

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, 20 August 2019 at 04:00 PM

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



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**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 28 May 2019**

**Originating Officer** Governance Officer - Victoria Moritz

**Corporate Manager** Manager Corporate Governance - Kate McKenzie

**Report Reference:** FAC190820R01

**RECOMMENDATION:**

1. That the minutes arising from the Finance and Audit Committee Meeting held on 28 May 2019 be taken as read and confirmed.

**ATTACHMENTS:**

#	Attachment	Type
1	FAC190528 - Final Minutes	PDF File

**FAC190528 - FINANCE AND AUDIT COMMITTEE MEETING - 28 May 2019**

**Tuesday, 28 May 2019 at 09:30 AM**

**Council Administration Centre, 245 Sturt Road, Sturt**



**PRESENT:**

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

**In Attendance**

Mr Adrian Skull	Chief Executive Officer
Mr Tony Lines	General Manager City Services
Ms Abby Dickson	General Manager City Development
Mr Ray Barnwell	Acting General Manager Corporate Services
Ms Kate McKenzie	Manager Corporate Governance
Ms Fiona Harvey	Manager Innovation and Strategy
Ms Cass Gannon	Innovation Leader
Ms Sherie Walzacak	Unit Manager Risk
Mr Dave Harman	Acting Manager Finance
Mr Lee Girolamo	Deloitte Touche Tohmatsu
Mr Patrick Leong	Deloitte Touche Tohmatsu
Mr Eric Beere	KPMG
Ms Shannon Jurkovic	KPMG

**OPEN MEETING**

The Chair opened the meeting at 09:31 AM

**KAURNA ACKNOWLEDGEMENT**

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

**MEMBERS DECLARATION (if any)**

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

Ms Natalie Johnston declared an actual conflict of interest with the confidential report Internal Audit Tender evaluation due to her employment with Ernst and Young.

## **CONFIRMATION OF MINUTES**

**Confirmation of the minutes for the Finance and Audit Committee Meeting held on 26 February 2019**

**Report Reference: FAC190528R01**

**Moved Councillor Gard**

**Seconded Ms Johnston**

That the minutes arising from the Finance and Audit Committee Meeting held on 26 February 2019 be taken as read and confirmed.

**Carried Unanimously**

The chair sought leave of the meeting to move forward the report on the External Audit Engagement for the Year Ending 30 June 2019. Leave was granted.

### **9.34 am External Audit Engagement for the Year Ending 30 June 2019**

**Report Reference: FAC190528R11**

Mr Lee Girolamo (Deloitte Touche Tohmatsu) and Patrick Leong (Deloitte Touche Tohmatsu) entered the meeting and provided an overview of the audit plan for the financial year ending 30 June 2019.

Mr Girolamo indicated that the external audit will be completed in accordance with the Australian Auditing Standards and the requirements of the Local Government Act 1999. The scope of the audit regarding internal controls will focus on the controls exercised by Council in relation to:

- Receipt, expenditure and investment of money
- Acquisition and disposal of property
- The incurring of liabilities.

Mr Girolamo indicated that the four (4) focus areas of the overall audit strategy will include:

- Revenue – rates and statutory charges and grant revenue
- Expenditure
- Non-current assets
- Internal controls assessments.

The Committee confirmed that the timetable had been confirmed with management and fits with reporting requirements.

The Committee noted:

- The rotational cycle for testing the operational effectiveness of the internal controls
- Expenditure will be the focus for the 2019 audit
- When operational effectiveness has not changed, the auditors can rely on previous audit work completed
- Revenue will focus on rates, statutory charges and grant revenue
- Expenditure will focus on materials, contract and other expenses, including the approval processes.

The Committee queried the hand over process with Ms Penny Woods (previous audit partner). Mr Girolamo indicated that last year's audit file had been reviewed plus he had access to the past five (5) years audit files. They had also been briefed regarding Councils process and the required engagement with the Committee and Council at the conclusion of the audit. Any further information required could be followed up directly with Ms Woods.

**Moved Councillor Clancy**

**Seconded Ms Hinchey**

**That the Finance and Audit Committee:**

- 1. Considers the outline of Deloitte's Audit Plan for the financial year ending 30 June 2019.**
- 2. Notes the scope of the audit to be carried out by Deloitte for the year ending 30 June 2019.**
- 3. Notes that the Chief Executive Officer will execute the acknowledgement of engagement letters.**

**Carried Unanimously**

#### **9.47am Business Arising Statement**

**Report Reference: FAC190528R02**

The Committee noted the Business Arising Statement highlighting the following:

- A number of items have been closed out.
- The criteria for the sale of properties due to long outstanding rates debts has now been considered and adopted by Council. This item had received some media/community attention and over \$50k of long term outstanding rates debt had been received in recent months.
- A report on the impact of the new accounting standards will be brought to the next meeting. This will include the new leasing standards noting any embedded leases that may impact.

## **CONFIDENTIAL ITEMS**

#### **9.52pm Internal Audit Tender Evaluation**

**Report Reference: FAC190528F01**

9.52 am Ms Johnston declared an actual conflict of interest due to her employment with Ernst and Young and left the meeting.

**Moved Councillor Clancy**

**Seconded Councillor Gard**

**That pursuant to Section 90(2) and (3) (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, Ray Barnwell, Abby Dickson, Tony Lines, Kate McKenzie, Jamie Dunicliff be excluded from the meeting as the Finance and Audit Committee receives and considers information relating to the Internal Audit 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.**

**Carried Unanimously**

9.52 am the meeting went into confidence.

**Moved Ms Hinchey**

**Seconded Councillor Gard,**

**That the Finance and Audit Committee:**

- 1. In accordance with Section 91(7) and (9) of the Local Government Act 1999 orders that this report, the minutes arising from this report and any other information distributed at the meeting having been considered in confidence under Section 90(2) and (3)(d)(i)(ii) of the Act shall, except when required to effect or comply with Council's resolution(s) regarding this matter be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the December 2019 Council meeting.**

**Carried Unanimously**

10.06 am the meeting came out of confidence

10.06 am Ms Johnston re-entered the meeting

## **REPORTS FOR DISCUSSION**

### **10.06 am Elected Member Report**

#### **Report Reference: FAC190528R03**

Councillor Clancy provided an overview of the report highlighting that Council had been very focused on its Annual Business Plan and Budget. Councillor Clancy indicated that the current budget was based on a 1.8% rate increase however, some members were interested in exploring a lower rate increase.

The Committee noted the report and queried the Boundary Reform matter before Council and how it related to the Council's strategic plan? The Manager Corporate Governance provided an overview of the process to complete a Boundary Re-alignment informing the Committee that the process is undertaken in two distinct stages (stage 1 and stage 2). The work currently being completed is pre-work to assist Councils making decision regarding if they should commence the stage 1 process (or not). The Committee advised that Council should be clear on the risks and opportunities prior to making a decision about progressing with the boundary re-alignment.

Councillor Gard provided the Committee with a chart (Appendix 1 to the minutes) regarding revenue and borrowings. He raised the ongoing impact of rate stress on the community and although Council is likely to have some significant investments regarding asset management to address in the coming financial year, he believes Council should further look at its financial ratios regarding how Council can better use borrowings in the future and if there is further opportunity to reduce rates. The Committee indicated that the Council has a large and ambitious capital expenditure program of \$44m forecast for the 2019/20 financial year and Council should not be concerned with the proposed rate which will be required to deliver the projects and capital works in 2019/20 noting Marion is proposing one of the lowest rate increases and also maintaining the fifth lowest costs rates payable across Adelaide Councils. The Committee cautioned that if it wishes deliver a large capital budget, it needs to ensure it is financed and resourced appropriately. The Committee also noted that the charts do not provide expenditure details meaning that it does not provide a complete picture and should be read with some caution.

### **10.33 am Service Review Program and Recommendations - Progress Update** **Report Reference: FAC190528R04**

The Innovation Leader entered the meeting and advised the Committee that since the last meeting, four (4) service reviews had now been completed and a number of recommendations had been closed out. Work was progressing on the ICT cross council service review which was being progressed collaboratively with both the Cities of Charles Sturt and Port Adelaide Enfield.

The Committee queried what the desired outcome was regarding the ICT Strategy. It was highlighted that the recommendations related to have best of breed applications rather going down the path of replacing a full enterprise system. The challenge is how to integrate and ensure a range of useful systems across the sector to allow for cross collaboration work. The opportunities being identified relate to smaller systems however if Council was to consider a full ERP solution, both Cities of Charles Sturt and Port Adelaide Enfield are using TechOne.

The Committee noted the report was in draft however, some sensitivities had occurred regarding reporting and the priority of implementation of recommendations. This had caused some delays meaning the review will be reported to the August 2019 Finance and Audit Committee Meeting. The Committee indicated there was an opportunity to learn from the process and implications of joint reviews.

The Committee sought an update on a number of items and the following information was provided:

- Living Kaurna Cultural Centre - The matter had been referred to Council recently and further discussion was progressing via the Infrastructure and Strategy Committee before returning to Council for decision in July.
- Asset Management – The team was progressing with data cleansing in preparation for a decision regarding the Asset Management System.
- Records Management – A review of the staff resourcing and structure was now complete and recruitment for a Team Leader Records is in progress. The Records Management Framework was now in draft, however this will require input from the new Team Leader before being finalized.
- Dog Registration – the new processes has shifted a number of administrative tasks and hence the transition to a new system has created some additional work. This is currently still being worked through.

### **10.50am Internal Audit Program 2018/19 - Tendering and Business Continuity** **Report Reference: FAC190528R09**

Eric Beere (KPMG) and Shannon Jurkovic (KPMG) entered the meeting. Mr Beere provided an overview of the Tendering Internal Audit highlighting that the contracts team have a strong understanding of the tendering process and engage well with internal users within the City of Marion. Mr Beere highlighted there was one moderate finding relating to conflict of interests not always being completed. The Committee noted this moderate risk and suggested that the management comment should be enhanced. The Committee suggested that a key performance indicator is created to ensure all tender files have a completed conflict of interest form and develop an internal check list on share point for each tender file with the key documents noted.

Mr Beere commented the two (2) low risks within the report, particularly the finding relating to improved engagement with tender respondents and the need for tenders to receive quality feedback. The Committee noted that feedback to tenderers should be balanced with the requirement of commercially sensitive information. The Committee suggested that staff need appropriate training to ensure they don't put themselves or the organisation at risk of releasing any confidential information.

Ms Jurkovic provided an overview of the Business Continuity Internal Audit noting it was a positive review and the City of Marion's documentation and testing regimes were excellent. The audit made two key findings, one relating to a Business Impact Assessment and the other related to simplification of the key documents. The Committee noted the report and commented that the business impact assessment needs to focus on operations and the service level requirements during a recovery period.

### **11.02am Annual Business Continuity Management Program** **Report Reference: FAC280519R05**

The Unit Manager Risk entered the meeting and provided an overview of the report highlighting the business continuity program for the past 12 months. This included the details of the joint exercise between Marion, Mitcham, Onkaparinga and Holdfast Bay and the Council's internal exercise completed in April 2019.

