list-style-type: none"> • Responsible for day to day management of the Project • Develop a project plan (scope, quality, cost) • Manage deliverables according to the plan • Identify project team • Lead and manage the project team • Establish and manage the project schedule and determine each phase 	A Project Manager can view, add and edit most fields relating to the project setup and on-going control and monitoring of the project. They are not able to approve any sign-off's

	for the project with direction from the Project Sponsor/s and SLT.	<ul style="list-style-type: none"> Establish and manage the project budget Establish and manage the project communications and engagement plan Establish, manage and report on Project Risks and Issues Assign tasks to project team members Provide regular Monthly Project Updates 	
Team Member	The staff members who actually work on the project, at some stage during the lifecycle of the project. Some may have a specific role. Team members allocated to a task in the schedule are required to provide commentary in the Monthly Update.	<ul style="list-style-type: none"> Contribute to overall project objectives Complete individual deliverables/tasks Providing technical expertise Work with other team members to establish and meet business needs Update the Project Manager on status of all tasks regularly Update individual tasks in the Monthly Updates 	Team Members can view information on projects that they are a part of and edit information on Tasks and Task Progress that they are assigned
Project Stakeholder	Staff that are not directly involved in delivery of the project but form part of a Project Board/Committee/Group. Generally, this is a governance role for the project/program.	<ul style="list-style-type: none"> Support the key business decisions for the project Review and approve the project budget Support the availability of resources Communicate the project's goals throughout the organisation 	View only Project Detail & Scope - very limited access
Finance Officer	Finance Officer is responsible for review of budgetary information and for the account mapping to ensure the budgetary information is correct for Programs and Projects.	<ul style="list-style-type: none"> Review Project Cost Centre Mapping Provide support to Project Managers to effectively manage their project budgets Development of key reports to support monthly project reviews 	View only Project Detail, Add, Edit, Delete all budgetary information

5.12 Corporate Project Prioritisation and Assessment Model

To support the determination and approval process of New Initiative's Council Endorsed in 2017 an [Initiative Assessment and Prioritisation Criteria Template](#). This Template has been embedded in the EPMS to support decision making of all New Initiatives. Template criteria (Table 2) of Low, Medium and High have been attributed to the overall score to assist with project ranking.

Table 2: Overall Assessment and Prioritisation Criteria Values

Criteria	Minimum Value	Maximum Value
Low	0	170
Medium	171	340
High	341	685

5.13 Change Requests

To effectively manage any variation to original project information including the project schedule, team, and project start and end dates, a formal change request has been established within the EPMS.

This allows the project manager to create and manage change requests at any stage of the project life cycle. These change requests are to be approved by either SLT, ELT or both; this will be dependent on the financial delegations and the overall project budget.

6 PROJECT PHASES

6.1 Initiation Phase

The Initiation Phase is where the project is established ensuring that a project worth pursuing and a brief overview of the project. The project details, strategic linkages, scope and budget are identified and where the project assessment and prioritization is undertaken to assess and prioritise all projects before approving those considered to provide most benefit to the City of Marion. A sign-off is required ([Initiate Phase Approval Process](#)) by both SLT and ELT prior to progressing to the next Phase.

The key processes within this Phase include:

- ❖ Project Details – project detail including sponsorship, owner & strategic theme alignment
- ❖ Project Overview – project scope
- ❖ Strategic Alignment – linkages to the strategic plan objectives
- ❖ Project Linkages – linkages to other workareas and external partnerships
- ❖ Assessment & Prioritisation – this includes a prioritisation model with assessment criteria to determine an overall project score
- ❖ Proposed Budget – high-level costs associated with the projects including income, expenditure, external funding and on-going costs.
- ❖ Sign-Off - Once completed this is then reviewed by Senior Leadership Team (SLT) and Executive Level Team (ELT) member to determine support (or not) for the project to progress to the next phase.

6.2 Decision Gate

This Phase will be managed by the Project Management Office and is where ELT as a group will review all proposed projects and make a determination to either Progress the Project or not.

Note: Some decisions may require a Council Decision at this Stage.

6.3 Plan Phase

This is the Phase in which detailed planning of the project occurs and key decisions are made. The complexity of the project will inform how many process objects will be required to help support delivery of the project in this Phase. This is where the project scope is refined, the project team created, detailed project schedule created, key stakeholders identified, communication plan and engagement plan established, project risks assessment completed, detailed design and procurement undertaken.

The Key Project Process that are visible in this Phase:

- ❖ Detailed Scope
- ❖ Roles & Responsibilities
- ❖ Project Schedule
- ❖ Risk Analysis
- ❖ Stakeholder Analysis
- ❖ Engagement Plan
- ❖ Concept Design
- ❖ Design/Survey

- ❖ Procurement
- ❖ Implementation Budget

The Monitor and Control Phase is active in this phase to ensure that the project is effectively managed and reported on through the Planning Phase.

6.4 Deliver Phase

The purpose of the Deliver phase is to complete work defined in the project schedule and tasks and to meet the project objectives. This is the 'do' stage. The Deliver phase involves managing people and other resources to follow processes and distribute information. During this phase the project manager must integrate related areas of the project and use a number of techniques to engage with the stakeholders and to deal with external factors influencing the project in conjunction with constant referral to the planning documents. Changes and variances that occur to the plan during the course of the project feed into the project schedule and tasks on an ongoing basis.

The same project process objects that are in the Plan Phase will also be present in the Deliver Phase for all projects:

- ❖ Final Agreed Scope
- ❖ Project Team
- ❖ Project Schedule
- ❖ Risk Analysis
- ❖ Issue Analysis
- ❖ Deliver Documentation Links
- ❖ Sign Off

The Monitor and Control Phase is active in this phase to ensure that the project is effectively managed and reported on through the implementation of the project (Deliver Phase).

6.5 Monitor and Control

This is active through the Plan, Deliver and Close phases, and is where the Project Manager will monitor, control and update the following process objects:

- ❖ Schedule
- ❖ Risk/Issues
- ❖ Cost/Budget Management
- ❖ Contract Management
- ❖ Quality Management
- ❖ Project Reporting

A range of project related reports will be created using the information captured in the EPMS. The [Project Management Governance Process](#) outlines the timing a structure of this reporting process.

6.6 Close Phase

This is where the Project Manager will review the project against the agreed scope, deliverables, outcomes and budget. It will also enable Project Managers to 'close the loop' with stakeholders (internal and external), perform handover to operations, acquit grant funding, finalise contractual obligations before formally closing out the project.

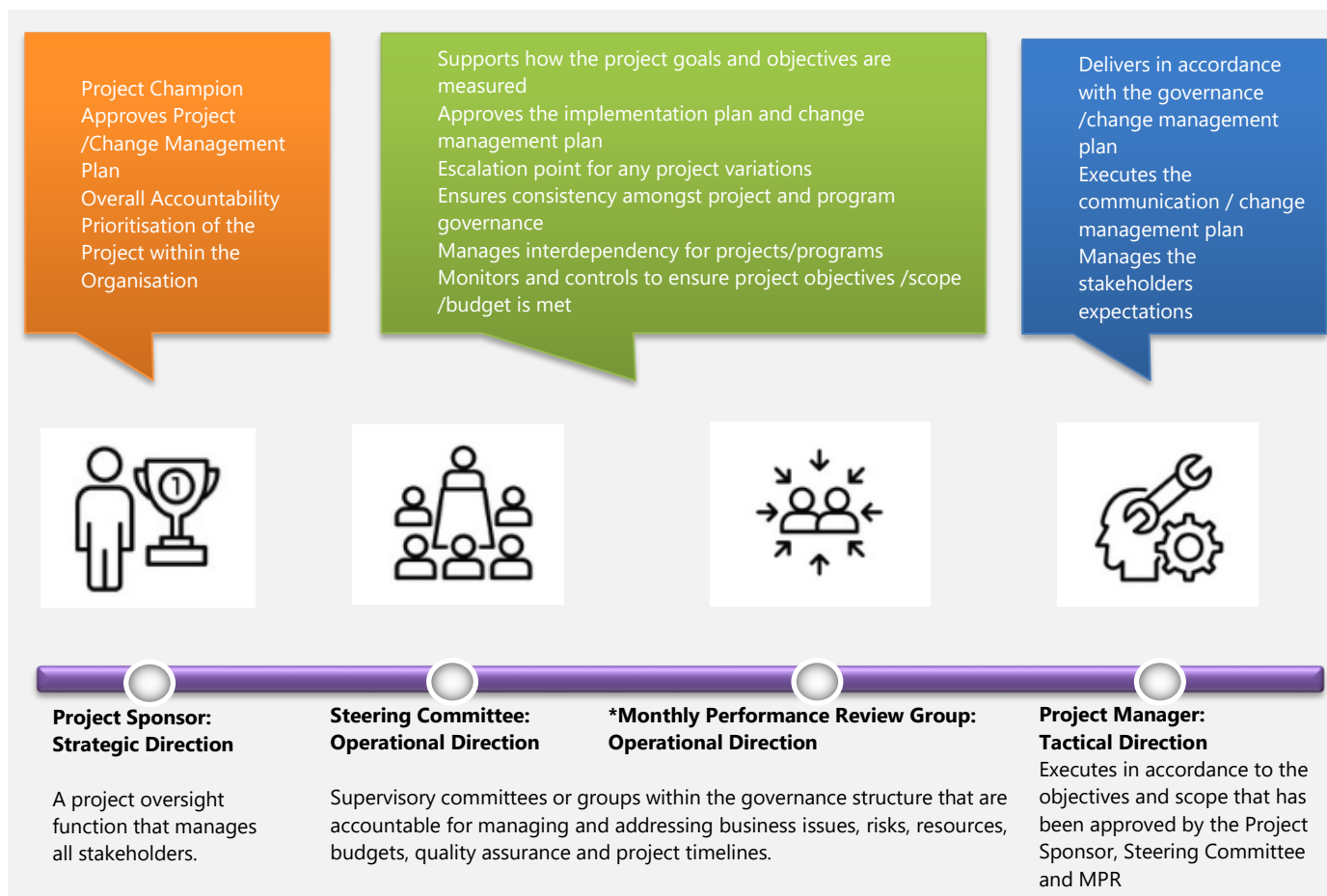
- ❖ Review Project Outcomes
- ❖ Project Handover
- ❖ Evaluation Performance
- ❖ Capture Lessons Learned
- ❖ Close the Loop with Project Stakeholders
- ❖ Financial Acquittal
- ❖ Formal Project Closure (Sign-Off)

7 PROJECT GOVERNANCE ROLES & RESPONSIBILITIES

All projects and programs will have different characteristics and requirements, however to support best practice and to ensure that information and reporting is transparent, well defined and updated each month, structured Project Governance is critical to the overall success of the project.

The key benefits will include:

- Single point of accountability
- Outlines roles, responsibilities and relationships amongst project stakeholders
- Ensure effective Issue management and resolution; and
- Effective reporting and transparent communications occurs



**indicates that Strategic Projects also report monthly to the Project Control Group*

Figure 1: Governance Framework and key role functions

8 RELATED DOCUMENTS

This framework links with the following current documents:

- South Australian Government Local Government Act 1999
- Community Vision – Towards 2040
- Strategic Plan 2017-2027
- 4 Year Business Plan
- Asset Management Policy
- City of Marion Risk Framework
- Community Engagement Framework
- Project Management Governance Process
- Initiate Phase Approval Process
- Initiative Assessment and Prioritisation Criteria Template

9 REFERENCES

Project Management Institute. (2013). A guide to the project management body of knowledge (PMBOK® Guide) – Fifth edition.

Alie, S. S. (2015). Project governance: #1 critical success factor. Paper presented at PMI® Global Congress 2015—North America, Orlando, FL. Newtown Square, PA: Project Management Institute.

Climate Risks for Councils

Originating Officer	Environmental Sustainability Manager - Ann Gibbons
Corporate Manager	Manager Innovation and Strategy - Fiona Harvey
General Manager	General Manager City Development - Abby Dickson
Report Reference	FAC190226R05

REPORT OBJECTIVE

The purpose of this report is to update the Finance and Audit Committee on a 'Climate Risks for Councils' initiative being delivered through the Resilient South partnership and to seek input from the Committee on proposed next steps.

EXECUTIVE SUMMARY

"Councils are now facing unprecedented legal liabilities and financial risks if they fail to address obligations arising from climate change. Those that fail to mitigate, manage and disclose climate risks in their governance and decision-making will expose themselves to legal liabilities - including potentially breaching fiduciary duties. With climate risks now occupying the minds of mainstream investors, it is anticipated that those not addressing climate risks will increasingly struggle to access affordable finance and insurance."

A joint Resilient South and Resilient Hills and Coast briefing and workshop on 16 October 2018 explored this new way of thinking about climate change and proposed the following five short-term priorities:

1. Governance Assessment
2. Risk Registers
3. Climate Risk Support from the LGASA
4. Elected Member Inductions
5. Policy and Strategy

The City of Marion has a number of initiatives in place already to address these priorities and input is now sought from the Finance and Audit Committee with regard to further progress.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Notes the five short-term priorities to focus the City of Marion's response to climate risk;**
2. **Feedback is provided on the approach to climate risk being presented in the report;**
3. **Receives future updates on the progress of the five short-term priorities through the Corporate Risk Process.**

GENERAL ANALYSIS

Valuing Nature:

VN1 We will plan for and respond to extreme weather events through our services and urban form, managing infrastructure issues associated with flooding and stormwater; VN2 We will build community resilience to the impacts of climate change

Risk Management:

Councils are at the front line of dealing with climate risk.

Legal / Legislative / Policy: City of Marion Climate Change Policy

Timeline Five short-term actions to be the focus over the next six months.

DISCUSSION

Councils plan for and approve land use changes, construct infrastructure, manage built and natural assets, manage waste, ensure community wellbeing, respond to emergencies, support business development, and are directly accountable to their ratepayers to deliver community-centred outcomes. Consideration of climate risk is integral to each of these functions.

Climate change is already escalating the hazard exposure of Councils and their communities. Hazards include:

- increased average temperature and more extremely hot days;
- increased frequency and severity of extreme fire danger days;
- sea level rise and accompanying coastal erosion and coastal storm inundation;
- less rainfall overall and more droughts;
- more frequent and intense rainfall events, and increasingly intense storms.