The Committee noted that report and queried if the Community Emergency Management Plan and the Council's Emergency Management Plan had overlap? The Committee was advised that these are separate documents as they have a different audience however the processes are the similar and the documents reference each other.

The Committee indicated that the Council is progressing well with its Business Continuity Program. The Committee requested that the recommendations from the KPMG report be included as part of the 2019/20 activities.

### **11.08 am Annual Corporate Risk Report** **Report Reference: FAC280519R06**

The Unit Manager provided an overview of the report noting that the risk program is maturing across the organisation. During the past 12 months, the climate change risk had increased based on information provided through the sector about the quantification of this risk. It was noted that the City of Marion's risks were assessed well against the sector risks that were identified within the 'Local Government CEO's ranking of the Top Risks in the Sector' document.

It was noted that Risk Management Framework and Policy is due for review and as part of this process, a risk management maturity assessment will be completed to inform activities and initiatives for the Risk Management Program in 2019/20.

The Committee noted the report and provided the following comments:

- A review of reputational risk is worth considering. The Council needs to ensure it has good systems/processes for its communication and the management of key stakeholders.
- Cyber risk, particularly a cyber-attack requires further evaluation as it is currently forecast as low. The Committee indicated that based on the current sophistication of some cyber-attacks, it is unlikely that the forecast risk could be low, and that further work be done in this area.
- The governance risk (break down of Council Administration and Elected Member working relationship) is currently rated high. The Committee suggested that this should be reviewed now the election period with State, Local and Federal has concluded.
- The number of inherent extreme risks should be reviewed and this seems to be excessive.
- During the next review, the lack of consequence reduction within the residual risks should be reviewed as mitigation of the consequences is also possible alongside mitigation of the likelihood.
- Review the number of low risks that has increased to medium.

- 14 actions are due for completion in June. Management need to ensure that they have the resources to deliver these.

It was noted that further work is scheduled for the joint FAC and Elected Member Forum in August regarding Councils risk appetite and tolerance.

### **Skills Matrix and Terms of Reference Review**

#### **Report Reference: FAC190528R07**

The Committee noted that report and the self-assessment skills matrix completed by the members of the Committee. It was noted that the Committee had all required skills covered and that the Elected Members of the Committee had also just completed financial management training with Mr Henry Botha.

The Committee noted the recommended change within the Terms of Reference and also suggested that the Committee should note the Council's quarterly budget reviews to help provide a more fulsome understanding of the financial implications of the Council.

**Moved Councillor Clancy**

**Seconded Ms Hinchey**

**That the Finance and Audit Committee:**

- 1. Notes the Skills Matrix of the Committee (Appendix 1)**
- 2. Recommends to Council that the changes highlighted within the Terms of Reference to the Finance and Audit Committee be adopted with the Quarterly Budget Review included for noting.**

**Carried Unanimously**

### **11.30 am Corporate Reporting Framework**

#### **Report Reference: FAC190528R08**

The Manager Corporate Governance provided an overview of the report highlighting that eight (8) elements of reporting had been identified to provide for balanced reporting across the organisation. The Framework defines the governance structures for reporting of key performance indicators aligned to the eight elements.

The Committee noted the report and made the following comments:

- Management need to review the number of internal committees and consider which ones can be merged. Approximately 4 - 5 Committee would provide a more efficient approach.
- The Framework should consider articulating more information regarding the timing of the reporting.
- A one page reference guide on the front page may be useful for the users of the Framework.

### **11.33 am Service Review Program - History and FY2019/20 plan**

#### **Report Reference: FAC190528R10**

The Innovation Leader provided an overview of the service review plan for 2019/20 and the realization of improvements through the current plan. The Committee noted that the number of recommendations had reduced over the past 12 months with the Performance and Innovation Team supporting the implementation of 17 recommendations.

The Committee queried if the program has been able to identify real savings. It was noted that direct savings have been realized within the Open Space Operations and also an increase to service delivery and standards. The Committee noted the list provided however queried if it is possible to quantify the

dollar savings further.

The Committee noted:

- That the City of Marion is looking for more cross council opportunities
- Post implementation review has now been built into the process
- The proposed program for 2019/20 in Appendix 2.

### **11.39 am Draft Annual Business Plan 2019/20 and Long Term Financial Plan Update Report Reference: FAC190528R12**

The Committee noted community consultation of the Annual Business Plan and Budget concluded on the 17<sup>th</sup> May 2019. The draft budget is based on 1.8% and is balanced using funding from reserves to ensure all identified initiatives could be funded.

The Committee highlighted/noted:

- That the Council has a very ambitious work program (outlined on page 121 of the agenda) and needs to ensure it has the resources and staff to deliver the full program.
- That Council had received an election promise of \$5m for the redevelopment of the Mitchell Park Sports and Community Centre and this project now funded to \$15m. Work has progressed on a revised section 48 prudential report which the Committee will consider at a later date.
- The number of initiatives due to be completed in 2019/20. The Committee noted that program is extensive and queried if the organisation have the ability to deliver. The Committee cautioned that because the Plan is very full, it will be challenging to complete. There will be little opportunity for new ideas over the next 12 months and there is risk that the Plan won't be delivered due to the size of the program (i.e. \$44m of capital works).
- If Council does have any, it will need to assess what gets rescheduled. It also noted that the Plan doesn't include any details from the Strategic Asset Management Review the impact of which won't be quantified until the end of the year.
- The item relating to health, wellbeing and social isolation doesn't reflect any comment about social isolation. This should be included.
- The item relating to innovation could be better described. The linkages between the Oaklands Crossing and innovation requires rewording.

The Committee noted the proposed KPI's and made the following comments:

- Council may like to consider weighting particular projects as the concern is that all projects are currently considered equal.
- The LTIFR should be clarified into layperson language
- The total employee costs should be based on budget and not the previous year actuals. The budget for staff is set based on the work program to be delivered and hence the previous year actuals could create of very challenging and counter-productive KPI.
- The community engagement/communication KPI requires further clarification and information regarding how it will be measured. This seems unclear.
- The KPI's should be complementary to the other KPI's and not in competition.

Finally, the committee suggested that the operating surplus ratio should be altered to 0 – 10%, rather than 0 – 5% as it seems misleading with the forecast surplus set to sit within the 0 – 10% range.

## **REPORTS FOR NOTING**

### **12.03 pm Internal Audit Program - Implementation of Recommendations**

**Report Reference: FAC190528R13**

The Committee noted the report and made the following comments:

- The City of Marion and City of Charles Sturt has implemented a shared procurement model to reduce duplication across the Councils at an operational level. These arrangements have now been implemented but the changes to the team have impacted on the timing of implementation of the recommendations for the Contract Management Review.
- The development assessment audit recommendations are nearly complete. The online payment recommendation is approximately 4 – 5 weeks from being implemented and closed out.

### **12.07 pm Development Assessment Internal Audit - progress report.**

**Report Reference: FAC190528R14**

The Committee noted the report and the progress made regarding the implementation of recommendations. The team has progressed well with the review/change of documents and the implementation of training. The team has focused on reviewing its delegations, checklists and processes. The team has also focused on the team culture and customer experience via customer satisfaction survey. The information being provided is generally customers are satisfied however are not happy when things take too long or they don't understand the process. The team is now preparing (in conjunction with Charles Sturt) for the implementation of the e-planning portal.

## **WORKSHOP / PRESENTATION ITEMS**

Nil

## **OTHER BUSINESS**

The Committee acknowledged the resignation of Mr Vincent Mifsud, General Manager Corporate Services and thanked him for his valuable contribution to this Committee over the past ten years.

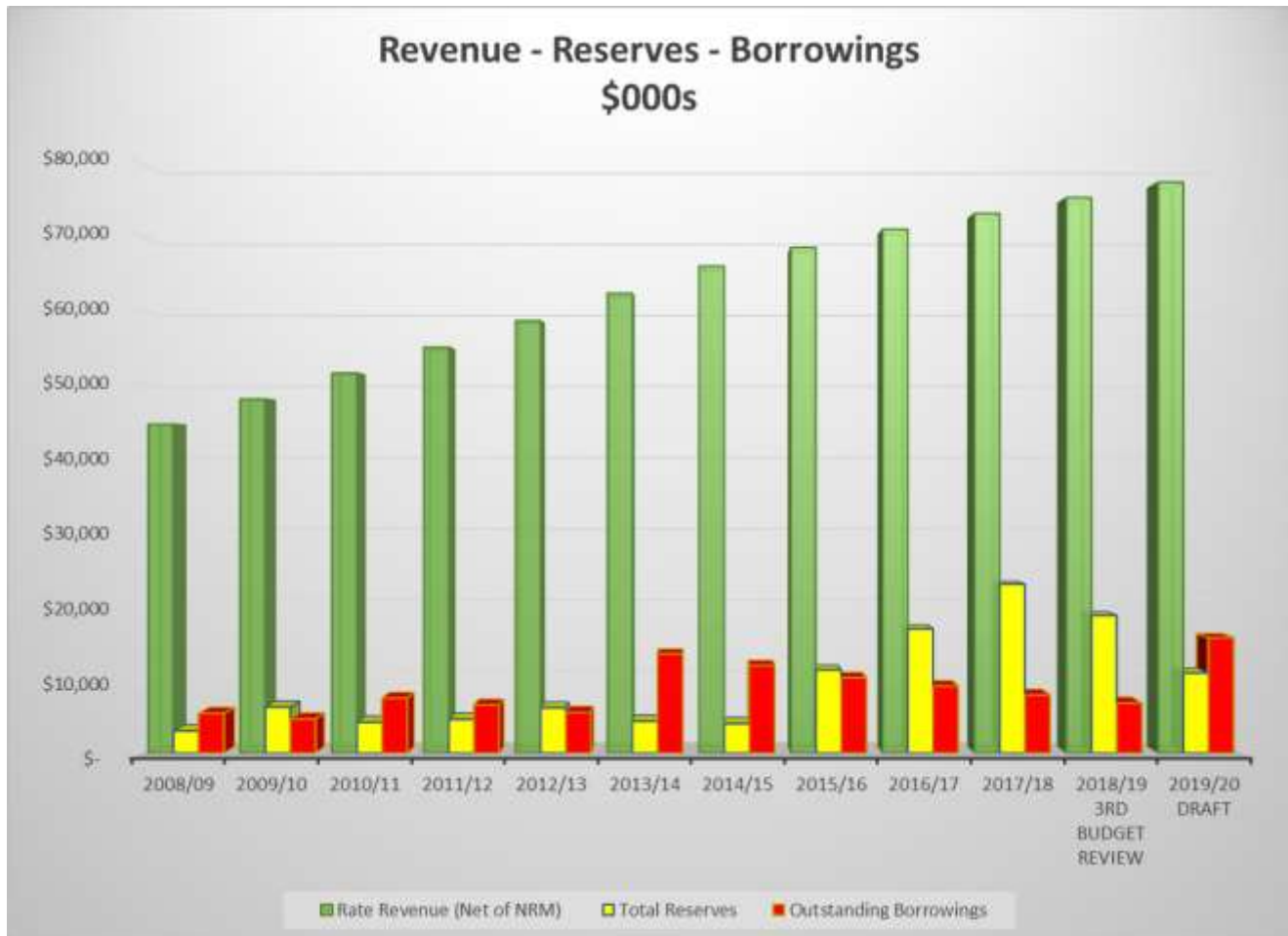
**MEETING CLOSURE** - Meeting Declared Closed at 12.12 pm