The City of Marion has been working in partnership with the Cities of Holdfast Bay, Mitcham and Onkaparinga on the Resilient South initiative since 2011. A 'Resilient South Regional Adaptation Plan' was developed in consultation with key stakeholders from across southern Adelaide. The Plan identified climate change responses in economic, environment and social domains across the region and was endorsed by all four partner Councils in 2014. The 'Resilient South Regional Local Government Implementation Plan 2015 - 2019' identified priority focus areas for the four partner Councils and was endorsed in 2015.

A new way of thinking about climate change that has a greater emphasis on risk is now emerging. To explore this approach, a joint Resilient South and Resilient Hills and Coasts executive briefing and staff workshop was held on 16 October 2018. The purpose of the workshop was to map out what the ten Councils are already doing well to manage climate risk every day; identify what they can do better to manage climate risk; and clarify what help they need to drive action. A summary of the event and proposed next steps is included in Attachment 1.

To provide context, presentations were delivered by:

- Sarah Barker, Special Counsel, Minter Ellison, an internationally renowned expert on climate change governance risk;
- John Nairn, South Australian State Director of the Bureau of Meteorology, a widely regarded expert on weather-related climate risks with a focus on heatwaves;
- Mark Siebentritt, Consultant, Seed Consulting, a local consultant specialising in water and climate change who has taken part in almost all climate planning projects in South Australia to date;
- Donovan Burton, Consultant, Climate Planning, internationally respected climate adaptation planner who created Informed.City platform to assess climate governance for local and state governments across Queensland, Victoria and Tasmania.

Climate risks discussed at the event included:

- Physical risks: failure to manage exposure (extreme events, gradual change);
- Financial risks: access to finance and insurance, emerging 'insurer of last resort' role;
- Legal risks: legal liabilities, litigation;
- Transition risks: climate policy and regulation, stranded assets, reputational damage.

Under the *Local Government Act 1999*, each Council is responsible for acting in the interests of its community in an informed and responsible manner, for providing public services in a socially just and ecologically sustainable manner, and for improving the quality of life of its community. To carry out these duties, one of Council's statutory functions is to protect its area from natural and other hazards and to mitigate the effects of such hazards.

During discussions at the 16 October event, the following broad desired outcomes arose for participating Councils:

- Councils understand and disclose their climate risks;
- Councils actively mitigate their climate risks;
- Efforts to manage climate risk are coordinated and consistent;
- Leadership at state and sector-wide levels is secured and sustained;
- Staff have the necessary skills and knowledge to manage climate risk and hazard exposure;
- Communities understand and actively work with Council to manage climate risk;
- Councils capitalise on the opportunities of being early movers;
- Financial and technical resources are in place to do this work;
- Legal, institutional and governance mechanisms are supportive.

Five principles are proposed to guide both regionally-coordinated and locally-led climate action by Resilient South and Resilient Hills & Coasts partner Councils to deliver on these outcomes:

- Advocate and lead: Demonstrate our leadership through commitment, action and advocacy to the LGA and state government;
- Share knowledge: Generously share tools, resources and knowledge with each other and beyond;
- Keep collaborating: Continue the Resilient South and Resilient Hills & Coasts partnerships to leverage collective impact and reduce the load for individual councils;
- Move from planning to practice: Build on strong planning foundations (regional and local Climate Change Adaptation Plans) by incorporating climate risk into everyday decision-making;
- Go where the energy is: Leverage local priorities, existing initiatives and networks to sustain and build momentum.

Informed by the workshop and survey results, twenty-three actions for mitigating climate risk exposure were identified. It is suggested that the councils work together as a region to explore their potential. Key areas of focus include:

- Council Systems and Processes
- Advocacy / LGA and State Leadership
- Capacity Building / Community of Practice / Collaboration
- Business and Community Engagement

Five short-term actions were identified:

Council Systems and Processes

- **Governance Assessment:** Undertake a comprehensive assessment of climate governance within all ten partner Councils, providing a gap analysis that identifies areas of leadership and those requiring further action.
- **Risk Registers:** Incorporate climate risk into Council Corporate Risk Registers.

Advocacy / LGA and State Leadership

- **Climate Risk Support from the LGASA:** Advocate for dedicated climate risk mitigation support to Councils via the Greater Adelaide Regional Organisation of Councils (GAROC) and the SA Regional Organisation of Councils (SAROC). This is currently not an LGA priority.
- **Elected Member Inductions:** Work with the LGA to develop Climate Related Legal and Financial Risk inductions for new Elected Members, including information to help answer common questions from the community.
- **Policy and Strategy:** Advocate to the state government to ensure that local government priorities are captured in the new cross-agency Climate Change Strategy and the state planning and landscape reforms.

See the Attachment 1 for the full list of suggested actions from the workshop.

The City of Marion will work with Resilient South and Resilient Hills and Coasts partners to progress these priorities over the coming months. Updates will be provided to the Finance and Audit Committee via the Corporate Risk reporting process.

Attachment

#	Attachment	Type
1	Attachment 1 - Climate Risk for Councils 4-page summary	PDF File

Climate Risks for Councils

Councils now face unprecedented legal liabilities and financial risks if they fail to address obligations arising from climate change. Those who fail to mitigate, manage and disclose climate risks in their governance and decision-making will expose themselves to legal liabilities – including potentially breaching fiduciary duties. With climate risks now occupying the minds of mainstream investors, those not addressing climate risks will increasingly struggle to access affordable finance and insurance.

1. Background

- Resilient South and Resilient Hills and Coasts partner Councils jointly hosted ‘Climate Risk for Councils’, an executive briefing and staff workshop in McLaren Vale on Tuesday 16 October 2018.
- 72 representatives from ten partner Councils, state agencies and the LGASA took part in the event, demonstrating strong working relationships and a commitment to climate risk mitigation within the region:
 - Resilient South: Cities of Marion, Mitcham, Holdfast Bay and Onkaparinga.
 - Resilient Hills and Coasts: Adelaide Hills, Alexandrina, Kangaroo Island, Mount Barker, Victor Harbor and Yankalilla Councils.
 - Other: Department for Environment and Water, Adelaide and Mt Lofty Ranges Natural Resources Management Board, State Emergency Services, SAFECOM, Bureau of Meteorology, LGASA, Southern & Hills LGA.
- Presentations from:
 - Sarah Barker – Special Counsel, Minter Ellison – internationally renowned expert on climate change governance risk.
 - John Nairn – South Australian State Director of the Bureau of Meteorology – highly regarded expert on weather-related climate risks.
 - Mark Siebentritt – Consultant, Seed Consulting Services – local consultant specialising in water and climate change, who has taken part in most climate planning projects in South Australia to date.
 - Donovan Burton – Consultant, Climate Planning – internationally respected climate adaptation planner, who created the Informed.City platform to assess climate governance for governments.
- Outputs:
 - Workshop Report with possible future areas of focus for councils
 - Video of presentations (<https://youtu.be/BbL10Vvypg>)
 - Password protected webpage containing report, videos and other useful resources for council staff
 Web link: www.resilientsouth.com/legal-and-financial-risk
 Password: climaterisk
- More information:
 - Nina Keath, Senior Strategic Planner, City of Onkaparinga / Resilient South
nina.keath@onkaparinga.sa.gov.au
 - Jen St Jack, Regional Coordinator, Resilient Hills and Coasts
jen@jackjensen.com.au

2. Short-term Response Options

Informed by the workshop and post-event survey results (and guided by the Climate Action Principles below), a number of possible actions for mitigating climate risk exposure have been identified. It is suggested that we work together as a region to explore their potential. These short term actions are already being actively pursued by some partner councils.

Council Systems and Processes	
Governance Assessment	Undertake a comprehensive assessment of climate governance within all ten partner Councils, providing a gap analysis that identifies areas of leadership and those requiring further action.
Risk Registers	Incorporate climate risk into Council Corporate Risk Registers.
Advocacy / LGA and State Leadership	
Climate Risk Support from the LGASA	Advocate for dedicated climate risk mitigation support to Councils via the Greater Adelaide Regional Organisation of Councils (GAROC) and the SA Regional Organisation of Councils (SAROC). This is currently not an LGA priority.
Elected Member Inductions	Work with the LGA to develop Climate Related Legal and Financial Risk inductions for new Elected Members, including information to help answer common questions from the community.
Policy and Strategy	Advocate to the state government to ensure that local government priorities are captured in the new cross-agency Climate Change Strategy and the state planning and landscape reforms.

3. Longer-term Response Options

Council Systems and Processes

- **Long Term Financial Plans:** Allocate funding to manage climate risk in all Long Term Financial Plans.
- **Asset Management Plans:** Incorporate climate risk into Asset Management Plans and ensure it is considered in all asset planning and procurement processes. Allocate funding for 'like for resilient' asset upgrades and replacement, and recognise shorter useful lifespans of existing assets in depreciation calculations.
- **New Initiatives / Budget Bids:** Require consideration of climate risk in all Council budget bid processes.
- **Carbon Neutral:** Commit to becoming carbon neutral by 2025, including by transitioning to low carbon energy supply and auditing and reducing Council emissions.
- **Targets and Measures:** Consider 'collective impact' initiatives such as mutual targets, agreed measurables and mutually reinforcing actions. For example, consistent Urban Tree Canopy Targets or Emissions Reductions Targets across the region.

Advocacy / LGA and State Leadership

- **Insurance:** Engage with the LGA Mutual Liability Scheme, Insurance Council of Australia, and/or broader insurance industry to negotiate lower insurance premiums for projects that can demonstrate climate resilience.
- **Finance:** Engage with the Local Government Finance Authority or directly with banks to explore more favourable lending terms for projects that can demonstrate climate resilience.
- **Fossil Fuel Divestment:** Encourage the Local Government Finance Authority Board to divest from the fossil fuel industry.

Capacity Building / Community of Practice / Collaboration

- **Climate Change Capacity Building Program:** Encourage state government and the LGA to jointly establish a Climate Change Capacity Building program for all of South Australia, with the goal of building knowledge and expertise by: developing and sharing case studies of Councils taking effective action; providing tools, guidelines, training and workshops; facilitating opportunities for networking across disciplines, levels of government and industries.
- **Coordinated Hazard Mapping:** Encourage state government and the LGA to jointly establish a consistent and coordinated state-wide approach to climate hazard monitoring and mapping, including of urban heat, bushfire, sea-level rise (including by re-establishing tidal monitoring gauges), coastal erosion and flooding.
- **Climate Risk Community of Practice:** Facilitate and support a Climate Risk Community of Practice, and/or leverage and support existing networks.
- **Climate Risk Advisor:** Consider creating a 'climate risk advisor' role within Councils (or a single regional role) to support officers to accurately assess the climate risk exposure of plans and projects.
- **Regional Funding Opportunities:** Work together to pursue funding opportunities for regional initiatives, for example, through the National Disaster Resilient Program.
- **Regional / Council Leadership:** Consider each Council taking the lead on a particular project and sharing their learnings with the other Councils. For example, one Council take the lead on incorporating climate risk into the corporate risk register, another into Long Term Financial Planning, and another Asset Management Planning etc.

Business and Community Engagement

- **Engagement with Developers:** Engage early with developers to ensure they are considering climate change in development plans and proposals.
- **Community Envoys and Patrons:** Consider working with Community Climate Envoys and Patrons i.e. inspirational members of the community or local businesses who are taking strong action on climate change.
- **Community Engagement:** Engage with communities to help them understand local climate risks. Include climate risk in public consultation for new projects.
- **Community Energy Projects:** Support our communities to reduce emissions, including by transitioning to low carbon energy and reducing consumption, for example by investing in Community Energy Projects.

4. Principles for Climate Action

Five principles to guide both regionally-coordinated and locally-led climate action by Resilient South and Resilient Hills & Coasts partner Councils to deliver on these outcomes.

Advocate and lead	Demonstrate our leadership through commitment, action and advocacy to the LGA and state government
Share knowledge	Generously share tools, resources and knowledge with each other and beyond
Keep collaborating	Continue the Resilient South and Resilient Hills & Coasts partnerships to leverage collective impact and reduce the load for individual councils
Move from planning to practice	Build on strong planning foundations (regional and local Climate Change Adaptation Plans) by incorporating climate risk into everyday decision-making
Go where the energy is	Leverage local priorities, existing initiatives and networks to sustain and build momentum

5. Climate Risks at a Glance

Physical Risks

- Failure to manage exposure to acute risks resulting from extreme events (i.e. flooding, bushfire, storms, etc).
- Failure to manage exposure to chronic and gradual risks (i.e. rising temperatures, rising sea levels, changing rainfall and weather patterns).

Financial Risks

- Projects with high climate risk exposure will struggle to gain finance or insurance.
- The collective climate related risk of local government could undermine the credit worthiness of the state.
- Costs associated with responding to climate risks may be beyond the financial capability of a council.

Legal Risks

- Those who fail to mitigate, manage and disclose climate risks in their governance and decision-making will expose themselves to legal liabilities – including potentially breaching fiduciary duties.
- Councils face legal liabilities from the developments they approve, the manner in which they maintain public infrastructure, and their growing role as ‘insurer of last resort’ when natural disasters hit.
- There is significant potential for uplift in the amount of litigation directed against Councils unless they can demonstrate they have disclosed and mitigated their risks.

Transition Risks

- Being hit with climate policy and regulation for which Councils are unprepared.
- Stranded assets (investing in infrastructure projects that are not viable under climate change conditions).
- Failing to take advantage of new technologies that harness climate opportunities (i.e. remaining attached to fossil fuels when the market and society are shifting towards renewables).
- Falling behind other regions which are ahead of the game in managing climate risks and are harnessing opportunities.
- Reputational damage from failure to manage climate risk.

Service Review Program and Recommendations - Progress Update

Originating Officer	Performance & Innovation Leader - Cass Gannon
Corporate Manager	Manager Innovation and Strategy - Fiona Harvey
General Manager	General Manager City Development - Abby Dickson
Report Reference	FAC190226R06

REPORT OBJECTIVE

To provide the Finance and Audit Committee with a progress update on:

- The overall status of the Service Review program for the 2018/19 financial year
- The implementation of the Service Review Program recommendations as at 8th February 2019

EXECUTIVE SUMMARY

At the 26 June 2018 meeting of General Council, Council adopted the Service Review Program for 2018/19 to deliver the review of nine services (three less than the City of Marion 2016-2019 Business Plan target).

Commencing in 2016, the Service Review Program has reviewed 29 services including Hard Waste and the Living Kurna Cultural Centre, both of which were undertaken prior to the start of the formal Service Review Program.

RECOMMENDATION

That the Finance and Audit Committee:

1. Note and provide comment on the following:

- 1.1 This report**
- 1.2 Appendix 1 - Service Review Program 2018/19 - Progress Update**
- 1.3 Appendix 2 - Service Review Recommendations - Progress Update**

GENERAL ANALYSIS

Service Review Program

The Service Review Program for the 2018/19 financial year is progressing as planned. The reduction in the number of service reviews for the year has allowed for a redirection of the resources from the Performance and Innovation Team (P&IT) to support the implementation of 22 existing open actions from previously completed service reviews. Tracking of the progress of the overall service review program, along with the 22 actions supported by the Performance and Innovation Team, can be viewed in Appendix 1.

The Corporate Information and Communication Technology (ICT) Service Review is underway, however, a change in approach to undertaking this review has occurred. The Cities of Charles Sturt and Port Adelaide Enfield are both undertaking a review of their ICT functions, the timing of these reviews has provided us with a unique opportunity to learn from each other and work together to deliver various review activities. The original service review objectives will be retained in full, with the change to approach enhancing the outcomes. The City of Marion Corporate ICT Service Review will continue to be led by the P&IT and timeframes will still be met.

The following review activities have progressed:

- Data gathering, consolidation and analysis
- Surveying of computer users
- Consultation with the corporate ICT team

Implementation of recommendations

Since the last report to the Finance and Audit Committee (FAC181211) and as of 8th February 2019, highlights of the implementation of Service Review recommendations have included:

- Completion of the Hard Waste review
- Trialling of a tough tablet by the Community Safety team
- Marion Celebrates program curated and fully booked
- Digital channel options implemented through Customer Experience have resulted in the reduction of postage costs by \$10k

The progress of implementation of recommendations from the Service Review Program is outlined in Appendix 2.

Liveable:

Contributes to the CoM Business Plan 2016-19 'liveable' goal to provide access to housing choice and services for a growing and diverse population

Innovation:

Contributes to CoM Business Plan 2016-19 'innovative' goal to have a community that harnesses creativity, research and collaboration to pursue innovative ideas

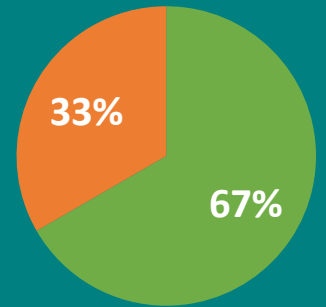
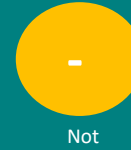
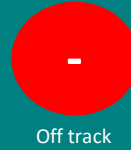
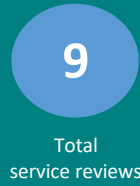
Attachment

#	Attachment	Type
1	FAC190226 - Service Review Program and Recommendations - Progress Update - Appendix 1	PDF File
2	FAC190226 - Service Review Program and Recommendations - Progress Update - Appendix 2	PDF File



**Service Review
Program 2018/19
Progress Update
(FAC190226)**

Appendix 1



How are we progressing
per service review?



= Scope



= Service Review
progress



= Service Review Report



= Completed



= On track



= Off track



= Not commenced

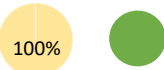
**Open Space Transformation
Phase 2**

Services Involved (5)

Irrigation
Playgrounds/furniture and other
Biodiversity and Remnant Vegetation
Tree Planting and Watering
Walkways



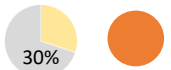
Records Management



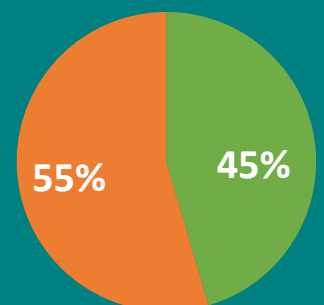
Information and Communication Technology

Services Involved (3)

Projects and Business Support
Infrastructure
Helpdesk Services



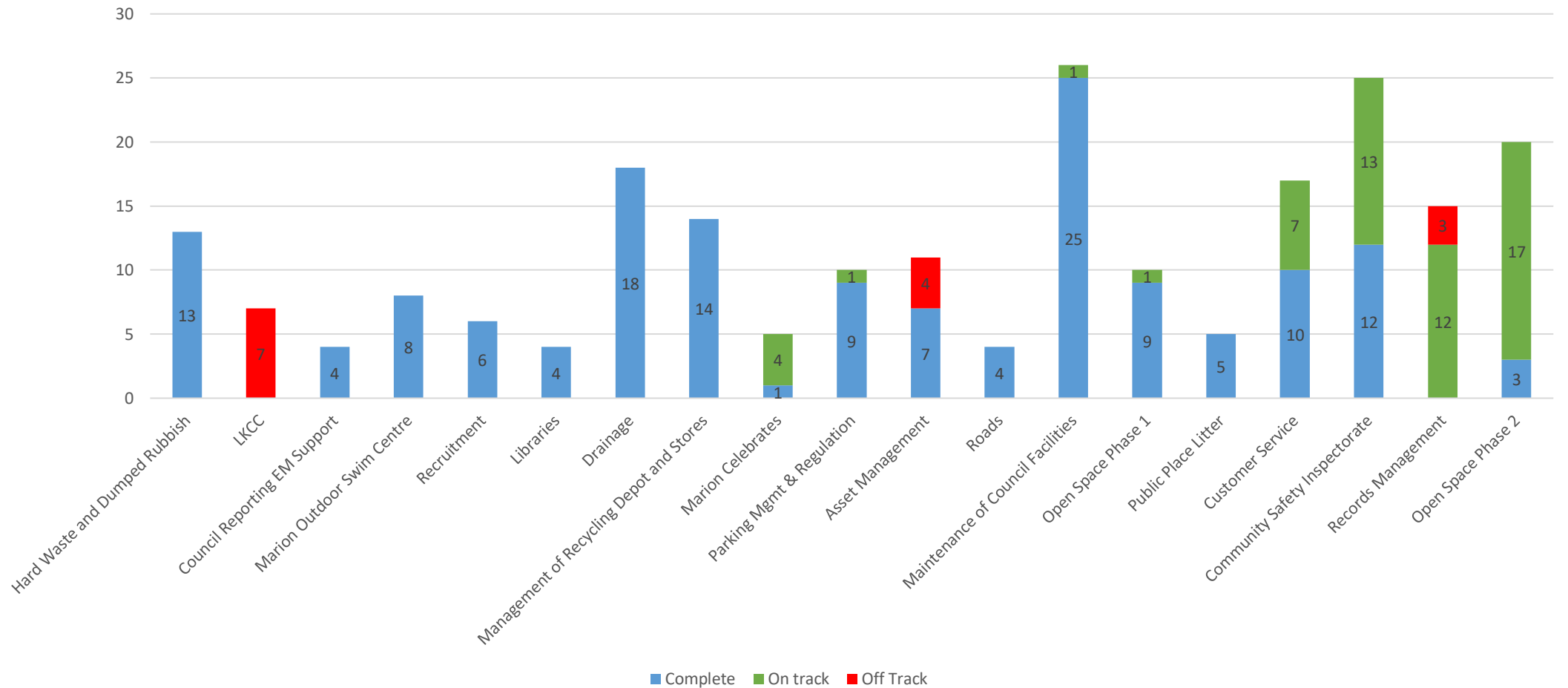
How are the Performance and Innovation
Team progressing with supporting the
implementation of identified open actions?



All Service Review Recommendations - Progress Update (Appendix 2)

(Status as at 8/02/2019 based on tracking against original completion dates)

Implementation of all SR Recommendation
Status by Actions (Mar 16 - Feb 19)



Open Service Reviews - Recommendations - Progress Update

(Status as at 8/02/2019 based on tracking against original completion dates)

Key
● Complete
● On Track
● Watch Closely
● Off Track

Division	Department	Service Review	Date Reported to FAC	Original Completion Date	Recomm.	Total # of Actions	On Track Actions	Off Track Actions	Actions Complete	% of Actions Complete	Comments
City Development	City Activation	Living Kurna Cultural Centre	May-16	Dec-17, Dec-21	7	7		7		0%	The LKCC Steering Group has been advised by the Kurna's legal representative that Kurna Yerta Aboriginal Corporation (KYAC) are reconsidering options regarding the proposed agreement given the new governance structures established for Kurna and the large body of work they are attending to as a result of the Native Title Determination. A proposal from KYAC is expected to be submitted to council early in 2019 regarding a way forward.
	Development and Regulatory Services	Parking Management and Regulation	May-17	Dec-18	1	10	1		9	90%	Schedules have been created in the Customer Event system for bike lane and school monitoring. Daily patrol schedule documented with KPIs set on a daily and weekly basis.
	Innovation and Strategy	Asset Management	Aug-17	Jun-18	4	11		4	7	64%	Program required revising after the project was fully scoped and realistic time frames were developed. Revised Asset Valuations process endorsed by the Asset Steering Committee. Asset planning, creation and disposal process drafted for endorsement in March by the Asset Steering Committee. Stakeholder engagement commenced on Asset monitoring process.
	City Property	Maintenance of Council Facilities	Oct-17	Nov-18	8	26	1		25	96%	The recent Procure to Pay Internal Audit has recommendations that will address the remaining action. Work is being undertaken with the Finance Team to bring the two actions together.
	Development and Regulatory Services	Community Safety Inspectorate	May-18	Jul-19	7	25	13		12	48%	A new roster will commence in April for staff. Recruitment to be undertaken in February to fill 1.5FTE. Safety campaigns are in development. A tough tablet will be trialled to support mobility in the field. Photos illustrating parking offences added to CoM website.
Division Total					27	79	15	11	53	67%	

Open Service Reviews - Recommendations - Progress Update

(Status as at 8/02/2019 based on tracking against original completion dates)

Key
● Complete
● On Track
● Watch Closely
● Off Track

Division	Department	Service Review	Date Reported to FAC	Original Completion Date	Recomm.	Total # of Actions	On Track Actions	Off Track Actions	Actions Complete	% of Actions Complete	Comments
City Services	Engineering and Field Services	Hard Waste	Mar-16	Mar-17	13	13			13	100%	The Expression of Interest went to market in November. At close, there weren't any viable responses received. The project is considered closed subject to opportunities arising in the future.
	Community and Cultural Services	Marion Celebrates	May-17	Feb-19	1	5	4		1	20%	The performer program has been curated, and stall holders and contractors fully booked. Survey established and volunteers allocated to coordinate and conduct survey at event. Food notifications and permits completed and site scoped and booked, keeping partners up-to-date on ensuing road closures and traffic management and site plan.
	Engineering and Field Services	Open Space Phase 1	Dec-17	Jun-22	2	10	1		9	90%	Optimisation of the mowing route and the roll-out of mobility in the field are both ongoing.
	Engineering and Field Services	Open Space Phase 2	Aug-18	Jun-22	63	20	17		3	15%	A decision has been made to defer implementation of Open Space Phase 2 to Q1 2019. While Phase 1 has resulted in clear benefits and has demonstrated the mobility and metrics solution can work, cultural change within the team is still a work in progress. Further effort on resolving these issues will occur prior to proceeding with implementation of Phase 2.
	Customer Experience	Customer Service	Feb-18	Mar-20	17	17	7		10	59%	Digital channel options have been implemented. Postage costs have been reduced by \$10k through the use of digital channels. Tender complete for foyer redesign with assessment being undertaken ahead of anticipated start in March. Tool for Voice of the Customer rolled out with data and response rate to be reviewed.
Division Total					107	65	29		36	55%	

Open Service Reviews - Recommendations - Progress Update

(Status as at 8/02/2019 based on tracking against original completion dates)

Key
 ● Complete
 ● Watch Closely
 ● On Track
 ● Off Track

Division	Department	Service Review	Date Reported to FAC	Original Completion Date	Recomm.	Total # of Actions	On Track Actions	Off Track Actions	Actions Complete	% of Actions Complete	Comments
Corporate Services	Corporate Governance	Records Management	Aug-18	Dec-19	15	15	12	3		0%	First draft provided by consultant, awaiting revised version incorporating feedback. Waiting for certification of system compliance by State Records to facilitate digitising and disposing of physical records of corporate value.
Division Total					15	15	12	3		0%	

Completed Service Reviews

(March 2016 – February 2019)

- Inventory Management Recycling Depot (Recycling, Depot and Stores)
- Libraries
- Marion Outdoor Swim Centre
- Public Place Litter
- Recruitment
- Council Reporting and Elected Member Support
- Roads
- Drainage

***A Service Review is considered Off Track when an action has not been completed by the original completion date

The Collection of Long Outstanding Rates Debt

Originating Officer	Team Leader Rating Services - Kylie Jaggard
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC190226R07

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with an analysis of rates in arrears greater than three years with a particular focus on commercial properties. Further, to seek the FAC's feedback on considering the suitability to initiate Section 184 of the Local Government Act 1999 (LG Act 1999) Sale of land for non-payment of rates to reduce the overall rates arrears.

EXECUTIVE SUMMARY

The majority of overdue rates accounts are paid following receipt of a late notice. However, for various reasons some will remain unpaid. To encourage payment the rates team takes several steps including payment plans, late notices, fines, engaging Council's debt collection agency and on occasion legal action. These steps result in the collection of most overdue debt, however some remain outstanding for several years resulting in accumulating arrears.

Currently, Council's percentage of rates in arrears is 1.95% (\$1,508,630). Assessments in arrears for more than three years make up approximately half of this amount (see **Appendix 1** which summarises the overdue rates across a four year period). Previously this category made up approximately one third of all arrears. Overall, this group has increased by 182% since 2014/15. Further, the number of assessments in this group has risen from 38 in 2014/15 to 93 in 2018/19.

Currently, Council has 93 assessments with rates in arrears greater than three years. This equates to \$767,987 in unpaid rates (\$8,258 average per assessment).

- 36 of these are adhering to a payment arrangement with 22 well placed to pay off the debt within a reasonable timeframe.
- The remaining 14 have poor prospects of reducing their debt on their current payment arrangement, all of which are residential owner occupiers.

The rates team monitor these assessments for ongoing compliance and work with the ratepayer on a case-by-case basis to assist them in reducing the debt.

- The remaining 57 assessments do not have a payment arrangement in place.