**CONFIRMED THIS 20th DAY OF AUGUST 2019**

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**CHAIRPERSON**

Appendix 1 - Elected Member Report (Councillor Gard)



## BUSINESS ARISING

### Business Arising Statement

<b>Originating Officer</b>	Manager Corporate Governance - Kate McKenzie
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	Acting General Manager Corporate Services - Ray Barnwell
<b>Report Reference</b>	FAC190820R02

### 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 note the report.

### Attachment

#	Attachment	Type
1	FAC190820 - Business arising statement	PDF File

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	February 2019	<b>Internal Audit Program 2018/19 Customer Experience</b> Consider Customer Experience Training as part of the Elected Member Training and Development Plan.	K Cocks/ K McKenzie	TBA	This item is being considered as part of the Elected Member Training and Development Plan.	
2.	February 2019	<b>Project Management Framework</b> An update report and a revised Framework be presented to the Finance and Audit Committee at the August 2019 meeting.	F Harvey	August 2019	An update report will be brought to the August FAC meeting.	Completed
3.	February 2019	<b>Other Business</b> The Chair requested that an update report be brought to the next meeting regarding the revised leasing accounting standards outlining the known impact to Council.	R Barnwell	May 2019	A report has been completed and is provided for noting at the 20 August FAC meeting.	Completed

\* Completed items to be removed are shaded

<b>SCHEDULE OF MEETINGS 2019</b>			
<b>Day</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
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**

<b>Topic</b>	<b>Action</b>
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**

<b>Topic</b>	<b>Action</b>
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
Project Management Framework Update	
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
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 Internal auditors in camera	Seeking feedback from Auditors
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

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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

**CONFIDENTIAL ITEMS****Cover Report - Service Review - Corporate Information and Communication Technology - Report**

<b>Originating Officer</b>	Acting Manager ICT - Annmarie Mabarrack
<b>Corporate Manager</b>	Acting Manager ICT - Annmarie Mabarrack
<b>General Manager</b>	Acting General Manager Corporate Services - Ray Barnwell
<b>Report Reference</b>	FAC190820F01

**RECOMMENDATION**

- 1. That pursuant to Section 90(2) and (3)(a) and (d) of the Local Government Act 1999, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Tony Lines, Ray Barnwell, Fiona Harvey, Steph Roberts, Annmarie Mabarrack, Nicola Beckwith-Jones, Kate McKenzie, Cass Gannon and Mel Nottle-Justice be excluded from the meeting as the Committee receives and considers information relating to the Service Review – Corporate Information and Communication Technology – Report, upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information, relates to personnel matters and commercial information of a confidential nature.***

## Service Review - Corporate Information and Communication Technology - Report

### 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(a)**: information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead).

## REPORTS FOR DISCUSSION

### Elected Member Report

<b>Originating Officer</b>	Manager Corporate Governance - Kate McKenzie
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	Acting General Manager Corporate Services - Ray Barnwell
<b>Report Reference</b>	FAC190820R03

### REPORT OBJECTIVE

*Section 3.5 of the Finance and Audit Committee Terms of Reference states "where the Council makes a decision relevant to the Finance and Audit Committees Terms of Reference, the Elected Member Representative will report the decision to the Audit Committee at the next Committee meeting and provide relevant context".*

### RECOMMENDATION

**That the Finance and Audit Committee:**

1. **Note this report**

### GENERAL ANALYSIS

Since the last FAC meeting, Council has met four (4) times and made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order:

### DISCUSSION

#### 11 June - General Council Meeting

Internal Audit Tender Outcomes - Report Reference: GC190611F05  
Council consider this report in confidence and appointed KPMG for the internal audit contract.

Representation Review - Report Reference: GC190611R07  
Council determined to commence its Representation Review that will assess the Councils composition and ward structure.

Draft 4 Year Business Plan 2019-2023 and Draft Annual Business Plan 2019/20 and Draft Long Term Financial Plan  
Report Reference: GC190611R10  
Council considered the draft 4 Year Plan and provided feedback.

Annual Review of the Schedule of Delegations - June 2019 - Report Reference: GC190611R11  
Council undertook its annual review of delegations.

Coastal Walkway Audit - Report Reference: GC190611R12  
Council considered a report on the Coastal Walk way and noted that some sections were closed whilst structure assessments where being undertaken.

Rescission Motion - Onkaparinga Boundary - Report Reference: GC190611M01  
Council determined to rescind its previous decision to review boundaries with Onkaparinga.

CONFIDENTIAL - Cove Sports Facility Investigation - Report Reference: GC190611F08

This item was considered in confidence.

## **25 June General Council Meeting**

4 Year Business Plan 2019-2023 - Report Reference: GC190625R08

Council adopted the 4 year Business Plan.

Annual Business Plan 2019-20 and Long Term Financial Plan - Report Reference: GC190625R09

Council adopted the Annual Business Plan and Budget with a 1.8% rate increase. In addition to this, the following reports were also considered:

- Valuation - Adoption for 2019-20 Financial Year - Report Reference: GC190625R10

- Rates Declaration 2019-20 - Report Reference: GC190625R11

- Rate Rebate 2019-20 - Report Reference: GC190625R12

Public Interest Disclosure (PID) Act 2018 - Report Reference: GC190625R21

Council adopted a new PID Policy that has replaced the Whistleblowers Policy.

## **23 July General Council Meeting**

Living Kurna Cultural Centre: Additional Information - Report Reference: GC190723R05

Council considered a report on the LKCC and determined that Council continue to work with KYAC to provide Kurna management of the site through a proposed 51% / 49% co-management model for Warriparinga.

The Code of Practice, Procedures at Meetings - Report Reference: GC190723R11

Council adopted a new Code of Practice to govern Council meetings. this included a speaking time of two minutes.

Council Member Policies - Report Reference: GC190723R12

Council considered and adopted a number of Policies that relate to Council Members.

## **13 August General Council**

Independent Member - Finance and Audit Committee and SRWRA Audit Committee

Report Reference: GC190813F02

Council determined to commence a recruitment process for a new independent Member for the FAC and to re-appoint Mr Connor to SRWRA until July 2021.

Council Solutions Kerbside Waste Tender Outcomes - Report Reference: GC190813F03

This report was confidential.

10 Year Strategic Plan update - Report Reference: GC190813R08

Council adopted the 10 Year Plan.

Corporate and CEO KPI Report Quarter Four 2018/19 - Report Reference: GC190813R13

Council noted the results of the corporate KPI's

## Desktop Review of Infrastructure Construction - Scoping Summary

<b>Originating Officer</b>	General Manager City Services - Tony Lines
<b>Corporate Manager</b>	N/A
<b>General Manager</b>	General Manager City Services - Tony Lines
<b>Report Reference</b>	FAC190820R04

### REPORT OBJECTIVE

To advise the Finance and Audit Committee of a desktop review that is currently being undertaken on Infrastructure Construction.

### EXECUTIVE SUMMARY

The City of Marion is commencing a desktop review of its Infrastructure Construction activities to identify opportunities to improve community outcomes from a cost, quality and service level perspective. We will do this in conjunction with the cities of Charles Sturt and Port Adelaide Enfield to learn from each other and collectively improve outcomes for our communities.

Opportunities will be identified through analysis of the relative performance of the three councils, and possibly other councils. The process will include activity costing, cost and performance benchmarking, opportunity scanning, and prioritisation of opportunities based on community value and risk.

Marion has an annual capital spend (based on 2017/18 published results) of \$22 million per annum, with \$12 million of that an Infrastructure spend. The three councils have a combined Infrastructure spend of \$73 million per annum.

The desktop review will likely commence in August and be completed by October 2019.

### RECOMMENDATION

**That the Finance and Audit Committee:**

1. Notes this report.

### GENERAL ANALYSIS

<b>Industrial Relations:</b>	Impacted staff and associated union have been briefed on this desktop review.
<b>Timeline</b>	Likely August to October 2019
<b>Current Budget Allocation</b>	Within existing budget areas.

### DISCUSSION

#### In-Scope Activities

The entire asset cycle will be included in the scope in order to comprehensively assess the effectiveness of the value and outcomes from Infrastructure Construction. This will include:

- Asset Management Planning

- Asset auditing/inspections
- Annual program planning
- Technical design
- Construction including project management, contractor management and delivery
- Maintenance
- Customer events in relation to in-scope activities.

Asset categories to be included in the scope are the major asset groups located between property boundaries or attached to roads, namely:

- Roads
- Streetscape developments
- Kerb and Gutter
- Drainage
- Footpaths (including kerb ramps)
- Signage
- Traffic Management Devices
- Car Parks (on street and off street)
- Bus Shelters.

Data inputs required for analysis will as a minimum include Asset Management Plans, asset condition data, capital spend, asset quantities and dimensions, capital spend, maintenance spend, maintenance volumes, contractual information, FTE allocations, key processes in place. and customer events.

Examples of the types of comparisons and investigations across the councils are:

- Relative replacement to asset ratios
- Conditions that assets are being replaced
- Use of alternative replacement / reconditioning treatments
- Timing of renewal vs maintenance
- Use of mobility
- Advantage/opportunity in sharing resources
- Advantage/opportunity in joint procurement
- Equipment purchase versus hire versus hiring contractors to undertake specialised works.

## **Deliverables**

The deliverables from this review will include:

- Benchmarking of the in-scope activities between the councils
- Insight into the differences in performance between each of the councils
- Quantified assessment of opportunities to improve performance at the councils
- Recommendations on next steps including prioritised areas for further detailed assessment or implementation.

## Service Review Program and Recommendations - Progress Update

<b>Originating Officer</b>	Performance & Innovation Leader - Cass Gannon
<b>Corporate Manager</b>	Manager Innovation and Strategy - Fiona Harvey
<b>General Manager</b>	General Manager City Development - Abby Dickson
<b>Report Reference</b>	FAC190820R05

### REPORT OBJECTIVE

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

- The overall status of the Service Review program for FY2019/20
- The implementation of the Service Review Program recommendations as at 22 July 2019

### EXECUTIVE SUMMARY

At the 25 June 2019 meeting of General Council, Council adopted the Service Review Program for FY2019/20. The program is progressing as planned, with the review of nine services (a blend of City of Marion only and cross council reviews) to be undertaken. Tracking on the progress of all reviews can be viewed in Appendix 1.

The cross council service review methodology involves conducting a desktop analysis as a first stage, with the focus of the review based on the outcomes of the desktop analysis. Due to this approach the specific number of service reviews delivered in FY2019/20 may vary from the 9 proposed.