Of these 57 assessments, most are placed with Council's collection agency. Generally, Council's collection agency successfully manages overdue debts, however it has proven ineffective in obtaining a payment arrangement or payment in full in these instances.

Appendix 2 profiles the use of the properties and the status of the payment arrangements for each land use.

Appendix 3 further analyses those assessments without a payment arrangement in place.

To address debts that remain unpaid, the LG Act 1999 allows councils to initiate further action to recover rates in arrears.

Chapter 10, Section 184 of LG Act 1999 allows councils to sell a property where the rates payments have been in arrears for three years or more.

Section 184 (S184) of the Act is adopted in The City of Marion Rating Policy under section (9) Sale of Land for Non-Payment of Rates. The Rating Policy states *“The Act provides that a council may sell any land where the rates have been in arrears for three years or more. Except in extraordinary circumstances, the Council enforces the sale of land for arrears of rates.”*

While the Rating Policy includes S184, Council has not pursued this option to date.

RECOMMENDATION

1. That the Finance and Audit Committee provides feedback and guidance in regards to:

- **The three approaches available to Council when considering Section 184 of the LG Act 1999.**
- **The recommendations for initiating Section 184 on the commercial properties noted in the report and the recommendation to issue a pre-S184 letter before pursuing S184 action.**
- **Endorsement of Finance to require consent only from delegated authority (General Manager Corporate Services, as per Schedule of Delegations) to initiate all future Section 184 provisions.**

GENERAL ANALYSIS

S184 does not provide for exceptions that may eliminate a ratepayer from this action. Therefore, any account that is over 3 years in arrears can be subject to S184.

With that in mind, Council has the discretion to apply this Section as it sees fit. Therefore Council may consider the following:

- to apply the S184 to all ratepayers over three years in arrears, or
- to apply S184 to selected accounts only, or
- to not apply S184 to any accounts over three years in arrears.

The first approach may be equitable as it treats all debts in the same way.

The second employs a more considered approach where individual circumstances are assessed (as far as Council may be aware of them). Criteria may also form part of the selection process. For example, an owner occupied property where the resident has a significant illness suggests, due to social implications, that Council would not want to proceed with S184. However, it may be assumed as reasonable to initiate S184 on other categories such as commercial, vacant land or residential land that is not owner occupied.

The third option would be to see Council continue with legislated authority up to, but not including S184.

Appendix 4 specifies the steps of implementing S184.

Commercial Properties

The following section focuses on commercial properties with a rates arrears of more than three years. Further analysis into other categories can be completed in the future.

Property 1 is a commercial office building currently tenanted and managed by a leasing agent. The current owners have held it since 1988. There has been an overdue balance since July 2001. Since 2006, the account has gone to debt collection six times. The owners have made various payment arrangements with some adhered to for a while. Recently, the owner has advised of a contract of sale on the property, however the settlement date is unclear. The account is currently being prepared to return to Council's Collection Agency unless a formal settlement date is confirmed.

The amount in arrears is \$10,480 and quarterly instalments are \$870. The owner has advised the leasing agent to pay quarterly instalments only, not any of the arrears. The arrears amount includes fines and interest. There have been four payments made this year totalling \$1,305. No registered mortgage exists.

Recommendation: Due to the extent and duration of the debt and no consistent approach by the owner to reduce the debt, initiate S184 on this property unless a formal settlement date is confirmed by the end of April 2019.

Property 2 is a commercial row of shops consisting of seven separately rated tenancies. None are currently occupied. The current owners have held it for at least 20 years. There have been overdue rates since 2010. The account has gone to collection twice. The owners have made payment arrangements but have not adhered to them. Sundry debts have been added twice, in April 2012 to reinstate the footpath and then in March 2018 to clean up the site, with a combined total of \$9,348. There has been no contact from the owners since June 2016. The account is currently with Council's collection agency with a court hearing* pending for 24 March 2019.

The amount in arrears is \$54,256 and quarterly instalments are \$2,258. The arrears amount includes fines and interest, sundry debts and legal fees. No payment has been made since April 2016 and no registered mortgage exists.

Recommendation: Due to the extent and duration of the debt, non-compliance with payment plans and poor prospects of the debt reducing significantly, initiate S184 on the seven tenancies.

It is worth noting that an S184 process works independently of the debt collection process through the courts, in other words, an S184 can proceed without exhausting all possible legal action. As an initial step, we recommend Council issue a pre-S184 letter before pursuing the S184 action to give the ratepayer a final opportunity to make arrangements to pay.

To initiate a S184, Council's collection agency engage lawyers. Council has minimal risk of legal implications or contravention of the law as the lawyer is responsible for the legal process. Salisbury, Playford and Tea Tree Gully councils, amongst others, use lawyers to undertake this process on behalf of their respective councils. As the process is essentially outsourced, Council can maintain an arms-length approach with minimal impact on resources.

The cost to recover the debt can vary, however if the process was to run to final sale it would be approximately \$2,500 in fees plus auction costs. Proceeds from the sale pay these fees. If the process ceases prior to sale (ie the owner pays out the debt), the costs incurred are on-charged to the ratepayer. Therefore, the process is at nil cost to council.

Council's collection agency have advised this process rarely gets to the sale stage as the ratepayer pays in full or, if applicable, sometimes the financial institution holding the mortgage will step in and make payment.

**The court hearing is an Investigation Summons where generally the magistrate will make a court ordered payment arrangement (based on financial statements provided by the owner). Based on previous experience with long term debts, these arrangements have limited success. If the owner fails to present at court or does not adhere to arrangement a Warrant of Arrest is issued. The sheriff will attend the property and attempt to negotiate an arrangement with owner or advise them to contact council (arrangements are not based on financial information so they can be insufficient). If there is still non-compliance the hearing escalates to an Examination Summons to attempt an arrangement again. There is no further recourse after this except to start the legal process again, resulting in more fees added to the account.*

Attachment

#	Attachment	Type
1	Collection of Long Outstanding Rates Debt - Appendix 1	PDF File
2	Collection of Long Outstanding Rates Debts-Appendix 2	PDF File
3	Collection of Long Outstanding Rates Debt-Appendix 3	PDF File
4	Collection of Long Outstanding Rates Debts - Appendix 4	PDF File

Appendix 1

Overdue and Arrears Rates Comparison Over Four Years			
	2014/15	2018/19	Percentage Increase
Overdue rates	1,228,983	1,466,792	19%
Rates in arrears	810,433	1,508,630	86%
Total overdue rates and arrears	2,039,416	2,975,422	
Portion of arrears more than 3 years	272,309	767,987	182%
% of arrears greater than three years	34%	51%	

Overdue rates represent rates levied in the current financial year that remain unpaid past their due date. For example on 1st January, this represents rates from quarter 1 and quarter 2 that remain unpaid.

Rates in arrears represent rates and charges levied in previous financial years that remain unpaid.

Appendix 2










Rates Debts Greater Than 3 Years In Arrears 2018/19				
	Status			
Land Use	Satisfactory Payment Arrangement	Unsatisfactory Payment Arrangement	No Payment Arrangement	Total Properties
Residential property – owner occupied	17	14	37	68
Residential property not owner occupied	4	0	9	13
Commercial property	1	0	8	9
Vacant land	0	0	2	2
Primary production	0	0	1	1
Total	22	14	57	93

Appendix 3

Analysis of Assessments with No Payment Arrangement						
Arrears Reason Noted	Owner Occupied Residential	Not Owner Occupied				Total
		Residential	Commercial	Vacant Land	Primary Prod.	
Owner cannot be located	2					2
Avoids legal action/court hearings	7					7
Limited income	14	2				16
Social/health issues	9					9
Disgruntled ratepayer	2					2
Lives interstate		1			1	2
Owner is making payments on other properties		1		1		2
Incarcerated		1				1
Owner is planning to sell/awaiting settlement	2	1	1	1		5
Paying instalments only - not arrears		1				1
No reason noted	1	2	7			10
TOTAL	37	9	8	2	1	57

Sale of Land Process

Pursuant to s184 of the Local Government Act 1999 (SA) as amended

Stage	Process
1	 <ul style="list-style-type: none"> The s184 notice is issued on instructions of Council
2	 <ul style="list-style-type: none"> The s184 notice is served on the ratepayer/s, mortgagee/s, caveators claiming equitable title on the property (by registered mail or, if mail is being returned from the ratepayer's last known address by publication in The Advertiser and affixing a copy of the notice to the property).
3	 <ul style="list-style-type: none"> The ratepayer has 31 days from service of the notice to make arrangements for payment
4	 <ul style="list-style-type: none"> If the Council debt is paid in full within 31 days by the ratepayer, mortgagee or other interested party, matter is finalised
5	 <ul style="list-style-type: none"> If 31-day period expires without the debt being paid, Scott Lawyers will follow up the mortgagee/s regarding their intentions (whether they will step in to stop the property from being sold).
6	 <ul style="list-style-type: none"> If the mortgagee does not respond within the specified period or indicates that it will not pay the Council debt, Council can proceed to appoint a real estate agent.
7	 <ul style="list-style-type: none"> The real estate agent commences advertising of the property sale (s184 requires advertising at least 2 times on separate dates in a newspaper circulating throughout the State).
8	 <ul style="list-style-type: none"> Property is sold at auction
9	 <ul style="list-style-type: none"> Settlement

Draft Annual Business Plan 2019/20 and Long Term Financial Plan

Originating Officer Unit Manager Statutory Finance and Payroll - David Harman

Strategy Leader - Elaine Delgado

Corporate Manager Manager Finance - Ray Barnwell

Manager Innovation and Strategy - Fiona Harvey

General Manager General Manager Corporate Services - Vincent Mifsud

General Manager City Development - Abby Dickson

Report Reference: FAC190226R08

REPORT OBJECTIVE:

The purpose of this report is to provide the Finance & Audit Committee (FAC) with an update on the development of Council's Annual Business Plan (ABP) for 2019/20 and to provide a coinciding update on the development of the Draft Long Term Financial Plan 2019/20 to 2028/29 (LTFP).

DISCUSSION:

Feedback and guidance is sought from the FAC regarding:

- The development of the Draft ABP 2019/20 and LTFP (Attachment 2), including the proposed use of Council's Accounting Reserves to offset the funding requirements of new initiatives incorporated into the Draft 2019/20 Budget and LTFP
- The reasonableness, fairness and equity of the potential rating approaches for 2019/20 (as per the rate modelling contained in this report), including in the context of Council's LTFP and on-going financial sustainability.
- Alignment of the rate modelling options provided in this report to Council's Budget and Treasury policies which, are centred on achieving a break-even funding (cash) position or better whilst adopting and maintaining a LTFP which ensures Council operates in a financially sustainable manner
- 4 Year Business Plan

The Draft 2019/20 ABP has been developed using a forecast average rate rise of **1.8%** plus forecast annual growth of 1% (note - Adelaide CPI, Dec 2018 1.6%). These rates have been applied throughout the 10 years of the draft LTFP and is the level required to ensure a balanced funding position is achieved in the first four years of the plan.

This 1.8% draft budget model provides Council with a financially sustainable position for 2019/20 and throughout the LTFP with sufficient revenue to fund its operating and capital projects with a balanced funding (cash) position for the first 4 years of the LTFP and forecast cash surpluses for the remaining 6 years.

4-Year Business Plan 2019-2023

With Council's current 3-Year Business Plan 2016-2019 approaching the end of its timeframe a 4-Year Business Plan 2019-2023 (4-Year Plan) is being developed. This will be within the context of the 10-Year Strategic Plan 2017-2027 and opportunities and issues identified through a scan of our external environment.

The Plan outlines projects Council will deliver over its term, over and above the significant range of programs and services that are delivered as ‘Business as Usual’, and will flow into the first 6-months of the next Council term. The Annual Business Plan will reflect each year of the 4-Year Plan.

The process for the development of the Plan commenced in September 2018 with a series of facilitated staff workshops to generate ideas based on knowledge of current and future needs and opportunities. These ideas, reviewed by management and staff, were combined with projects that are continuing from the 3-Year Business Plan, and other new initiatives from Council, to form an initial draft list of projects/initiatives. These were considered by Elected Members at their Planning Day in January 2019 (Attachment 3).

In addition to projects/initiatives, strategies relating to the City of Marion as a ‘Council of Excellence’ were also considered by Elected Members. These outlined Council’s commitment to delivering the 4-Year Plan within the framework of Council’s values of Respect, Achievement, Integrity and Innovation (Attachment 4).

The draft plan will continue to be shaped over the next 2 months before it is released for community consultation in April 2019. Community feedback will be taken into consideration, along with ongoing council review before the 4-Year Plan and the Annual Business Plan 2019-2020 are adopted in June 2019.

As part of the process of developing the plans, Council will consider its 2019/20 KPIs, which will likely include a measure relating to the achievement against each year of the 4-Year Plan.

ATTACHMENTS:

#	Attachment	Type
1	Attachment 1 - Key Inputs	PDF File
2	Attachment 2 - LTFP	PDF File
3	Attachment 3 - 4 Year Plan	PDF File
4	Attachment 4 - Our Council of Excellence	PDF File

Draft 2019/20 Annual Business Plan – Key Inputs

Key Assumptions

In developing the Draft 2019/20 ABP and LTFP it should be noted that the following key assumptions and variables have been applied:

- Service delivery levels are maintained at current levels (any new service improvements are prioritised and approved separately by Council subject to financial capacity).
- The 2019/20 budget has been based off historical actuals adjusted where appropriate by an indexation rate of 1.8% (Note - Adelaide CPI at Dec 2018 was 1.6%).

For years from 2020/21 onwards a 2.5% increase per annum is applied to operating income and expenditure amounts in line with the Reserve Bank's targeted CPI with the following exceptions:

- Rates – the assumptions for the most recently adopted LTFP includes a rates increase of 1.8% plus growth, forecast at 1.0%.
- Employee Costs - a 2.3% increase per annum is applied to Employee costs with consideration given to the revised timetable relating to the change in the Superannuation Guarantee. The Superannuation Guarantee increases recommence on 1 July 2021 - halfway through the LTFP - with five annual increases of 0.5% each, in line with the Federal Government's target for 12% Superannuation from 2025/26, being incorporated into the LTFP.
- Interest expenses are directly related to Council borrowings and cash flows.
- Interest revenue is directly related to Council investments and cash flows and in light of recent global economic forecasts will be carefully monitored in line with interest rate movements.
- An adjustments schedule has been developed to account for any future variations in operating activities (e.g. an adjustment is made for election expenses to reflect that they only occur once every 4 years).
- Capital Grants, subsidies and monetary contributions reflect tied monies received in relation to the purchase/construction of new assets and are budgeted in accordance with information known at the time of preparing this report.