Since the last report to FAC190528 and as of 22 July 2019, significant progress has been made with regards to the implementation of recommendations from service reviews. This progress brings the number of service reviews with open actions from 6 to 5 (see appendix 2). Highlights from the implementation of service review recommendations since the last report include:

- The completion of the implementation of all recommendations for the Customer Service Service Review, including the redevelopment of the administration building foyer, this review is now complete.
- The structural review of the Records Management Team is now endorsed with recruitment underway for the new role of Team Leader.
- Asset related data cleansing activities continue to progress and a Business Process Analyst has been recruited to support the progress of the Asset Management Service Review.
- iPads have been purchased for Community Safety Inspectors to enable enhanced mobility in the field. ICT are developing an app to enable the use of Customer Event System in the field.
- Open Space Phase 2 implementation is progressing, with automation applied for program job allocations (mowing and traffic devices) and quality audits (mowing, traffic devices and trees).
- A report outlining three potential future models for Living Kaurna Cultural Centre has been presented to General Council it was decided to continue to work towards transitioning to a model where Kaurna would manage the LKCC with a majority 51 percent stake in the Centre while Council would have 49 percent.

More detail on the progress of the implementation of recommendations from the Service Review Programs are outlined in Appendix 2.

## RECOMMENDATION

That the Finance and Audit Committee:

1. Notes and provides comment on the following:

- 1.1 Appendix 1 - Service Review Program FY2019/20 - Progress Update
- 1.2 Appendix 2 - Service Review Recommendations - Progress Update

## Attachment

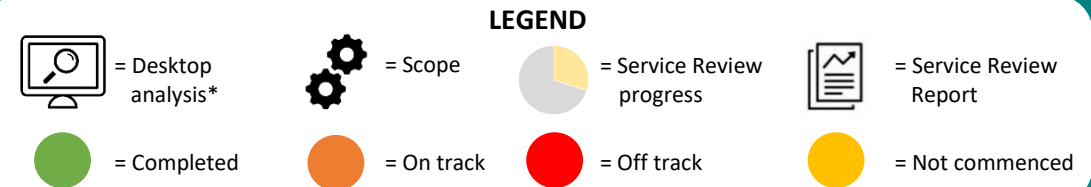
#	Attachment	Type
1	FAC190820 - Service Review Program and Recommendations - Progress Update - Appendix 1	PDF File
2	FAC190820 - Service Review Program and Recommendations - Progress Update - Appendix 2	PDF File

How are we progressing  
overall with service reviews?

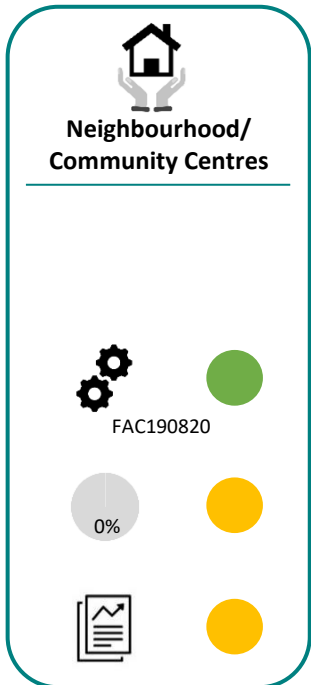
9  
Total  
service reviews



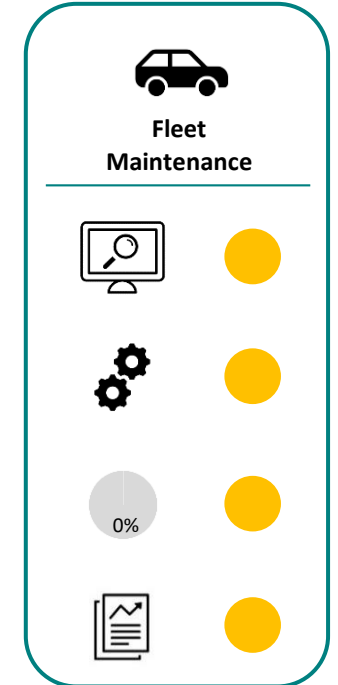
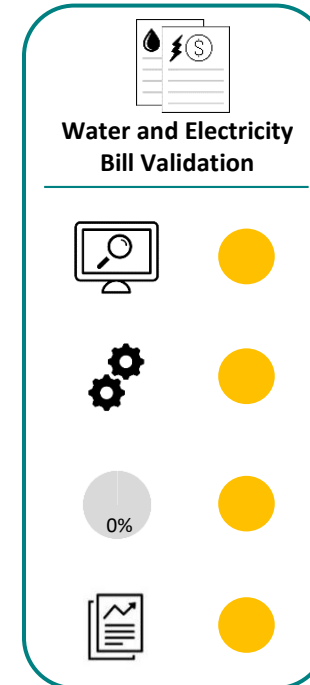
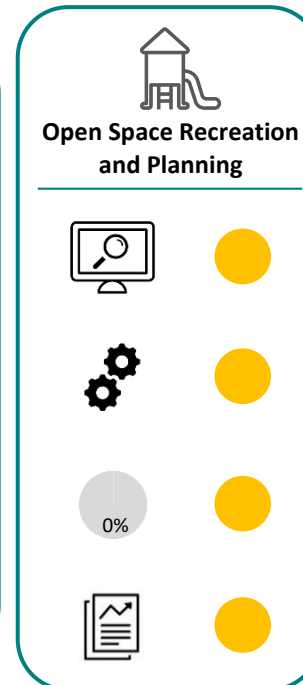
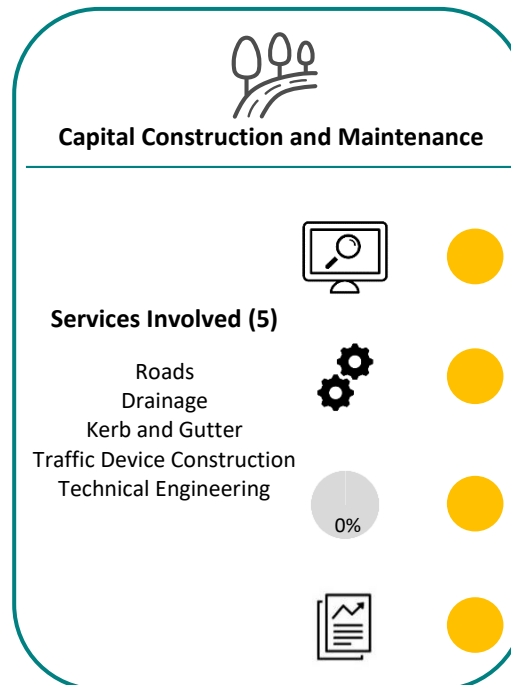
How are we progressing  
per service review?



### Standalone Service Reviews



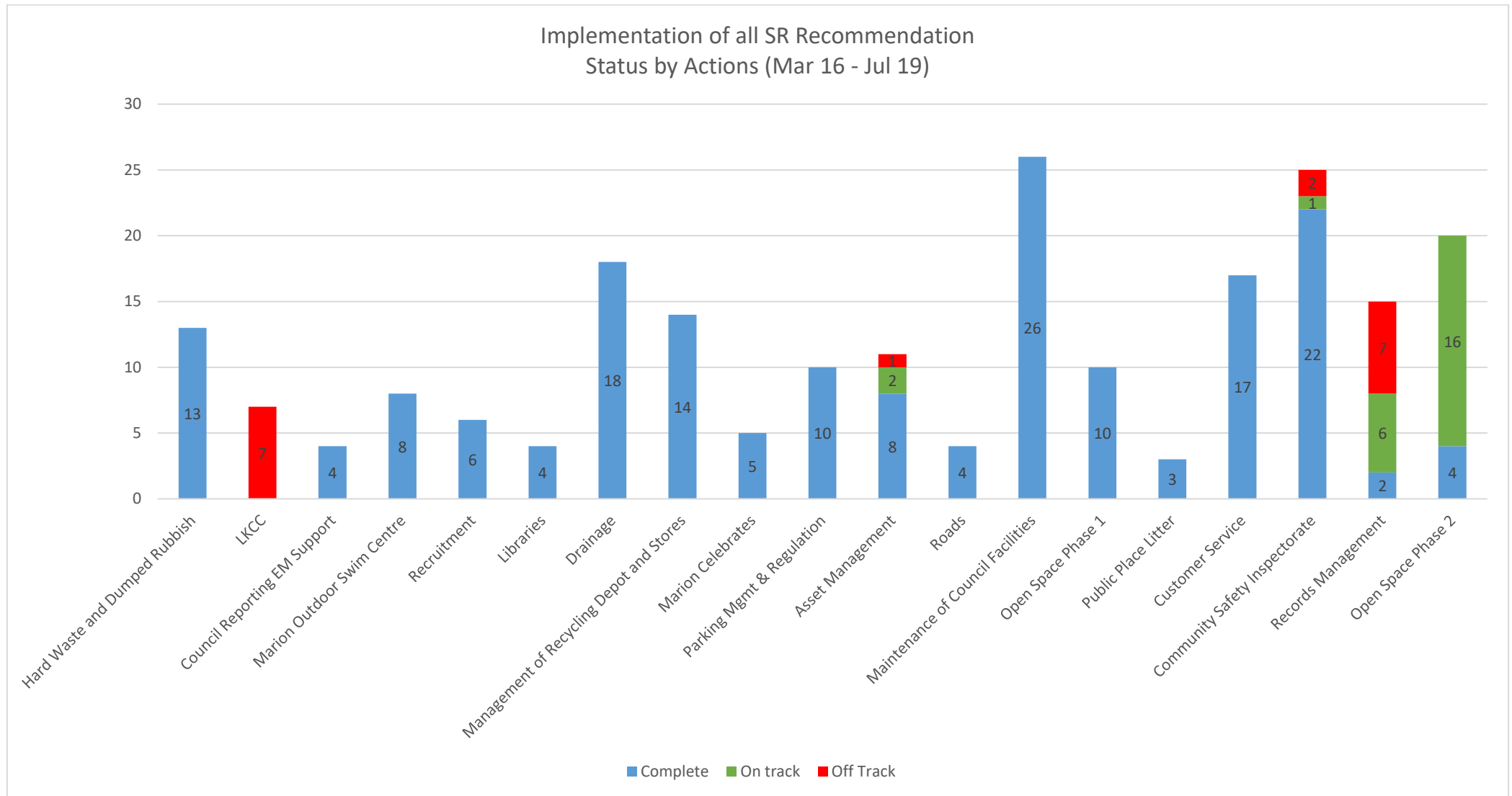
### Cross Council Service Reviews



\* Desktop analysis undertaken during cross council service reviews only

# All Service Review Recommendations - Progress Update (Appendix 2)

(Status as at 22/07/2019 based on tracking against original completion dates)