Additions to the 2019/20 ABP & LTFP

The draft 2019/20 ABP incorporates the financial impact of some new proposed initiatives requested for inclusion at the Elected Member Forum on 18 December 2018 in addition to funding from new initiatives continuing from 2018/19.

The following table shows the new 2019/20 and continuing 2018/19 initiatives and how they are to be funded, either through rates or utilising funding available from Council's Reserves (Asset Sustainability Reserve (ASR) or CFPP).

Operating		Funding Source	2019/20
2019/20	Business Enterprise System Development	Rates	800,000
2019/20	Marion Cultural Centre Plaza Precinct Activation	Rates	40,000
2018/19	Remnant Native Vegetation Plan	Rates	306,000
2018/19	Enhanced Tree Planting Program	Rates	614,000
2018/19	ICT System Development	Rates	510,000
2018/19	Valuing Marion's Nature	Rates	30,600
2018/19	Oaklands Education Centre	Rates	23,694
Total Operating Initiatives Loaded			2,324,294
Capital			
2019/20	Capella Drive/Nannigai Drive Reserve Development	Rates	950,000
2018/19	Morphettville Park Sports Club Redevelopment	CFPP	2,700,000
2018/19	Marion Outdoor Pool Upgrade	ASR	1,929,554
Total Capital Initiatives Loaded			5,579,554
Total Initiatives Loaded			7,903,848
Funded from Reserves (CFPP & ASR)			(4,629,554)
Net decrease in Cash			3,274,294

Rating Options

The Draft 2019/20 ABP has been developed using a forecast average rate rise of 1.8% plus forecast growth of 1%. This rate is also applied throughout the 10 years of the draft LTFP. The 1.8% model provides a balanced funding position for the first 4 years with cash surpluses for the remaining 6 years of the LTFP.

The table below indicates the impact on 2019/20 and over the 10 years of the LTFP of a +/- 0.5% movement in the average rate increase applied.

Impact on Revenue of 0.5% Variation to the 1.8% Average Rate Increase Model					
			2019/20	LTFP	Favourable/ Unfavourable
			\$000s	\$000s	
Average Rates Increase	-0.5%	1.30%	(376)	(24,097)	U
	+0.5%	2.30%	376	24,831	F

In considering alternative rate models it should be noted that for every 0.1% move in the rate increase applied it equates to a difference of \$75,200 in 2019/20.

A detailed LTFP funding statement based on 1.8% average rate increase is included as Attachment 2 with this report.

Movement in Council's Accounting Reserves

Council's currently adopted LTFP and subsequent Council Resolutions in 2018/19 include a number of planned Reserve transfers. In addition, there are some proposed reserve fund transfers, as outlined in the tables below, which have been incorporated into the Draft 2019/20 ABP and LTFP.

Utilising Reserve funds, where appropriate, will alleviate the potential required rate increases to support and deliver the new initiatives proposed for inclusion in the Draft 2019/20 ABP.

The net impact on Council's Reserves resulting from funding allocations in the Draft 2019/20 ABP is a reduction of \$5.228m from a reserve balance of \$14.463m to \$9.235m.

Council Reserves	Asset Sustainability Reserve								Open Space Reserve	Total Reserves
	Major Infrastructure Failure	General	Oaklands Wetlands - Water Supply Opportunities	Walk & Cycling	Energy Efficiency	Major New Projects	CFPP	Total ASR Reserve Balance		
Forecast Reserve Balance 30.06.2019	2,000,000	5,734,516	370,105	600,000	-	25,136	4,340,169	13,119,926	1,343,371	14,463,297
Transfers to Reserves 2019-20	-	-	80,000	200,000	40,000	-	292,048	612,048	19,050	631,098
Transfers From Reserves 2019-20	-	(2,929,554)	-	-	-	-	(2,930,000)	(5,859,554)	-	(5,859,554)
Forecast Available Reserve Balance	2,000,000	2,804,962	450,105	800,000	40,000	25,136	1,702,217	7,872,420	1,362,421	9,234,841

The draft 2019/20 ABP includes the impact of a number of Council Resolutions with planned **transfers from** Reserves for the following key projects:

- Morphetville Park Sports Club Redevelopment \$2.700m (GC180828R07/GC180828R15)
- Marion Outdoor Pool Upgrade \$1.930m (GC130218R04)
- BMX facilities – Additional Funding \$1.000m (GC190129R02)
- Marion Golf Park Clubrooms \$0.230m (GC100418R06/GC181211M02)
\$5.860m

The draft 2019/20 ABP also includes planned **transfers to** Reserves including:

- CFPP \$292k
- Walking & Cycling Trails \$200k
- Energy Efficiency \$ 40k
- Water Supply Opportunities \$ 80k
- Open Space Reserve \$ 19k
\$631k

The remaining balances available in Council's Reserves for future projects are:

Asset Sustainability Reserve \$ 4.170m (excluding \$2m set aside for major infrastructure failure)
CFPP \$ 1.702m
Open Space Reserve \$ 1.362m

Key Projects – Funded in 2019/20

Council's forecast major projects include the following:

- **Mitchell Park Sports and Community Centre (\$20m Project)**
Council's adopted LTFP includes provision in the 2019/20 year for the redevelopment Mitchell Park Sports and Community Centre (\$20m). This is pending successfully obtaining partnership funding of \$10m, with the balance currently forecast to be funded through borrowings. Changes in the scope of this project may reduce the funding requirement from \$20m to between \$6m and \$12m.
- **BMX facilities (\$5.8m Project)**
Further funding of \$2.05m is allocated in the Draft 2019/20 ABP, which includes additional State Government grant funding of \$1.3m and the City of Onkaparinga's contribution of \$0.75m. This budget is in addition to the current funding included within the 2018/19 budget of \$2.731M, including Council's original contribution to this project \$0.75m which is likely to be carried over to 2019/20 if not utilised in 2018/19, along with a further contribution from Council in 2019/20 of \$1.0m subject to State Government addressing and funding the traffic management solution for Majors Road.

- **Morphettville Park Sports and Community Centre (\$3.7m Project)**
Funding of \$2.7m will be allocated in the 2019/20 year for this multi-year project which includes the additional funding approved by Council of \$1.7m funded from the Asset Sustainability Reserve – Community Facility Partnership Program (GC180828R07 / GC180828R15).
- **Marion Outdoor Pool (Stage 3 - \$1.930m)**
Funding of \$1.930m for Stage 3 of the Marion Outdoor Pool upgrade to install a splash pad, water play area and plant upgrade, accessible pathways, picnic areas and shade for the waterslide is allocated in the Draft 2019/20 ABP. The final stage of this multi-year project planned for 2019/20 is funded from the Asset Sustainability Reserve (GC130218R07).
- **Soccer in the South (\$5m project)**
Council has committed to contribute \$2.5m towards this \$5m development consisting of two artificial pitches, a clubroom, grandstand, car parking, lighting and utilities in the south to support growing membership. This committed is included in the 2018/19 Annual Business Plan but is likely to be retimed to 2019/20.

Unfunded Projects – 2019/20

The following key initiatives discussed at the December 2018 forum are set to come to Council early in 2019 and have yet to be funded in the draft 2019/20 ABP or LTFP:

- Seacombe Heights & Seaview High School recreational facility development
- Development options for Marino Hall

Labour Budgets

The long term financial plan currently incorporates an annual labour increase of 2.3% per year throughout the life of the plan. The total labour budget for 2019/20 is \$35.698m, an increase of \$0.803m (2.3%) on the original budget of \$34.896m in 2018/19.

Whilst we have allowed for the agreed EA for outdoor staff, overall employee costs are capped at 2.3% throughout the LTFP. With the indoor agreement up for negotiation and CPI currently below 2% we feel the 2.3% is appropriate at this point in time.

The table below indicates the impact on 2019/20 and over the 10 years of the LTFP of a variation to the assumed 2.3% indexation currently applied to employee costs.

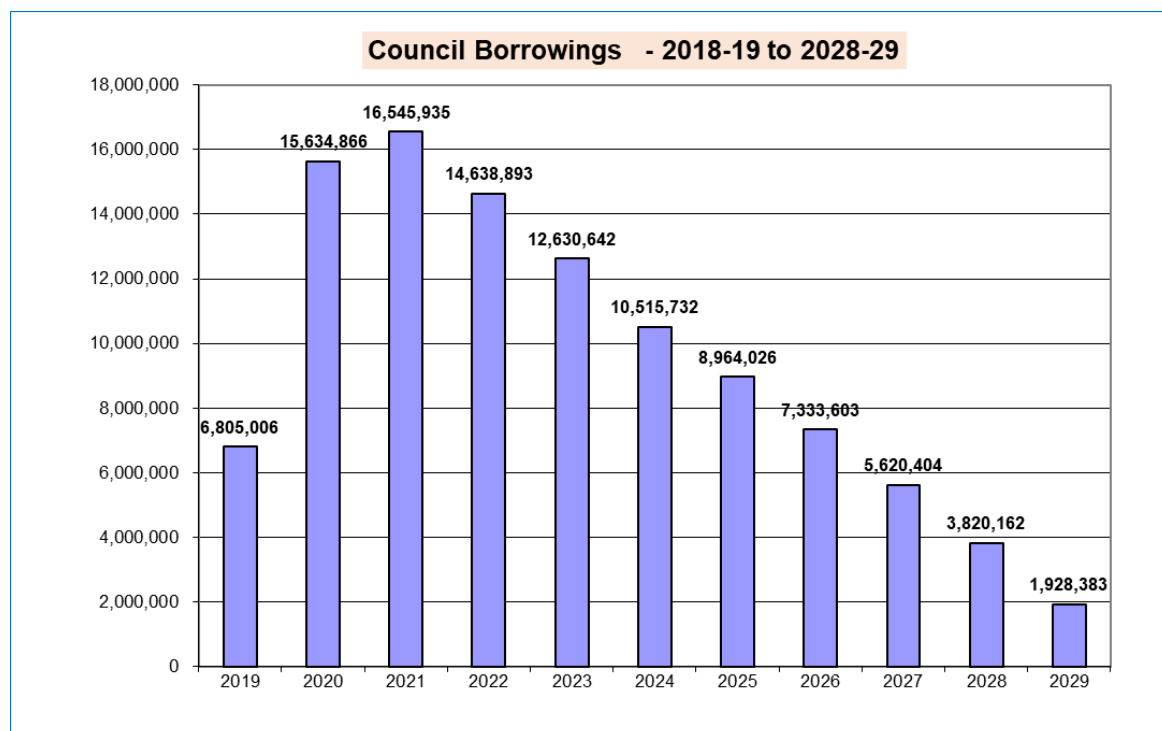
For comparative purposes, allowing for a total labour budget increase of 1.8% would result in a reduction in total labour of \$174k to \$35.5m in 2019/20 and \$10.99m over the LTFP.

Similarly an increase in employee costs indexation from 2.3% to 2.5% would result in an increase in employee costs of \$67k in 2019/20 and \$4.3m over the LTFP.

Impact of variation to indexation applied to Employee Costs (Currently 2.3%)					
			2019/20 \$000s	LTFP \$000s	Favourable/ Unfavourable
Employee Cost Increase	-0.5%	1.80%	174	10,995	F
	+0.2%	2.50%	(67)	(4,301)	U

Borrowings

Council are set to incur additional borrowings of \$10m in 2019/20 bringing Council's total borrowings outstanding at the end of 2019/20 to \$15.6m. Council's borrowings are currently set to peak in 2020/21 at \$16.545m reducing to \$1.928m by the end of the LTFP.



The additional borrowings in 2019/20 relate to Council's contribution towards the Mitchell Park Sports & Community Centre, subject to obtaining successful partnership funding and Council approval for the project. Any changes to the timing and scope of the Mitchell Park Sports and Community Centre project may reduce the funding and in turn requirement for borrowings currently factored into the Draft 2019/20 ABP.

As indicated below by Council's Debt Servicing Ratio further capacity exists for Council to increase borrowing should it be necessary to do so.

Debt Servicing Ratio											
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Debt Servicing Ratio		1.7%	3.0%	2.8%	2.7%	2.7%	2.0%	1.9%	1.9%	1.8%	1.8%
Target		5%	5%	5%	5%	5%	5%	5%	5%	5%	5%

There are a number of factors that should be considered in deciding whether borrowings should be utilised by Council, including:

- Capacity to Pay (Affordability) – The forecast cash positions and financial ratios in Council's adopted LTFP indicate a capacity for further borrowings
- Intergenerational Equity - Council's existing loans have 10 or 15 year terms which may not be considered intergenerational. Council's current position of utilising current cash reserves that have been contributed by current and past ratepayers and applying them in the short-term in providing service improvements and outcomes in the LTFP would be considered sound and reasonable.
- Long-term financial sustainability – Council delivers 2 core services for its community in the form of Operational Services (e.g. Libraries, Waste Collection, Community Services, etc.) and Capital Services for the ongoing renewal (i.e. effectively cyclical maintenance) of existing infrastructure (e.g. roads, footpaths, drains, etc.). It is considered sound and prudent business practice to not borrow for the delivery of core services and there have been many cases where the non-adherence to this principal has resulted in a company's downfall (e.g. ABC Learning). Council's Treasury Management Policy supports borrowings for major new infrastructure projects only, where this is considered necessary.
- Cash – The key to the long-term financial sustainability of any organisations, whether they be public or private, is Cash and Cash Flow and not Operating Profit or Loss. As part of Council's LTFP Framework Council maintains, on average, a break-even or better funding (cash) position over the LTFP.
- Prevailing interest rates – the following table provides a basic interest rate sensitivity analysis per \$1m in borrowings on current indicative market rates over the 10 year term of the LTFP:

Interest on \$1m borrowings Over 10 Years			
Current Indicative rate	4.70%	\$	265,000.00
Sensitivity Adjustment	-0.5%	\$	235,000.00
	+0.5%	\$	295,000.00

Capital Works Funding

The total Capital program for 2019/20 is forecast at \$48.459m. For each of the Asset Management Plan categories the following capital works funding is included:

Classification	2018/19 Original Budget	2019/20 Draft Budget
Civil		
Roads (including K&WT)	4,850,000	4,850,000
Footpaths	1,550,000	1,900,000
Drainage	2,593,758	2,656,570
Streetscapes	1,800,000	1,800,000
Irrigation	600,000	600,000
Traffic Control Devices	404,689	416,830
Walking Trails & Paths	480,000	535,000
LED Lighting Transition	2,016,666	-
Other Infrastructure	630,700	298,700
Total Civil	14,925,813	13,057,100
Open Space		
Playgrounds	566,250	902,000
Capella Drive/Nannigai Drive Reserve	-	950,000
Heron Way Reserve Stage 4	1,649,100	-
Oaklands Estate Reserve	750,000	-
2nd Dog Park	300,000	-
Reserve Development	235,500	448,950
Shade Sails	550,000	385,000
Public Toilets	350,000	-
Total Open Space	4,400,850	2,685,950
Property & Buildings		
Property & Buildings	1,232,395	2,824,119
Marion Golf Club Clubroom	-	300,000
Car Parks	200,000	100,000
Sports Courts	389,150	300,000
Furniture & Equipment	190,749	341,471
Total Property & Buildings	2,012,294	3,865,590
Key Projects		
Mitchell Park Sports Club Redevelopment	-	20,000,000
Edwardstown Sports Club Redevelopment	6,268,996	-
Morphettville Park Sports Redevelopment	290,000	2,700,000
Marion Outdoor Pool	1,193,120	1,929,554
BMX Track Development	-	2,050,000
Total Major Projects	7,752,116	26,679,554
Other Capital		
Fleet Replacement	1,524,425	1,880,710
IT Hardware	313,000	290,000
Total Other Capital	1,837,425	2,170,710
Total Capital Works for 2019/20	30,928,498	48,458,904

* Council is also set to contribute \$2.5m towards the \$5m Soccer in the South project in 2018/19. An additional \$1.0m of funding allocated to BMX Track Development subject to works by the State Government relates to the remediation of soil on the preferred site and is not included as capital works.

City of Marion

10 Year Financial Plan for the Years ending 30 June 2029

BUDGET SUMMARY - GENERAL FUND

Scenario: Draft Budget 1.8% Rate Increase

		Projected Years								
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income										
Rates	79,265	81,478	83,754	86,093	88,497	90,968	93,509	96,120	98,804	101,564
Statutory Charges	2,199	2,254	2,310	2,368	2,427	2,488	2,550	2,614	2,679	2,746
User Charges	2,161	2,215	2,270	2,327	2,385	2,445	2,506	2,569	2,633	2,699
Grants, Subsidies and Contributions	7,180	7,359	6,838	7,009	7,185	7,364	7,548	7,737	7,931	8,129
Investment Income	708	890	919	950	997	1,124	1,315	1,536	708	708
Reimbursements	549	563	577	592	607	622	637	653	669	686
Other Income	1,294	552	560	568	577	586	595	604	613	623
Net gain - equity accounted Council businesses	354	365	376	387	398	410	423	435	448	462
Total Income	93,710	95,676	97,605	100,294	103,072	106,006	109,082	112,268	114,486	117,616
Expenses										
Employee Costs	35,698	36,421	37,414	38,442	39,506	40,608	41,749	42,709	43,692	44,696
Materials, Contracts & Other Expenses	34,160	33,577	34,170	34,628	34,410	35,151	36,029	37,574	37,851	38,796
Depreciation, Amortisation & Impairment	15,056	15,658	16,284	16,936	17,613	18,318	19,050	19,812	20,605	21,429
Finance Costs	397	786	813	712	605	502	424	341	254	162
Total Expenses	85,311	86,442	88,682	90,718	92,134	94,578	97,252	100,436	102,401	105,084
Operating Surplus	8,399	9,235	8,923	9,576	10,938	11,428	11,831	11,832	12,085	12,532
Amounts Received Specifically for New or Upgraded Assets	11,300	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit) for the Year	19,699	9,235	8,923	9,576	10,938	11,428	11,831	11,832	12,085	12,532
Capital (Balance Sheet) and Reserve Movements										
Capital Expenditure	(48,459)	(24,885)	(22,391)	(23,581)	(23,770)	(22,185)	(22,648)	(22,994)	(23,448)	(23,917)
Loan Repayments (External)	(1,170)	(2,049)	(1,907)	(2,008)	(2,115)	(1,552)	(1,630)	(1,713)	(1,800)	(1,892)
New Loan Borrowings (External)	10,000	2,960	-	-	-	-	-	-	-	-
Proceeds from Sale of intangible & tangible Assets	-	-	-	-	-	-	-	-	-	-
Net Transfers (to)/from Reserves	5,228	(554)	(534)	(536)	(858)	(858)	(858)	(858)	(858)	(858)
Total Capital (Balance Sheet) and Reserve Movements	(34,401)	(24,528)	(24,831)	(26,125)	(26,743)	(24,595)	(25,136)	(25,566)	(26,106)	(26,666)
Net Result (including Depreciation & Other non-cash items)	(14,702)	(15,293)	(15,909)	(16,549)	(15,805)	(13,167)	(13,305)	(13,734)	(14,021)	(14,134)
Add back Depreciation Expense (non-cash)	15,056	15,658	16,284	16,936	17,613	18,318	19,050	19,812	20,605	21,429
Less Other Income (non-cash)	(354)	(365)	(376)	(387)	(398)	(410)	(423)	(435)	(448)	(462)
Cash Budget Surplus	0	0	0	0	1,410	4,740	5,322	5,643	6,135	6,833

Draft 4-Year Business Plan 2019-2023 - projects sorted by commencement year
Includes feedback from EM Planning Day 19 January 2019

Attachment 3

	Project	Financial year				Comments/Reports
		19/20	20/21	21/22	22/23	
L2	Consideration of expansion of netball courts at Cove Community and Sport Club					Timing TBC GC 12 March 2019
CF2	Deploy a third community bus					Timing TBC GC 26 Feb - Motion EM Forum April 2019
L4	Marion Cultural Centre Plaza revitalisation- review designs and costings to achieve greater activity in the plaza area and improve linkages to surrounding precinct	✓				
L2	Deliver a Southern Soccer Facility in partnership with Football Federation South Australia	✓				
I4	Develop a customer portal to provide a one-stop-shop for our services, rates, registration due dates, events and key services	✓				
L2	Deliver a BMX Facility in partnership with State Government & Onkaparinga	✓				GC 29 Jan 2019
L2	Marion Golf Club upgrade to club rooms	✓				
VN2	Undertake review of Oaklands Wetlands Education Centre in partnership with Flinders University to assess future provision	✓				
I2	Data platform to support and inform decision making for improved service delivery	✓				
P1	Advocate to maximise the community & economic outcomes from the Seaclyff Park Development Plan Amendment	✓				
C1	Improve Marino Hall and adjacent vacant land	✓				
L1	Glenthorne Farm - Encourage the State Government to develop recreation and environmental benefits	✓	✓			
P1	Continue revitalisation of Edwardstown and Melrose Park Employment Precinct	✓	✓			GC 12 Feb 2019 - Motion Cr Pfeiffer Project reworded from Revitalisation of Edwardstown Employment Precinct
L2	Deliver the redeveloped Morphettville Park Sports Community Centre	✓	✓			
L2	Completion of the Marion Outdoor Pool upgrade including Stage 2 - Facade and foyer redevelopment, new training/meeting room and staff accommodation (18/19 & 19/20) Stage 3 recreational enhancements (splash pad, water play) accessible pathways & additional shade (19/20 20/21)	✓	✓			
L2	Upgrade of Mitchell Park Community Facilities	✓	✓			
L2	Provision indoor courts (at least 2) with location to be determined	✓	✓			
L2	Development of further recreational facilities at 262 Sturt Road	✓	✓			FAC 28 May 2019 GC 25 Jun 2019
E5	Deliver the Volunteer Strategy 2018-2021 - Exploration of a Volunteer Exchange program - Improved & flexible volunteer opportunities - Greater promotion of volunteers for all ages	✓	✓			
C3	Partnerships with an internet provider to enable faster internet services across our city particularly for 'black spot' coverage areas	✓	✓			
C2	Develop a Coast Park plan including connecting the section of coastal walkway between Heron Way Reserve to south of the Field River	✓	✓	✓		
I1	Implementation of the ICT Digital Transformation Plan 2017-2022 including an upgrade ICT Infrastructure and asset management systems to give the City of Marion the best SA Council ICT systems	✓	✓	✓		ISC 6 Aug 2019 (TBC) FAC 20 Aug 2019 (TBC)
L1	Develop and implement the Community Facilities framework	✓	✓	✓	✓	GC 23 Apr 2019 EM Forum 21 May 2019
L1	Delivery of the Oaklands Precinct including streetscape enhancements including Warracowie Way, Dwyer Road Reserve smart park, public art, smart precinct elements and connectivity between train station and the retail precinct	✓	✓	✓	✓	
L3	Expand the streetscape program to include arterial roads	✓	✓	✓	✓	
L4	Develop and implement the Reconciliation Action Plan 2019-2023	✓	✓	✓	✓	
VN1	Implement the Coastal Management Plan - Phase 3	✓	✓	✓	✓	ISC 3 Apr 2019 GC 25 Jun 2019
VN3	Implement the Energy Efficiency and Renewable Energy Plan	✓	✓	✓	✓	EM Forum 18 Jun 2019
VN4	Develop options for a potential destination playground for Council's consideration	✓	✓	✓	✓	
I3	Implement the Social Media Strategy 2019-2023	✓	✓	✓	✓	
I4	Online booking of Council facilities to be expanded to community managed facilities	✓	✓	✓	✓	
P1	Review the zoning of industrial, commercial and centre zones across the City	✓	✓	✓	✓	

Draft 4-Year Business Plan 2019-2023 - projects sorted by commencement year
Includes feedback from EM Planning Day 19 January 2019

Attachment 3

	Project	Financial year				Comments/Reports
		19/20	20/21	21/22	22/23	
P2	Continue to partner in the Southern Adelaide Economic Development Board to deliver its 5 regional priorities including leading: -Energy project -Smart South Project (part of the Smart Cities project)	✓	✓	✓	✓	Note these council report dates provided to EMs on 19 Jan Planning Day. GC 26 Feb 2019 EM Forum 18 Jun 2019 GC 23 Jul 2019
EF2	Develop and implement a Disability Access and Inclusion Plan	✓	✓	✓	✓	
L1	Seacombe Heights and Seaview High School recreational facility development		✓			
L2	Review future development of Cove Community and Sport Club facilities		✓			
L2	Capella & Nannigai Reserve Development		✓			
C2	Develop a Future City Transport Plan encompassing: Walking and cycling Transport for the ageing Community Transport Linkages Connectivity through various transport modes Last mile transport options Increase traffic monitoring and solutions in high density/impact sites (EM idea) Integrated park and ride facilities (walk up n ride, cycle n ride, park n ride) (New Initiative idea)		✓	✓		
I2	Explore opportunities with the Australian Institute for Machine Learning (AIML) partnership for asset management to provide an automated monitoring solution for assets and streetscape monitoring		✓	✓	✓	
L2	Hallett Cove Foreshore- Stage 2 Coastal Dune protection, Stage 6 Café Plaza			✓		ISC 5 Mar 2019 - Stage 2 GC 26 Mar 2019 - Stage 2 23 Apr 2019 (TBC) - Stage 6
L4	Living Kaurna Cultural Centre - Coach House restoration and development. Develop concept design in 2020/21 and deliver in 2021/22			✓	✓	GC date TBC - Cr Hull Motion re Museum

DRAFT 4-YEAR BUSINESS PLAN 2019-2023

OUR COUNCIL OF EXCELLENCE

Based on our values of Respect, Integrity, Achievement and Innovation

Priority 1: Respect for the Community

Strategies

Consider the community perspective in relation to every action by every Council employee

Regularly seek meaningful responses from the community about Council performance, facilities and projects

Develop a Council culture of frugal, common-sense decision making

Priority 2: Acting with Integrity

Strategies

Ensure compliance with legislation and code of conduct

Timely delivery of Council resolutions

Outstanding Project Management

Priority 3: An Innovative business

Strategies

Ensure surpluses throughout our Long Term Financial Plan (the next 10 years)

Developing technology systems which will be the best among SA Councils

Continuously improve through the service review program

Priority 4: Valuing Achievement

Strategies

Invest in the development of our leaders, staff and Elected Members

Develop a culture which aligns to our values

Ensure safety is at the forefront of all we do

Corporate Reporting Framework - Progress Update

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC100226R09

REPORT OBJECTIVE

To provide the Finance and Audit Committee with an update regarding progress of the City of Marion Corporate Reporting Framework.

EXECUTIVE SUMMARY

The objective of a Corporate Reporting Framework is to ensure that an organisation has the right information and data to support strategic decision making and continuously improve the performance of the business. Work is progressing on a draft Corporate Reporting Framework to guide how the City of Marion undertakes its corporate reporting function. The purpose of the Framework is to ensure focus on business performance to create value in the short, medium and long term. The draft Framework is being drafted in accordance with the International Integrated Reporting Framework which was published in 2013 by the International Integrated Report Council.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. notes the progress report and that a draft Framework will be presented to the May 2019 Committee meeting.**

GENERAL ANALYSIS

The draft Framework identifies the key elements that should be reported against, which include:

- External Environment
- Financial
- Governance
- People
- Built Form
- Community and Customers
- Environment
- Technology

To finalise the Framework, further work is required to clearly identify work roles/responsibilities and the governance structures regarding how the reporting will operate. A review of the governance structures at a Council and Management level is in progress to ensure the committees/groups are set up to effectively manage their reporting functions and there is no duplicate of reporting.

The review is looking at:

1. What reporting is required under the key elements
2. What is currently happening and what are the gaps
3. What reporting is required by legislation
4. How often matters should be reported on (short term, medium term and long term)
5. Who is accountable and who should receive the data (Council or Management)

6. Are the structures right or do they need some change.

The Corporate Reporting Framework is approximately 60% complete. A draft has been reviewed by the Executive Leadership Team and feedback received. Progress has been slower than originally anticipated due to other priorities (i.e. election and new Council induction).

Internal Audit Tender

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC190226R10

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with an overview of the proposed process and timeline for the upcoming internal audit tender.

EXECUTIVE SUMMARY

The objectives of an Internal Audit Program are to:

- Ensure the strategic directions of Council are aligned to financial sustainability and organisational effectiveness
- Improve the public value of Council through efficient and effective operations
- Ensure the Council's risks are well managed and the Council has sound internal controls, and
- Ensure compliance with legislative and policy requirements.