# Open Service Reviews - Recommendations - Progress Update

(Status as at 22/07/2019 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
City Development	City Activation	Living Kaurna Cultural Centre	May-16	Dec-17, Dec-21	7	7		7		0%	<p>A report outlining three potential future models, outcomes and timings was discussed at the I&amp;S committee on 4 June 2019. The I&amp;S recommended that an Expression of Interest process be conducted to test the market for potential external management of Warriparinga. A report went to Council on 23 July 2019 it was decided to continue to work towards transitioning to a model where Kaurna would manage the LKCC with a majority 51 percent stake in the Centre while Council would have 49 percent. Staff will prepare a progress report for Council in January 2020.</p> <p>LKCC staff have continued to deliver regular programs as well as developing partnerships with Aboriginal service providers to develop opportunities for the Centre and working across other Council programs.</p>
	Innovation and Strategy	Asset Management	Aug-17	Jun-18	4	11	2	1	8	73%	<p>Cleansing activities underway for asset data with the following progress:</p> <ul style="list-style-type: none"> <li>• High priority 94% complete.</li> <li>• Medium priority 67% complete.</li> <li>• Low priority 31% complete.</li> </ul> <p>A Business Process Analyst has been recruited to support the progress of the Asset Management Service Review.</p>
	Development and Regulatory Services	Community Safety Inspectorate	May-18	Jul-19	7	25	1	2	22	88%	<p>Major highlights of progress include:</p> <ul style="list-style-type: none"> <li>• New service level and roster has been implemented.</li> <li>• After-hours service provider contract extended.</li> <li>• iPads have been purchased and being configured, ICT are developing an app to enable CSIs to use Customer Event System in the field</li> </ul>

# Open Service Reviews - Recommendations - Progress Update

(Status as at 22/07/2019 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
											<ul style="list-style-type: none"> <li>The process for collection of discarded syringes has been completed and a revised process has been implemented.</li> <li>GiS technology has been implemented to improve scheduling of work and proactive patrols and monitoring performance.</li> <li>A comprehensive suite of key metrics and reports has been developed and implemented and is being used to schedule work and monitor performance.</li> <li>The benefits realised review post year 1 has commenced.</li> </ul> <p>Awaiting decision regarding assigning responsibility to which Team regarding unsightly premises and noise and other nuisance from building sites</p>
<b>Division Total</b>					<b>18</b>	<b>43</b>	<b>3</b>	<b>10</b>	<b>30</b>	<b>70%</b>	
	Engineering and Field Services	Open Space Phase 2	Aug-18	Jun-22	63	20	16		4	20%	The following programs have been set up: <ul style="list-style-type: none"> <li>Automation of program job allocations – mowing and traffic devices.</li> <li>Automation of quality audits – mowing, traffic devices and trees.</li> <li>Irrigation seasonal inspection program and reactive irrigation jobs.</li> </ul>
	Customer Experience	Customer Service	Feb-18	Mar-20	17	17			17	100%	Major highlights of progress include: <ul style="list-style-type: none"> <li>Hard Waste Process Improvement Project concluded with implementation underway. Call volume to CST regarding hard waste has reduced by 14% while web based events have increased by 67%.</li> <li>Redevelopment of the administration building foyer completed.</li> <li>The review of the Customer Payment Process completed.</li> <li>The benefits realised review post year 1 completed with the following key highlights:</li> </ul>

# Open Service Reviews - Recommendations - Progress Update

(Status as at 22/07/2019 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
											- 17% reduction in calls handled by CST (customers can now go direct). - 4% reduction in calls transferred (reduction in double handling). - 12% increase in overall call quality score - 33% reduction in fee for service call handling costs. - 100% reduction in security guard costs. The service review implementation is now complete.
					<b>80</b>	<b>37</b>	<b>16</b>	<b>0</b>	<b>21</b>	<b>57%</b>	
Corporate Services	Corporate Governance	Records Management	Aug-18	Dec-19	15	15	6	7	2	13%	Strategic Records Management Framework Draft received, awaiting final review and signoff. Records Team Structural review is complete, and endorsed, recruitment is underway for a new Team Leader.
					<b>15</b>	<b>15</b>	<b>6</b>	<b>7</b>	<b>2</b>	<b>13%</b>	

## Completed Service Reviews

(March 2016 – Jul 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
- Hard Waste
- Parking Management and Regulation
- Maintenance of Council Facilities
- Marion Celebrates
- Open Space Phase 1

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

## Service Review - Neighbourhood/Community Centres - Scope

<b>Originating Officer</b>	Performance & Innovation Leader - Cass Gannon
<b>Corporate Manager</b>	Manager Community Connections - Liz Byrne
<b>General Manager</b>	General Manager City Services - Tony Lines
<b>Report Reference</b>	FAC190820R06

### REPORT OBJECTIVE

To provide the Finance and Audit Committee with the Service Review Scope for Neighbourhood/Community Centres for their review and feedback.

### EXECUTIVE SUMMARY

The Performance and Innovation Team has worked with the relevant Managers of the service and the Executive Leadership Team to develop the scope.

The Service Review is scheduled to be undertaken from December 2019 through to February 2020, with further data analysis occurring in April 2020 to test the trial of the third community bus and extended opening hours. A final report will be provided to the May 2020 meeting of the Finance and Audit Committee.

### RECOMMENDATION

**That the Finance and Audit Committee:**

- 1. Provide feedback on the Service Review - Neighbourhood/Community Centres - Scope (Appendix 1).**

### GENERAL ANALYSIS

Neighbourhood/Community Centres were identified in the Service Review Program FY2019/20 for review. This Service Review will encompass one service.

The areas of focus are to review the operations of the Neighbourhood/Community Centres to;

- Test the operating model and utilisation
- Conduct benchmarking of our service provision across Local Government in SA and assess for opportunities for collaboration
- Test the capacity to increase programs and program attendance, as per recent Council reports and motions
- Analyse and assess data from the third community bus trial (commencing in July 2019)
- Analyse and assess data from the extended opening hours trial (occurring during daylight savings months i.e. October 2019 to March 2020)
- Assess how the current overall operations support the strategic direction of Council and align to Neighbourhood/Community Centres of the future
- Identify opportunities for broader process and system improvements

**Innovation:** Contributes to CoM Business Plan 2019-23 'innovative business' to 'continuously improve through the service review program'

**Attachment**

#	Attachment	Type
1	FAC190820 - Service Review - Neighbourhood_Community Centres - Scope - Appendix 1	PDF File

#### Service Details

<b>Service Review Name:</b>	Neighbourhood/Community Centres
<b>Services Involved:</b>	Neighbourhood/Community Centres
<b>Senior Leadership Team Member:</b>	Liz Byrne, Manager Community Connections
<b>Executive Leadership Team Member:</b>	Tony Lines, General Manager City Services
<b>Date:</b>	July 2019

#### Service Description:

The City of Marion's four neighbourhood/community centres provide programs and activities to support the community's health, welfare, educational and social needs. The centres provide a relaxed, non-competitive environment, which encourages wellbeing and a sense of identity and community.

Customers participate in a wide range of programs, including arts and crafts, health, fitness, dance, classes for parents, children and seniors, social outings and meals.

The centres are Coinda (Sturt), which is located centrally; Mitchell Park and Glandore serve the north east, and Trott Park is in the south.

#### Service Review Scope

##### Areas of Focus

Review the operations of the Neighbourhood/Community Centres to;

- Test the operating model and utilisation
- Conduct benchmarking of our service provision across Local Government in SA and assess for opportunities for collaboration
- Test the capacity to increase programs and program attendance, as per recent Council reports and motions
- Analyse and assess data from the third community bus trial (commencing in July 2019)
- Analyse and assess data from the extended opening hours trial (occurring during daylight savings months i.e. October 2019 to March 2020)
- Assess how the current overall operations support the strategic direction of Council and align to Neighbourhood/Community Centres of the future
- Identify opportunities for broader process and system improvements

##### Deliverables

- Service Review report with meaningful recommendations
- Implementation plan for recommendations

##### Constraints

- Availability of key stakeholders
- Ability to access appropriate data and systems

##### Key Stakeholders

###### Internal

- General Manager City Services
- Manager Community Connections
- Unit Manager Community Wellbeing
- Team Leader Community Hubs
- Community Wellbeing Department
- Human Resources
- Elected Members
- Senior Leadership Team
- Finance and Audit Committee
- Staff
- Volunteers

###### External

- Union
- Customers
- Non-Customers
- Community Centres SA
- Department of Human Services
- Department for Innovation and Skills

#### Timeframe

Item	Timeframe
Plan and undertake review	December 2019 to February 2020
Analyse and assess data from the extended opening hours and third community bus trial	April 2020
Present report and recommendations to Executive Leadership Team	April 2020
Present report and recommendations to Finance and Audit Committee	May 2020

#### Scope Approval

<b>Senior Leadership Team Member – Scope Meeting</b> Liz Byrne, Manager Community Connections	<b>Date:</b> 1/7/19
<b>Executive Leadership Team Member – Scope Meeting</b> Tony Lines, General Manager City Services	<b>Date:</b> 1/7/19
<b>Executive Leadership Team – ELT Meeting</b>	<b>Date:</b> 22/7/19

#### Scope Feedback from Finance & Audit Committee

<b>Finance &amp; Audit Committee</b>	<b>Date:</b> 20/8/19
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#### Feedback from Finance & Audit Committee

#### Feedback Outcomes

## Asset Management Strategy

<b>Originating Officer</b>	Senior Assets Project and Strategy Officer - Catrin Johnson
<b>Corporate Manager</b>	Manager Innovation and Strategy - Fiona Harvey
<b>General Manager</b>	General Manager City Development - Abby Dickson
<b>Report Reference</b>	FAC190820R07

### REPORT OBJECTIVE

The purpose of this report is to seek input from the Finance & Audit Committee (FAC) on the draft Asset Management Strategy.

### EXECUTIVE SUMMARY

The City of Marion manages a large and diverse asset portfolio, valued in excess of \$1bn. These assets make up the social and economic infrastructure that enables the provision of services to the community and businesses, playing a vital role in the local economy and on quality of life. Asset Management is a critical tool in ensuring appropriate provision is made for the long-term management of Council assets, and their impacts on all areas of service planning and delivery.

The City of Marion recognises the importance of Asset Management and acknowledges the need to invest in skilled people, accurate data, improved processes and intelligent systems. Well established and documented Asset Management practices ensure the organisation makes effective decisions, providing the best possible result for the community.

An Asset Management Strategy is a key planning document that specifies how an organisation's strategic objectives are addressed by its asset management objectives. The Asset Management Strategy provides a better understanding of how to align the asset portfolio to best meet the service delivery needs of the local community, both now and in the future, achieving Council's Asset Management Policy.

The draft Asset Management Strategy (Appendix 1) has been developed with significant internal stakeholder engagement and is presented for FAC's feedback. Following FAC's review the draft strategy will be presented to Council for endorsement.

### RECOMMENDATION

That the Finance and Audit Committee provides feedback on the Draft Asset Management Strategy (Appendix 1)

<b>Risk Management:</b>	Appreciation of Council's current position. Defining where we want to be and how we will get there. Ensuring continuous improvement.
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<b>Legal / Legislative / Policy:</b>	Section 122 - Local Government Act 1999
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### DISCUSSION

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.

The Draft Asset Management Strategy (Appendix 1) is a key element of Council's Asset Management framework, aligned to Council's Strategic Management Framework. It is a dynamic, high-level document setting a clear direction to meet the evolving service delivery needs of the community - now and into the future. It establishes the City of Marion's Asset Management Vision and Strategic Objectives, supported by clear outcomes and key performance indicators (KPIs). Monitoring and measurement of these KPIs will be undertaken through the Metrics that Matter project (where teams are embedding service level KPIs and monitoring these through Business Intelligence systems), will be supported by cleansed data from Council's Asset Management System and will be reported to the Assets Steering Committee (senior management committee overseeing asset management).

The following headline KPIs will be reported annually to ELT and Finance and Audit Committee:

- Rating of Council's asset management practices against the Institute of Public Works Engineering Australia (IPWEA) National Asset Management Strategy (NAMS) maturity assessment tool
- Asset sustainability ratios

This Draft Asset Management Strategy was supported by the Assets Steering Committee. It will be embedded and delivered through the rolling 3-year Asset Management Improvement Plan and Asset Management Plans for:

- Buildings and Structures
- Transport
- Stormwater
- Water Resources
- Open Space
- Coastal Walkway
- Fleet, Plant and Equipment
- ICT

## Attachment

#	Attachment	Type
1	DRAFT Asset Management Strategy 2019 for FAC200819	PDF File

# DRAFT City of Marion Asset Management Strategy 2019-2028



# WHAT ASSETS DO WE HAVE?

The City of Marion owns and manages a large and diverse asset portfolio, valued in excess of \$1 billion. These assets make up the social and economic infrastructure that enables the provision of services to the community and businesses for current and future generations, playing a vital role in the local economy and on quality of life.

## WE OWN AND MANAGE OVER \$1 BILLION OF ASSETS



Buildings and  
Structures



Transport



Stormwater



Water Resources



Open Space



Coastal Walkway



Fleet, Plant and  
Equipment



Information and  
Communication  
Technologies

Our role as Council is to ensure that Council's assets meet the needs of the community now and into the future. Council's Asset Sustainability Ratio target of 95-100% provides a measure as to whether Council's asset portfolio is being optimally managed.

The South Australian Local Government Act 1999 and its regulations require each council to have a strategic management plan covering the management of infrastructure and other major assets of the Council for a period of at least ten years. This Asset Management Strategy, as well as Council's existing individual asset management plans for the various asset classes, fulfils this legislative requirement.

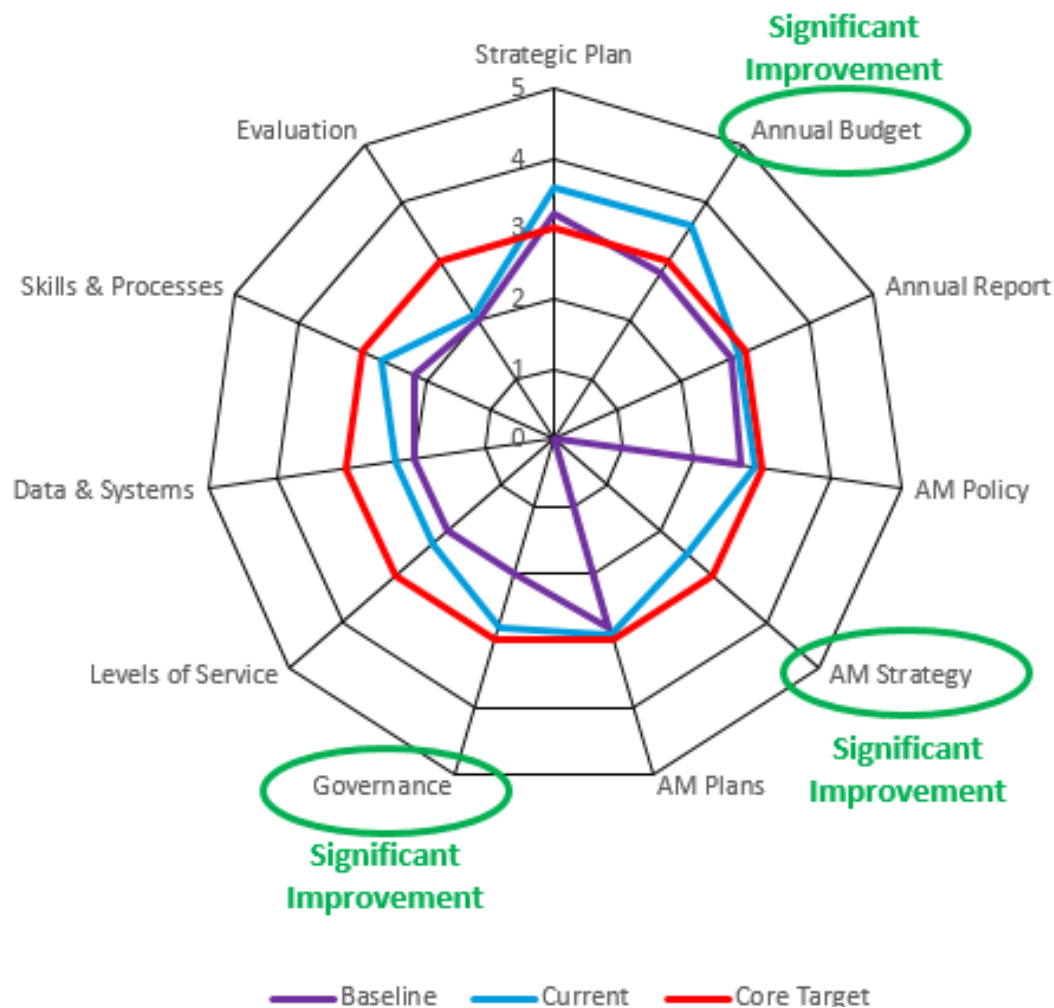
# ASSET MANAGEMENT **LIFECYCLE**

[illegible]

CITY OF  
**MARION**

# WHERE ARE WE NOW?

We are committed to implementing asset management best practice across all areas of council. The results of Council's baseline and most recent maturity assessments (March 2017 and March 2019) have been compared to the Institute of Public Works Engineering Australasia (IPWEA) National Asset Management Strategy (NAMS) targets for "core" asset management and "advanced" asset management.



The maturity scale builds from 1 (Aware) to 3 (Core Maturity) to 5 (Advanced Maturity). In 2019, Council met the Core maturity requirements (a minimum score of 3) in three of the 11 elements.

Our target is to achieve a minimum rating of 3 (Core Maturity) for all 11 elements by 30 June 2021 then visible progress towards a rating of 5 (Advanced Maturity)

# WHERE DO WE WANT TO BE?

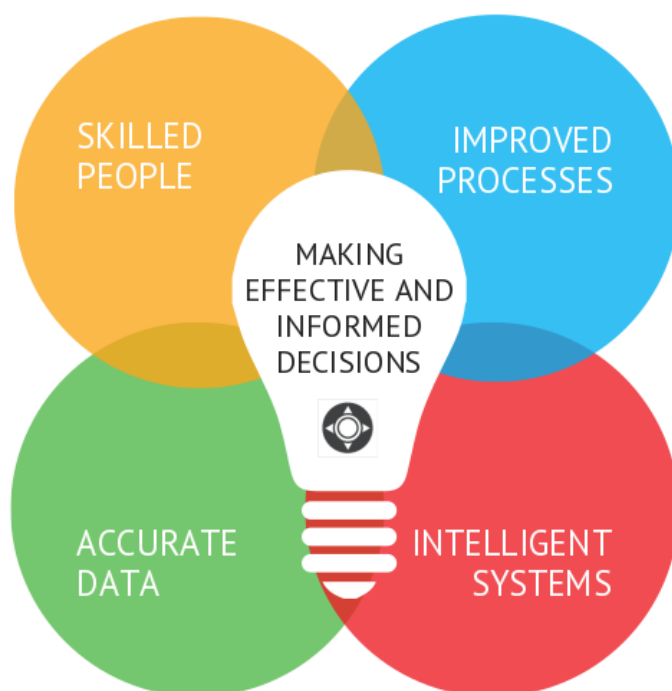
The City of Marion Asset Management vision is:

To maintain the City of Marion's assets to agreed levels of service which maximise community value throughout an asset's life

supported by four Strategic Objectives:

1. **MAXIMISE COMMUNITY VALUE**
2. **DELIVER AGREED LEVELS OF SERVICE**
3. **WHOLE-OF-LIFE, WHOLE-OF-COUNCIL APPROACH**
4. **OPTIMALLY MANAGED**

Council will make effective and informed decisions through each stage of the asset lifecycle to achieve the Asset Management Vision and Strategic Objectives, through:



## SKILLED PEOPLE

Our people will provide outstanding asset management leadership to drive a focus on achievement, responsibility and accountability

## ACCURATE DATA

Appropriate data validation procedures will ensure the integrity of Asset Management data (i.e. the data is accurate, relevant and complete) and can be relied upon to make informed decisions in the Council's (and Community's) best interest

## IMPROVED PROCESSES

Our asset management processes will be appropriate, streamlined, efficient, well-defined and documented

## INTELLIGENT SYSTEMS

Our system will be a fully integrated system that: is dynamic; is populated with timely and accurate data; has a user-friendly interface and reporting functionality, and has a strong emphasis on its Geographical Information System (GIS)

# MAXIMISE COMMUNITY VALUE

City of Marion's assets provide services to our community now and into the future

ACHIEVED THROUGH:

## SKILLED PEOPLE

- Policies and processes which provide responsibility and accountability for asset condition, function and capacity
- Innovation in design, technology, construction and environmental sustainability to improve asset performance and community value
- Council's asset management practices maturing over time to become 'best practice' and how Marion does business

## ACCURATE DATA

- Optimum life cycle costs are known and supported by high levels of data, information and knowledge in all key areas. Political decisions are informed by multiple service level/cost/funding model data, risks, information and knowledge on trade-offs for economic, social, cultural and environmental consequences
- Council's annual "State of the Assets" report covers asset valuation, condition, asset performance, risk, intervention levels, level of service monitoring and future financial sustainability options and consequences
- Benchmarking against State and national asset management performance indicators and reports annually against set targets

## IMPROVED PROCESSES

- Climate change impacts will be appropriately considered in Asset Management decision making
- Risk Analysis is conducted to identify and mitigate the community impact of asset failure
- Asset rationalisation, maintenance and renewal programs are in place for all asset classes

## INTELLIGENT SYSTEMS

- Analysis of 'What-if' long term funding forecasts based on projected asset deterioration by adjusting budgets, project years and prioritisation criteria
- Funding Strategy holistically considers the cost, timing, intergenerational equity and overall community impact of all capital projects
- Optimising the service potential of current assets by ensuring they are operated, monitored and maintained appropriately

MEASURED BY:

- Annual rating of Council's asset management practices against the Institute of Public Works Engineering Australasia (IPWEA) National Asset Management Strategy (NAMS) maturity assessment tool
- Reduction in % Assets in Poor to Very Poor Condition
- Reduction in % Assets in Poor to Very Poor Function
- Reduction in % Assets in Poor to Very Poor Capacity
- Minimising Council's exposure to risk as a result of asset failures
- Consideration of new and upgraded assets in Asset Management Planning process
- Assets have accurate unit rates, condition ratings, remaining life and replacement costs

# DELIVER AGREED LEVELS OF SERVICE

City of Marion's assets are safe, accessible, well maintained and meet community needs in a manner that is sustainable

## ACHIEVED THROUGH:

### SKILLED PEOPLE

- Engaging with the community, across Council, with public sector organisations, community organisations and other stakeholders to understand their needs
- Asset owners manage Council's assets to Australian standards as a minimum technical level of service
- Asset owners consider the expectations of the community through community levels of service