RECOMMENDATION

That the Finance and Audit Committee:

1. **notes the report and time frames regarding the internal audit tender.**
2. **provides feedback on the approach.**

GENERAL ANALYSIS

The City of Marion's internal audit function has been delivered by an external provider for over 10 years, with past providers including Deloitte, Ernst and Young and BDO. The service was last tendered in 2015 with KPMG being awarded the contract for a period of 4 years (2 + 2). The current contract is due to expire on 30 June 2019.

A comprehensive review was undertaken in 2014 which sought clarity over the objectives and outcomes from the internal audit function. It was recommended at the time that the function continue to be offered by an external provider to provide independence and ensure the process is not compromised by having the function internally. The Committee commented that by using an external provider, the consultant would have greater access to industry trends, benchmarking data and best practice.

Consultation has also occurred with the City of Charles Sturt who have (in principle) agreed to a joint tender process for this service. This allows the Councils to work collaboratively and achieve better outcomes for both Councils.

DISCUSSION

Based on the current contract requirements and to ensure the tender is finalised prior to 30 June 2019, the following timetable is proposed:

Timeline

1. Prepare tender brief and documentation based on agreed objectives. Set evaluation criteria in consultation with the City of Charles Sturt.
Due Date: 8 March 2019
2. Advertise Tender for 3 week period
Due Date: 12 March 2019
3. Tender Closes
Due Date: 5 April 2019
4. Evaluate and Shortlist
Due Date: 19 April 2019
5. Recommendation to Finance and Audit Committee
Due Date: 1 May 2018

Evaluation Panel

It is recommended that the evaluation panel comprise of:

- two staff from City of Marion (Manager Corporate Governance and Manager Finance)
- two staff from City of Charles Sturt (TBA)

It is also recommended that the Presiding Member of both Council's Audit Committee's be invited to attend any presentations by the short listed firms.

REPORTS FOR NOTING

Improved Asset Valuation Process

Originating Officer	Team Leader - Asset Systems - Brendon Lyons
Corporate Manager	Manager Innovation and Strategy - Fiona Harvey
General Manager	General Manager City Development - Abby Dickson
Report Reference	FAC190226R11

REPORT OBJECTIVE

To propose a new asset valuations cycle, based on a comprehensive review and improvement process, for the Finance and Audit Committee's consideration.

EXECUTIVE SUMMARY

Council currently undertakes a comprehensive valuation of all infrastructure and non-infrastructure assets every 3 years. In the intervening years desktop revaluations are conducted.

A process improvement initiative was undertaken to evaluate the value and effectiveness of the valuations program, with the outcome being a proposal to extend the frequency of the comprehensive valuation cycles, from 3 to 5 years for both infrastructure and non-infrastructure assets.

This proposal continues to meet the requirements for best practice risk and financial management, and was supported by the Assets Steering Committee (senior management committee overseeing asset management).

RECOMMENDATION

That the Finance and Audit Committee:

1. Endorses the proposed revised annual asset valuations process.

DISCUSSION

Under Australian Accounting Standards AASB113 and ASSB116 and the Local Government Accounting Regulations 2011 Councils are required to provide a true and accurate account of the value of their assets. This is achieved through a cycle of valuations undertaken by independent valuers and informs the key organisational elements of planning, risk and financial management.

Endorsed by the Audit Committee in 2015 (AC131015R7.7), Council currently undertakes a comprehensive valuation of all infrastructure and non-infrastructure assets every 3 years. In the intervening years desktop revaluations are conducted. Valuations are undertaken by specialist independent contractors and are supported by staff across the organisation that are responsible for the acquisition, management and disposal of assets.

Current Valuations Cycle

The current 3 year rolling cycle for asset valuations is as follows:

Infrastructure Assets (eg roads, kerbs, stormwater pipes)

Year 1 (2017 - 2018) - Comprehensive Valuation
Year 2 (2018 - 2019) - Desktop Revaluation
Year 3 (2019 - 2020) - Desktop Revaluation

Non-Infrastructure Assets (eg buildings, open space furniture, playgrounds, band instruments, artworks)

Year 1 (2017 - 2018) - Comprehensive Valuation
Year 2 (2018 - 2019) - Desktop Revaluation
Year 3 (2019 - 2020) - Desktop Revaluation

The total cost of the 3 year valuations program is \$ 143,330.

Valuations Process Review

The City of Marion is transforming asset management across the organisation, focussing on making informed decisions through skilled people, accurate data, improved processes and intelligent systems.

An asset valuation process review was conducted July - November 2018 including benchmarking across other councils, SWOT analysis and multiple stakeholder engagement workshops. Optimised processes for both comprehensive and desktop valuations were mapped, clearly documenting timelines, stakeholder roles, responsibilities, single point of truth data controls and improved reporting formats.

The review's recommendations, endorsed by Assets Steering Committee (senior management committee formed to monitor and oversee the Asset Management Transformation project - CoMPAS) included extending the frequency of comprehensive valuations from 3 to 5 years for infrastructure and non-infrastructure assets.

Proposed 5 Year Rolling Valuations Cycle:

The reviewed valuations cycles proposes a rolling 5 year program, with a comprehensive valuation undertaken every 5 years.

Infrastructure assets form 81% of the value of Council's assets. It is critically important to reflect a true and accurate representation of this asset class. Due to the high value of this asset group it is proposed to continue independent desktop valuations in the intervening years between comprehensive valuations.

Non-infrastructure assets form 19% of the value of Councils assets and is an asset group that is generally stable in the current market. However for insurance purposes it is a recommendation of the Local Government Risk Services (LGRS) Mutual Liability Scheme to undertake a desktop revaluation at an appropriate point in the 5-year cycle to account for any material fluctuations in values. For the remainder of the intervening years it is proposed that non-infrastructure assets receive application of indexation.

Based on this proposal the cycle would be undertaken as follows:

Financial Year	Accounting - Infrastructure	Accounting - Non- Infrastructure	Insurance
2017 – 2018	Comprehensive	Comprehensive	Comprehensive
2018 – 2019	Desktop	Not Applicable	Indexation
2019 – 2020	Desktop	Not Applicable	Indexation
2020 – 2021	Desktop	Not Applicable	Desktop
2021 – 2022	Desktop	Not Applicable	Indexation
2022 – 2023	Comprehensive	Comprehensive	Comprehensive
2023 – 2024	Desktop	Not Applicable	Indexation

The total cost of this valuations cycle (based on existing costs) would be in the order of \$150,000. In comparison over 5 years, the current program would cost in the order of \$273,000 therefore delivering a

saving in the order of \$123,900 over 5 years.

The proposed new cycle also provides an opportunity to explore the potential to the integrate asset condition inspection program with the valuations from 2021/21 onwards.

Transition proposal

Given the proposal to cease annual desktop valuations for non-infrastructure assets, it is proposed that the desktop valuation for 2019-2020 is replaced with an application for indexation for insurance purposes only.

Summary:

Confirmed by Council's Risk, Finance and Assets teams, the proposed valuation cycle will result in an improved valuation program for the City of Marion.

With overall savings of approximately \$123,900 per 5 year cycle, Council will continue to make sound financial decisions whilst adequately servicing its valuation requirements at a reduced financial cost enabling the savings and resources to be redirected to benefit the community.

Internal Audit Program - Implementation of Recommendations

Originating Officer	Governance Officer - Victoria Moritz
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC190226R12

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with an update of the status of recommendations from the 2017/18 and 2018/19 Internal Audit program.

EXECUTIVE SUMMARY

The FAC was provided with a status report at its previous meeting on 11 December 2018 regarding the City of Marion's Internal Audit Program. It was reported that all five audits for the 2017/18 financial year had commenced in various stages;

- Volunteer management – completed February 2018 (FAC270218R7.2)
- Contractor management – completed May 2018 (FAC290518R7.3)
- NDIS - completed May 2018 (FAC290518R7.3)
- Regulatory – Fines and Enforcement - completed August 2018 (FAC180821R03)
- Planning Assessment - completed August 2018 (FAC180821R03)

The following audits have commenced or been completed for the 2018/19 Internal Audit Program;

- Procure to Pay - completed December 2018 (FAC181211R04)
- Customer Experience - completed February 2019 (FAC190226R03)
- Tendering - In progress (Field Work) - final report to May 2019
- BCP and Emergency Management - In Progress (Field Work) - final report to May 2019
- Cyber Security - scoping - to be finalised before the end of the financial year but the report will be presented to the August 2019 FAC meeting).

The recommendations from these reports continue to be monitored by the FAC. A short summary of the status of recommendations for each audit is provided at Appendix 1. The relevant outstanding recommendations and agreed actions for items that have been commented on are included in the summary to give context to the comments made against each project.

RECOMMENDATION

That the Finance and Audit Committee;

- 1. Notes the status of the Internal Audit Program (Appendix 1)**

Attachment

#	Attachment	Type
1	Implementation of Recommendations Appendix	PDF File

Overall Summary

Project	Findings	On Track	Overdue	Completed	Not Commenced	General Comments
Capital Works Program 2015/16	8	1		7		There is 1 outstanding recommendation on track which is 81% complete
Corporate Performance Reporting 2016/17	4	2		2		There are 2 recommendations outstanding. These items are on track.
Accounts Receivable 2016/17	4			4		All recommendations are now complete.
ICT Cyber Security Maturity (2016/17)	6	2		4		There are 2 outstanding recommendations. 1 is on track for completion in March 2019. The other is on track for completion by the end of May 2019.
Policy Review (2016/17)			Complete (August '18)			
Property Portfolio Management (2016/17)	7	2		5		There are 2 outstanding recommendations. Both are on track and are well progressed.
Volunteer Management (2017/18)			Complete (August '18)			
NDIS (2017/18)	1	1				Maintain watching brief
Contractor Management (2017/18)	5	3		2		There are 3 recommendations outstanding. All 3 have commenced and are on track.
Regulatory Fines and Enforcements (2017/18)	2	1		1		1 outstanding recommendation on track for completion by the end of June 2019 and is 95% complete
Development Assessment (Planning) (2017/18)	8	1	1	6		There are 2 outstanding recommendations. 1 is on track for completion in March and is 80% complete. The remaining item is not on track. This is 70% complete and is scheduled for completion by the end of March 2019.
Procure to Pay (2018/19)	9	2		5	2	There are 2 items not commenced, both are performance improvements opportunities. One is awaiting the outcomes of the Business Systems Fitness Review and the other is scheduled for review in April 2019. All other items are completed or on track.

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION DUE DATE	PREVIOUS QUARTER PROGRESS	PREVIOUS QUARTER PROGRESS %	PREVIOUS QUARTER PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
<p>It is recommended that Marion implements a simple, standardised project management framework which describes key phases that a project must go through. For example purposes only:</p> <ul style="list-style-type: none"> • Project initiation (asset management plan/ad-hoc) • Project evaluation (concept, feasibility/business case) • Program development (budgeting, prioritisation, programming) • Program/project delivery (procurement, design, construct) • Project completion and handover <p>The project management framework should be designed to accommodate the proposed two-year capital works program, with two key phases including an initial phase where projects are initiated, evaluated and estimated in year one, and procured/built in year two (for example). This recommendation may include leveraging the existing City of Marion S-Guide project management framework, and tailoring and/or implementing across the City of Marion to achieve better consistency and approach to project management.</p> <p>Improved consistency in project management should provide the City of Marion with sustained benefits including reduction and minimisation in carry overs.</p>	5	This work is currently underway with a project management system being developed including tools, templates, training, governance arrangements, monitoring and reporting.	1/04/2019	On Track	52%	Phase 1 of the project was completed by due date of 30 June, however we are now in phase 2 which has a new completion date of April 2019.	On Track	81%	<p>All projects built into new PM system, and being reported against monthly. Capital works programs now being developed in the system. Tailored reporting also being developed. Project Management Framework finalised</p>

Corporate Reporting

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
<p>It is recommended that the CoM develops a 'strategic reporting framework' which describes the key principals in relation to reporting, including covering off on why report in the first instance, what is reported, who is accountable, when/how often reports are produced, etc. It should be noted that reporting needs to be considered as part of the overall planning, budgeting, reporting and overall business performance management processes. That is, reporting should directly relate to the CoM's strategic planning and objectives, budgeting and work areas plans, not be seen as a stand-alone activity.</p> <p>The strategic reporting framework should cover all key aspects of reporting including;</p> <ul style="list-style-type: none"> * Aligned with strategic plans and long-term financial plan * CEO KPI's and Organisational KPI's * Annual Business Plan and planning framework (i.e. work area plans) * Governance structures - Council, Committees and Development Assessment Panel. * Governance structures - Administration (ELT, SLT, LT and Risk Working Group) * Organisational structure/functional reporting requirements - City Services, City Development, Corporate Services and Human Resources (cascading into teams). * Consideration of additional management groups and committees and their reporting requirements. 	1.1	Agreed that a Strategic Corporate Reporting Framework is fundamental. The framework will need to be developed in consultation with ELT and other senior staff.	30/05/2019	On Track	40%	Further research has been completed and ELT are considering a new draft at its meeting of 18 December. The Framework will be presented to FAC at the February 2019 meeting	On Track	60%	<p>A draft framework has been considered by ELT and feedback received. Currently working through the reporting structures and data. Assessing if any changes are required. A draft framework will be presented to the Committee in May 2019</p>

Through the implementation of the recommended 'Strategic Reporting Framework (refer to finding 1), the time taken to produce reporting should be assessed. The assessment and revision of CoM's agreed corporate performance reporting should focus on prioritising the timeliness in which reporting can be produced.	3.2	Agreed.	30/05/2019	On Track	40%	Revised due date has been set of February 2019. A strategic session has been booked with the SLT in February 2019 to discuss various metrics and how to measure and report	On Track	60%	Page 118 A draft framework has been considered by ELT and feedback received. Currently working through the reporting structures and data. Assessing if any changes are required. A draft framework will be presented to the Committee in May 2019
CoM investigates the ability to optimise the use of the systems, through development of purpose built reporting (e.g. From Authority) to reduce the level of manual manipulation of data.	3.3	Agreed.	30/06/2019	On Track	20%	This is currently being progressed via the Innovations and Strategy Team	On Track	50%	This is being investigated through the metrics that matters project.