### ACCURATE DATA

- Technical levels of service adopted all for asset classes that reflect community needs
- Community levels of service adopted all for asset classes that reflect community expectations

### IMPROVED PROCESSES

- Qualitative key result areas are set for community levels of service. Key result areas are monitored, measured and reported to Council, against time-based targets
- Quantitative key performance indicators are set for technical levels of service. Key performance indicators are monitored, measured and reported to Council against time-based targets
- Level of service targets are tested with the community every 4 years

### INTELLIGENT SYSTEMS

- Service Level Agreements adopted
- Adequate Long Term Financial Plan funding is available to meet adopted levels of service
- Community levels of service and technical levels of service are monitored and reported to the Executive Leadership Team and Council

## MEASURED BY:

- Improved performance via City of Marion's annual Community Satisfaction survey
- % Assets with technical levels of service established in SLAs and AMPs
- % Assets with community levels of service established in SLAs and AMPs
- % Assets achieving technical levels of service
- % Assets achieving community levels of service

# WHOLE-OF-LIFE, WHOLE-OF-COUNCIL APPROACH

City of Marion understands assets, their performance, risks, investment needs, and value as an input to decision making and organisational strategic planning

ACHIEVED THROUGH:

## SKILLED PEOPLE

- Council makes effective and informed decisions through each stage of the asset lifecycle to achieve the Asset Management Vision
- Resources and operational capabilities are identified with responsibility for asset management throughout their lifecycle clearly allocated in person descriptions
- Staff are appropriately trained in the use of asset management principles, hardware and software systems

## ACCURATE DATA

- Asset Management Plans identify appropriate service levels, operations and maintenance expenditure and maintenance and capital works programs for each asset class, category and component
- Data in Asset Management Plans informs the Annual Business Plan and Long Term Financial Plan
- Asset data is stored, managed and maintained in accordance with Council's Data Governance Framework and Data Standards and Definitions documentation

## IMPROVED PROCESSES

- Lifecycle costs are considered in all decisions relating to new services and assets and upgrading of existing services and assets
- Corporate project management procedures and processes follow the lifecycle of an asset
- Integrated risk management practices are developed and maintained across all asset classes

## INTELLIGENT SYSTEMS

- The Long Term Financial Plan is adopted as the basis for all service and budget funding decisions, recognising appropriate sources of capital investment required to meet Council's asset renewal and replacement needs
- Asset Management Plans are aligned with the Asset Management Strategy, Council's Strategic Plan and LTFP and meet legislative requirements for all Council's operations
- Asset management follows an approach based on maintenance before renewal and renewal before new/upgrade (where it is cost effective to do so)
- The annual budget within Council's Annual Business Plan clearly indicates the ongoing maintenance, operational and renewal impacts arising from capital works and contributed assets

MEASURED BY:

- Achieving a minimum rating of 3 (Core Maturity) for all 11 elements of Council's National Assessment Framework maturity assessment by 30/6/ 2021 then visible progress towards a rating of 5 (Advanced Maturity)
- Asset sustainability ratios
- Asset Management Plans adopted containing projected operations, maintenance, renewal and upgrade/new outlays
- Reduction in % asset renewals funded outside of the Long Term Financial Plan/Asset Management Plans
- Reduction in % of new/upgraded assets funded outside of the Long Term Financial Plan/Asset Management Plans

# OPTIMALLY MANAGED

City of Marion's assets are managed in line with strategic objectives, corporate policies, legislative requirements, regulations and Asset Management Plans

ACHIEVED THROUGH:

## SKILLED PEOPLE

- Skills and knowledge gaps in the receipt (gifted or otherwise), creation, operation, maintenance, monitoring, renewal and disposal of Council-owned assets are identified and addressed throughout the organisation
- Mobility solutions and training provided for field workers to update and maintain asset data 'on the ground' in real time
- Asset Management Information System (AMIS) and Geographic Information System (GIS) training provided for staff to optimally manage their assets

## ACCURATE DATA

- Ongoing collection, auditing and update of data to ensure single point of truth for each asset class, category and component forming a complete and accurate asset register
- All assets are condition assessed with appropriate useful lives and conditions assigned to each component
- Following each annual budget cycle, the asset management plans and the long-term financial plan are realigned

## IMPROVED PROCESSES

- Established and documented corporate asset management procedures and processes specific to the lifecycle of an asset for each asset class
- Operations, maintenance and capital works programs are implemented in accordance with Asset Management Plans
- Asset acquisition, creation and disposal follow a transparent process driven by Council's Policy Framework

## INTELLIGENT SYSTEMS

- Accurate and comprehensive data about all asset classes, categories and components is stored in a centralised corporate Asset Management Information System (AMIS) and mapped through a Geographic Information System (GIS)
- The annual budget and LTFP clearly separate "recurrent expenditure" under the categories of operations and maintenance and clearly separates "capital works expenditure" under the categories of renewal, upgrade and new.
- Asset Management Plans are driven by accurate and comprehensive data stored in the AMIS and GIS

MEASURED BY:

- Achievement of single point of truth and improved level of confidence in data
- Improved capability and knowledge in asset management practices
- Reduction in reactive maintenance Customer Event volume
- Ability to measure maintenance expenditure separate to operational expenditure

# DELIVERY

The Asset Management Framework aligns Council's asset portfolio to meet the service delivery needs of the community. This Asset Management Strategy is aligned to Council's Strategic Management Framework, driven by the priorities of Council's Strategic Plan and is complementary to Council's Long-Term Financial Plan.



City of Marion Practical Asset Solutions

## ASSET MANAGEMENT FRAMEWORK



MAKING INFORMED DECISIONS THROUGH:

**SKILLED PEOPLE** **ACCURATE DATA** **IMPROVED PROCESSES** **INTELLIGENT SYSTEMS**

This Asset Management Strategy is a dynamic document reflecting and responding to changes over time and will be delivered through the rolling 3-year Asset Management Improvement Plan. A full review of this strategy will take place at least every four years following local government elections or any review to Council's Strategic Plan.

# FUTUREPROOFING

Demographic and climate change is challenging the capacity of existing assets to meet the increasing demands of the environment in which they are located. Without intervention their physical condition will deteriorate in the coming years.

The community's expectations too are increasing, which affects the ability of existing purpose-built assets to meet the changing needs of future residents.

In addition, Council receives a number of "gifted" assets from developers, which attract ongoing operational and maintenance costs over their life.



By setting agreed community and technical levels of service in our Asset Management Plans, Council will better manage assets to meet community needs now and into the future. Commencing with the Community Satisfaction Survey 2019, Council will use a range of activities to engage with the community and stakeholders. This data will ensure that the future service levels, funding and management practices proposed for each of our asset classes is appropriate.

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## Insurance and Claims Management 2018-19 Annual Report

<b>Originating Officer</b>	Unit Manager Risk - Sherie Walczak
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	Acting General Manager Corporate Services - Ray Barnwell
<b>Report Reference</b>	FAC190820R08

### REPORT OBJECTIVE

The objective of this report is to provide the Finance and Audit Committee (FAC) with an overview of the insurance renewal program and statistics on the insurance related incidents and claims reported to the City of Marion (CoM) for the period 1 July 2018 to 30 June 2019.

### EXECUTIVE SUMMARY

The following outlines the insurance incidents and claims reported in 2018/19 to Local Government Risk Services (LGRS) which encompasses the Local Government Association Mutual Liability Scheme (LGAMLS) and the Local Government Association Asset Mutual Fund (LGAAMF) through which the CoM is provided with a comprehensive range of insurance products including,

- Public and professional liability insurance,
- Motor Vehicle Assets,
- Property Assets, and
- Event Cancellation cover.

### RECOMMENDATION

**That the Finance and Audit Committee:**

1. **Receives and notes this report.**
2. **Provides comment on the adequacy of the mitigating actions in response to the incident data for the period 2018/2019.**

### DISCUSSION

#### Statistical Analysis

During 2018/19, 331 incidents were reported across the four portfolios of insurance, resulting in 116 claims.

Of those incidents reported, 30 related to motor vehicle assets resulting in 23 claims, 47 related to property assets resulting in 19 claims, 254 related to public liability incidents resulting in 74 claims and event cancellation insurance was procured for two (2) events which wasn't enacted as the events successfully went ahead. Further details on these incidents and claims are outlined in **Appendix 1**.

### CONCLUSION

The CoM continues to take a proactive response to incidents and claims. Attention is given to key risk areas including ongoing review and implementation of risk management systems, asset management plans, workplace emergency management plans and business continuity plans.

The Risk Management Unit continues to record all reported incidents and claims received and work in collaboration with the relative work areas to ensure that these incidents are investigated, corrective and/or preventative actions are implemented and any issues are managed, monitored and resolved effectively to mitigate the risk to the public and property.

Risks are reviewed and monitored regularly via relevant risk registers which identify appropriate risk controls and treatments.

Insurance and claims reports are reviewed quarterly by the Executive Leadership Team and the risk registers are reviewed quarterly by the Senior Leadership Team with all high rated risks reported to the Risk Working Group and to Council.

## Attachment

#	Attachment	Type
1	Appendix 1 - Insurance and Claims Management 2018-19 Annual Report	PDF File

## APPENDIX 1 – Insurance and Claims Management 2018/19 Annual Report

### Motor Vehicle Assets:

During 2018/19, a total of 30 claims resulted from motor vehicle incidents. 7 were managed in-house by CoM and the remaining 23 claims were lodged with LGAAMF.

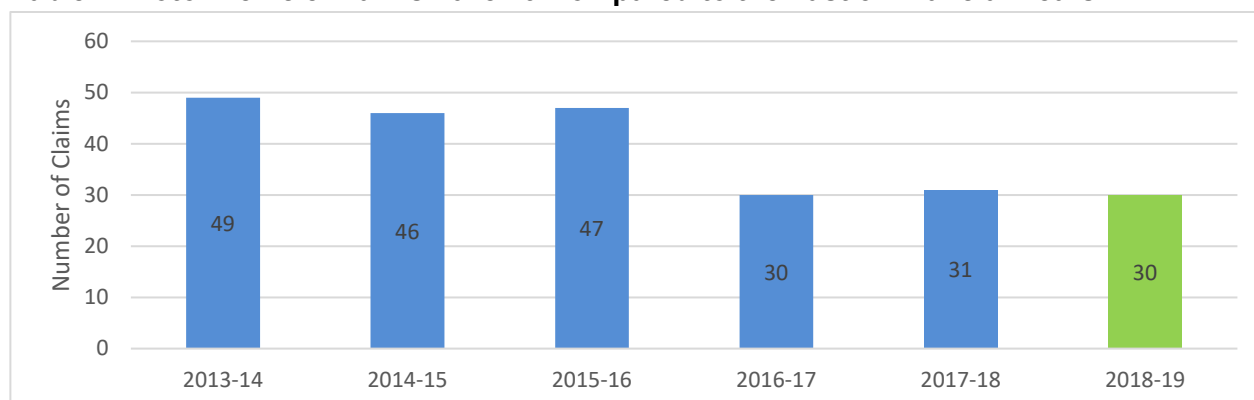
Related information is presented in Table 1 with additional comments listed below:

**Table 1. Motor Vehicle - Incident and Claim Statistics Over the Last 2 Financial Years**

Motor Vehicles	2017/18				2018/19			
Insurance Category 'at fault'	Incidents	Claims	Claims Value (\$)	Actual Cost to CoM (\$)	Incidents	Claims	Claims Value (\$)	Actual Cost to CoM (\$)
CoM	49	24	21,416	9,825	53	25	27,047	5,859
Third Party	11	7	7,575	1,060	8	5	24,367	500
<b>TOTAL</b>	<b>60</b>	<b>31</b>	<b>\$28,991</b>	<b>\$10,885</b>	<b>61</b>	<b>30</b>	<b>\$51,414</b>	<b>\$6,359</b>

- The actual cost to the CoM during 2018/19 totalled \$6,359, which represents a reduction of 41% compared to the actual cost of \$10,885 for 2017/18. The actual cost represent amounts incurred such as excess and/or deductibles.
- Whilst incidents have increased from 60 to 61, claims have been reduced from 31 to 30.
- The fleet renewal program incorporates safety considerations via a pre-purchase risk assessment, highlighting the appropriateness of the vehicle to the task being performed. This will often include provision of additional safety features such as GPS, reversing sensors and cameras.
- Regular corporate messaging reinforces the safety focus via emails, newsletters, toolbox talks and regular General Staff Meetings.
- During 2017/18, quarterly reporting to the Executive Leadership Team was introduced in order to provide high level reporting on; comparative data, incident mitigation, claim trends and on-going insurance risk exposure.
- The motor vehicle claim volume data for the last 5 years is shown below.