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION DUE DATE	PREVIOUS QUARTER PROGRESS	PREVIOUS QUARTER PROGRESS %	PREVIOUS QUARTER PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
<p>Invoicing CoM consider updating the delegations for non-financial changes to debtors invoicing to a lower level. This may reduce some of the administrative effort currently required to make small updates to invoices.</p> <p>Write-offs CoM consider updating the delegations for write-offs based on a scaled approach. This may reduce some of the administrative effort currently required to write-off low value long-outstanding debtor balances.</p>	P10 2	<p>As part of the Sundry Debtors policy and procedure review management will look at having certain adjustments and credits authorised at a lower level where minor adjustments are required. This could include where proof of duplication of invoicing exists, or where non-financial adjustments are required.</p> <p>Delegations for write-offs at a scaled level will also be reviewed so that minor balances do not need the same high-level approval that they currently do.</p>	30/06/2017	Not on Track	75%	No change - Revised Sundry Debtors policy has been drafted incorporating different levels of delegation. This will go to ELT for approval and be in operation before 31/12/18	Completed	100%	Changes have been made to align the approval process with Council's existing delegations of authority, thus reducing the requirement of high-level approvals.

Cyber Security

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION DUE DATE	PREVIOUS QUARTER PROGRESS	PREVIOUS QUARTER PROGRESS %	PREVIOUS QUARTER PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Consider formally defining the requirements for third party cyber security obligations and including related clauses into each significant contract. This should include consideration of data ownership and storage, technical controls, backups, monitoring, notification of security incidents, and any associated security compliance requirements. A "right to audit" clause should also be considered for inclusion in contracts with technical service providers. Existing third party contracts should then be reviewed to determine compliance and any potential concerns moving forward should be renegotiated where possible.	3.4	This will be further investigated and implemented where necessary	31/03/2019	On Track	30%	Further discussions held with CQR on 25 Oct. CQR are drafting various standard conditions, special conditions and specification requirements that could be used in council's tendering processes	On Track	30%	CQR information provided and requires review. Delays experienced due to commitment of resources to Waste Tender evaluation. Extension to 31 March 2019 requested

Continual due diligence and assurance activities on third parties should be performed to ensure that they adhere to CoM’s minimum requirements.									Page 120
Ensure that defined recovery objectives have been validated with IT to ensure that these are achievable.	4.2	Recovery strategies have been developed by relevant business units but validation is required with ICT to ensure they are realistic and achievable	1/05/2019	On Track	75%	CQR procured to facilitate review Recovery Strategies reviewed New Sharepoint work flow built 11 Workshops booked for late Nov	On Track	80%	CQR facilitated Nov workshops with Risk and departments capturing the results in the CQR IT Recovery And Availability Requirements Report delivered mid Dec 18. (https://comconnect.marion.sa.gov.au/sites/Governance/RiskManagementFunction/BusinessContinuity/BCP CQR BIA Workshops/IT Recovery and Availability Requirements Report v1.0 Initial Release.pdf) As stated in the report some work areas required "High availability and recovery" requirements (15mins) that are not currently achievable and may be expensive and complex to satisfy. Further investigation with these work areas to determine the validity of the requirement and possible alternative work arounds will be scheduled and the results gathered by the end of

Property Portfolio

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Contract management approaches are improved to ensure contractors are managed effectively.	1.3	Agreed	31/08/2019	On Track	95%	New contracts have been established and regular meetings are being held with the key contractors e.g. plumber, electrician, security.	On Track	95%	Review of key contractors to take place and panel of contractors to be set up.
The Land & Property Team and Finance Team workshop improvements to improve the flow of information. This could include regular reports being issued by the Land & Property Team to the Finance Team in respect to any changes in the period and vice versa in relation to finance.	3.1	Working with Finance to review processes and identify efficiencies. Regular meetings bi monthly will be set up with finance and the Leasing officer to progress this.	30/06/2018	Completed	100%	Open communication occurs between Finance and Land & Property to ensure budgets are well managed and process improvements are actioned when identified.	Completed	100%	Open communication occurs between Finance and Land & Property to ensure budgets are well managed and process improvements are actioned when identified.

It is recommended that CoM continues to undertake reviews of leases managed by the Leasing Officer, including reminding clubs of their obligations to provide up to date documents i.e. insurance, financials and budgets in accordance with the terms of their lease agreements.	5.1	Currently letters are sent out in October each year requesting information e.g. AGM, finances (this is not a requirement in all leases) and followed up in January. Staff in the property team have been allocated specific organisations to liaise with on a regular basis, which will assist in developing a stronger relationship and enable support to be provided in meeting leasing obligations. Community capacity activities are supporting clubs to improve governance practices e.g. Workshops on running an AGM. The new leasing and licencing policy will assist with improving this through; *Reporting required to obtain subsidy, *Consistent lease template requiring information, * Working with clubs to set up systems to be able to provide the required information. Consideration is being given to setting up a standard charter of accounts.	30/06/2019	On Track	80%	Leases are being renewed in line with the new policy. New reporting requirements have commenced. Lessees on the new policy will need to start to provide new report format in the 3rd quarter. Letters of offer are being sent to the clubs to transfer them onto a new lease agreement.	On Track	80%	Page 122
									Land and Property team have undertaken a thorough review of leases outstanding and are working with Business Analysis to formulate a report that can be easily generated.

Contractor Management

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
As part of the next training session for Contract Administrators, time is allocated to update staff on the documentation required to be formally stored and maintained in the SharePoint system.	2.2	As part of the next training session for Contract Administrators, time is allocated to update staff on the documentation required to be formally stored and maintained in the SharePoint system.	28/02/2019	On Track	10%	Contract Management training scheduled to be conducted in Feb 2019	On Track	10%	Contract Management training scheduled to be conducted in Feb 2019, pending resource availability
It is recommended that the City of Marion considers introducing a risk based approach to manage it [sic] contractors, so that the level of effort in relation to contract management is matched to the overall contact [sic] risk.	3.1	The contract management procedure will be strengthened to provide additional guidance to Contract Administrators to promote a risk based approach to contract management activities.	28/02/19	Not on Track	10%	Have considered initial approach to implementing this recommendation. To be actioned prior to scheduled contract	On Track	10%	Have considered initial approach to implementing this recommendation. To be actioned prior to scheduled

						management training (Feb 2019) - training will be based on the revised contract management procedure. Request extension to 28 Feb 2019.			contract management training (Feb 2019) - training will be based on the revised contract management procedure. Request extension to 28 Feb 2019.
It is recommended that the CoM investigates alternative options to the existing excel 'preferred contractor register' to assess the potential for benefits of transitioning to an alternative corporate wide IT system. The potential benefits associated with this recommendation would be: * Provide improved organisational wide visibility of the contracts registers (on a relevant user access basis).	4.1	Management will assess alternatives to the existing excel preferred contractor register and validate whether potential benefits could be realised. The outcome of this assessment will determine what further action is required. In addition, the current contract management process will be enhanced by; 2. Advice being provided to key internal stakeholders of pending existing contracts (implement by 30 June 2018). 3. Introducing tender panels of preferred suppliers for services including general repairs and maintenance, painting, plumbing and electrical (implement by 30 September 2018).	30/06/2019	On Track	10%	SWOT analysis session of existing contracts register scheduled for 16 Nov 2018	On Track	10%	Further progress to be dependent on resource availability.

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
<p>It is recommended that the CoM investigate undertaking once or a combination of the following solutions:</p> <ul style="list-style-type: none"> - Work with Civica to implement reporting functionalities in Authority that will not be removed with a software update to Authority. - Allocate internal resources to develop reporting functionalities for Authority - Invest in a different information Technology solution than Civica that has the ability to generate meaningful reporting. 	1.1	<p>There are a number of initiatives being purchased in the 2018-19 financial year which will address this finding.</p> <p>Council has funded a data warehouse initiative in 2018-19 Annual Business Plan which will improve the organisation's access to data and better support work areas to monitor performance.</p> <p>The Community Safety Inspectorate Service Review undertaken in 2018 included the following recommendation:</p> <p>Develop a comprehensive suite of key metrics and reports that management and Council can use to monitor performance.</p>	30/06/2019	On track	90%	<p>Metrics have been identified. Performance and Innovation Team have scheduled the development of formal systems for metrics.</p>	On Track	95%	<p>In conjunction with the Performance and Innovation team we have completed a scoping document identifying all metrics. This document will be used by the consultants to build the software and is anticipated this will be completed by 20 June 2019. Note completion date has been extended to align with Metrics System Project.</p>

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION DUE DATE	PREVIOUS QUARTER PROGRESS	PREVIOUS QUARTER PROGRESS %	PREVIOUS QUARTER PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
That the policies be reviewed with a view to retaining only those which are essential with any purporting to supplement Development Plan policy being revoked and the content progressed as a Development Plan Amendment and/or fed into the Code development process.	3.1	Agree with Recommendations 16 and 17. These will be implemented as part of the improvement opportunities.	1/12/2018	On Track	50%	Relevant policies have been removed following discussion with General Manager. It was found that existing policies that involve other departments were in fact procedural documents and not policy documents. Relevant procedural documents have been removed, and those that have been retained (at discretion of Team Leader Planning) have been incorporated into day to day team operations.	Completed	100%	All policies have been reviewed, many have been removed as they were found to be procedural documents and not a supplement to Development Plan policy. Management of team procedures and policies will be on-going and will change as legislation and policy changes over time.
Policies and procedures should be separated and any policies or procedures that impact wider Council operations should be considered by the Executive prior to adoption and implementation.	3.2	0	1/12/2018	On Track	40%	See above.	Completed	100%	Action Complete
The process for receipting development application be reviewed.	7.1	Agree with Recommendations 22 and 23. This will be implemented as part of the improvement opportunities.	1/03/2019	On Track	50%	ICT/Finance and Development Services have collaborated on this matter.	On Track	80%	ICT/Finance/Development Services joint project is underway - online payment to be up and running by end of March 2019.

The payment to remove a street tree be transacted outside the development assessment process.	8.1	Note this recommendation and this needs to be progressed with the Manager, Engineering and Field Services.	1/12/2018	On Track	70%	Meeting has been held between Manager Engineering and Field Services and Manager Development and Regulatory Services.	Not on Track	70%	The online process relating to street tree referral and payment is currently being reviewed by the Manager, Engineering and Field Services and Departmental Manager. Due for resolution by end March 2019.
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Procure to pay

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
It is recommended that the CoM undertake one or both of the following solutions: Work with Civica to implement a system update to restrict the ability of a member of the Purchasing Team to modify the purchase order value subsequent to its approval.	1.1	Management agree with the recommendation and will work with Civica to undertake possible enhancements to the system to implement the recommended system changes.	30/06/2019	na	na	na	On Track	10%	Discussion has commenced with Civica as to options. Outcome TBA
The Unit Manager Operational Support to review a monthly report of any changes made to a purchase order after it has been approved by the appropriate delegate to identify any increases in value to a purchase order.	1.2	A monthly review will be undertaken by the Unit Manager, Operational Support of changes made to the purchase order after it has been approved by the appropriate delegate to identify any increases in value to a purchase order.	30/06/2019	na	na	na	On Track	20%	OLR compliance is assessed on a regular basis... Quarterly report provided to ELT/SLT
It is recommended that the CoM perform a business process review to investigate the transition to an online procure to pay system which would help to reduce the need for manual invoice approval processing. This process should include benchmarking of the procure-to-pay cycle times and the average cost of processing per invoice against other Government agencies.	PIO1.1	The CoM will investigate on-line invoice approval options that exist with Civica to reduce the level of manual processing that currently exists. The CoM will also investigate the software options available and implementation costs for automatic invoice validation.	31/12/2019	na	na	na	Not Commenced	0%	Awaiting outcomes of Systems Review

It is further noted that a number of other Councils in South Australia have transitioned the invoice validation process to a third party vendor. These services includes the use of machine learning technologies to match purchase orders to invoice payments and contract, and automating invoice approvals within a defined set of business rules. It is recommended that this option is also considered as part of the business process review.	PIO1.2	as above	31/12/2019	na	na	na	Not Commenced	0%	Awaiting outcomes of Systems Review
It is recommended that the CoM provide further education to suppliers as well as CoM staff involved in purchasing activity, regarding the required process for invoices to be received via the CoM's Accounts Payable team. This may include working with suppliers, particularly smaller suppliers where the CoM purchases on a regular basis, to move towards standardised invoices that are provided electronically.	PIO2.1	The CoM will provide the recommended training via staff engagement to promote the efficiencies in operations regarding a central receiving point for invoices.		na	na	na	On Track	75%	Draft email prepared for issue in Feb 2019
We recommend the CoM consider expanding use of P-Cards for low value transactions.	PIO3.1	The CoM implemented a recommendation from the Internal Audit Report on Purchase Cards (February 2017) whereby we review on an annual basis the required use of purchase cards, their existing limits and monitor expenditure, in particular petty cash to determine opportunities to increase the use of purchase cards within the CoM's overall purchasing strategy. This is an ongoing commitment which covers this recommendation.	ongoing	na	na	na	Not Commenced	0%	The annual review by Finance of the use and requirements for credit cards is scheduled to take place in April 2019.

CONFIDENTIAL ITEMS**Cover Report - S48 Prudential Management Review - Waste Services**

Originating Officer	Governance Officer - Belinda Murch
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC100226F01

RECOMMENDATION

1. That pursuant to Section 90(2) and (3)(b)(i)(ii) and (d)(i)(ii) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Vincent Mifsud, Abby Dickson, Tony Lines, Kate McKenzie, Ray Barnwell, Colin Heath and Geoff Whittbread, be excluded from the meeting as the Finance and Audit Committee receives and considers information relating to the Waste Services Tender, upon the basis that the Finance and Audit Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information contains commercial information that would on balance, be contrary to the public interest.

S48 Prudential Management Review - Waste Services

CONFIDENTIAL

Reason For Passing This Resolution:

Local Government Act (SA) 1999 S 90 (2) 3(d) (i) and (ii) : commercial information of a confidential nature (not being a trade secret) the disclosure of which (i) could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and (ii) would, on balance, be contrary to the public interest.

Local Government Act (SA) 1999 S 90 (2) 3(b) (i) and (ii): information the disclosure of which (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and (ii) would, on balance, be contrary to the public interest.

WORKSHOP / PRESENTATION ITEMS

OTHER BUSINESS

MEETING CLOSURE