**Table 2. Motor Vehicle Claims 2018/19 Compared to the Last 5 Financial Years**



**Property Assets:**

During 2018/19, a total of 47 incidents were reported in relation to CoM property, resulting in 19 claims.

Related information is presented in Table 3 with additional comments listed below:

**Table 3. Property Asset - Incident and Claim Statistics Over the Last 2 Financial Years**

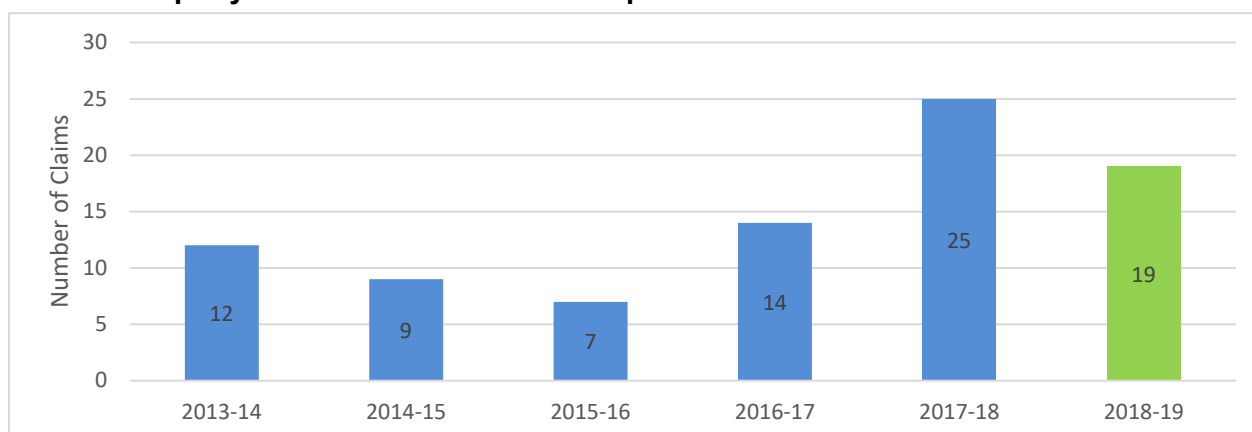
Property Asset	2017/18				2018/19			
Insurance Category	Incidents	Claims	Claims Value (\$)	Actual Cost to CoM (\$)	Incidents	Claims	Claims Value (\$)	Actual Cost to CoM (\$)
Accidental Damage	4	2	5,071	1,500	4	1	17,284	1,000
Arson	4	2	2,730	2,000	3	1	25,000	-
Break-in	2	1	1,841	1,000	3	2	2,110	1,500
Environmental	4	3	32,542	3,000	12	3	25,210	2,000
Fire	-	-	-	-	2	1	9,009	1,000
Machinery Breakdown	-	-	-	-	1	1	4,303	-
Motor Vehicle Impact	11	7	41,783	6,080	7	5	9,895	3,754
Theft	6	4	14,247	5,597	7	3	6,304	1,000
Vandalism	12	4	15,565	5,000	7	1	929	929
Water Damage	3	2	7,400	1,000	1	1	4,109	-
<b>TOTAL</b>	<b>46</b>	<b>25</b>	<b>\$121,179</b>	<b>\$25,177</b>	<b>47</b>	<b>19</b>	<b>\$104,155</b>	<b>\$11,184</b>

- Whilst the total value of property claims during 2018/19 was \$104,155, the actual cost to the CoM was \$11,184. The actual cost represent amounts incurred such as excess and/or deductibles.
- \$11,184 when compared to the same period last year represents a 55% decrease from \$25,177.
- The number of incidents have increased however, the number of claims have decreased during 2018/19.
- The largest of these was an arson attack on a playground at Barton Terrace Reserve, Trott Park to the approximate value of \$25,000 and a brush fence that was damaged during an extreme weather event to the value of \$21,320.
- Incident and claim data is regularly reviewed by key stakeholders at an operational level, primarily between the Risk Management and the City Property Units, in conjunction with Civil Services, Open

Space Operations and Operational Support in order to resolve insurance claims as promptly as possible.

- Further collaboration with the LGAAMF assists CoM in identifying opportunities for improved asset management, maintenance and security with a view to minimising potential losses. This includes senior management reporting including comparison to previous years' claims data as outlined in Table 4 below;

**Table 4. Property Asset Claims 2018/19 Compared to the Previous 5 Financial Years**



#### **Public Liability and Professional Indemnity:**

During 2018/19, a total of 254 public liability and professional indemnity incidents were reported, resulting in 74 claims.

Related information is presented in Table 5 with additional comments listed on the next page:

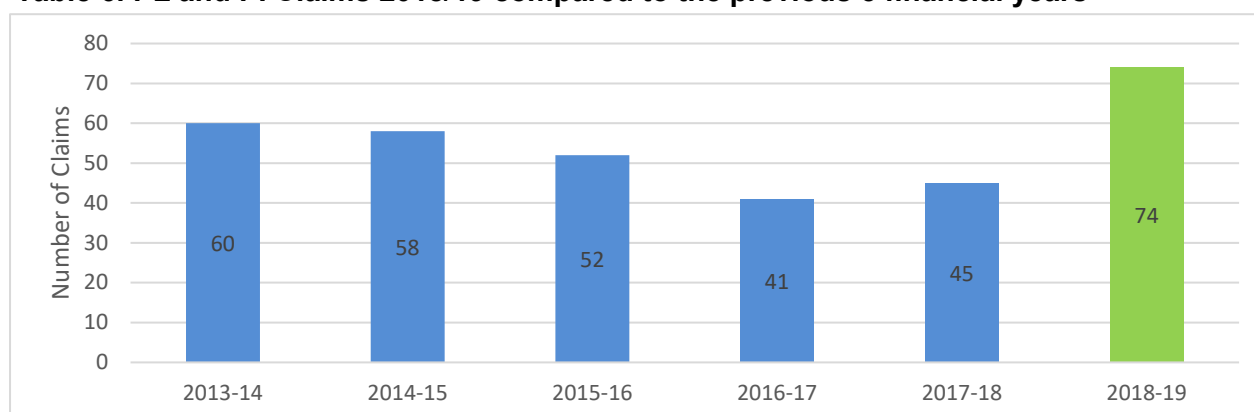
**Table 5: PL and PI - Incident and Claims Statistics Over the Last 2 Financial Years**

	2017/18				2018/19			
Insurance Category	Incidents	Claims	Claims Value (\$)	Actual Cost to CoM (\$)	Incidents	Claims	Claims Value (\$)	Actual Cost to CoM (\$)
Community Facilities	25	2	12,250	4,000	20	1	-	-
Community Land	7	-	-	-	5	1	-	-
Contract Management	18	1	-	-	8	1	-	-
Event Management	11	2	50,000	3,750	6	-	-	-
Footpaths	55	9	1,975	1,615	72	14	7,362.04	2,452.91
Kerb & Water Table	21	11	11,187	5,308	9	6	1,102	301
Non-Employment Relationships	1	-	-	-	4	-	-	-
Playgrounds	2	-	-	-	11	2	-	-

<b>Professional Indemnity</b>	2	2	69,300	(ongoing)	-	-	-	-
<b>Reserves</b>	5	1	-	-	8	2	240	50
<b>Road Management</b>	13	7	300	-	25	14	2,216	-
<b>Road (other)</b>	4	1	-	-	13	4	15,923	242
<b>Tree Management</b>	49	9	2,382	100	73	29	14,188	1,531
<b>TOTAL</b>	<b>213</b>	<b>45</b>	<b>\$147,393</b>	<b>\$14,773</b>	<b>254</b>	<b>74</b>	<b>\$41,033</b>	<b>\$4,578</b>

- The total value of public liability and professional indemnity insurance claims for 2018/19 is \$41,033, however the actual cost to the CoM was \$4,578. The actual cost represent amounts incurred such as excess and/or deductibles.
- \$4,578 when compared to the same period last year represents a 69% decrease from \$14,773.
- The largest claim lodged with LGAMLS was in the tree management category for \$10,000.
- The second largest claim lodged with LGAMLS was in the road category for \$9,501.
- Both claims were denied by LGAMLS therefore, there was no cost to the Com.
- During 2018/19, the overall number of recorded incidents has increased from 213 to 254, which represents a 19% increase in incidents. Likewise, claims have also increased from 45 to 74, which represents an increase of 64%.
- Due to an increase in extreme weather events in South Australia over the past year, there has been an increase in incidents and claims across the sector as a whole. In particular, the CoM has experienced an increase in tree incidents and claims. Council's risk management strategy includes a Tree Management Framework, Tree Management Policy and a 3 year proactive Street Tree Management Program.
- Reporting of significant incidents and/or claims is undertaken fortnightly via the Senior Leadership Team in order to provide high level information that may impact on CoM public or political exposure.
- An overview of the volume of claims over the last 5 years is outlined in Table 6.

**Table 6. PL and PI Claims 2018/19 compared to the previous 5 financial years**



### **Event Cancellation**

- During 2018/19, CoM took out an event cancellation insurance on 2 occasions for Council endorsed community events (Concert at the Cove and Marion Celebrates). There has been no claims for this insurance category during the 2018/19 period. Table 7 provides an overview of the number of claims in this space. 2017/18 was the first time this cover was placed.

**Table 7. Event Cancellation 2018/19 compared to the previous years**



## Work Health & Safety - Annual Performance Report 2019

<b>Originating Officer</b>	Unit Manager Risk - Sherie Walczak
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	Acting General Manager Corporate Services - Ray Barnwell
<b>Report Reference</b>	FAC190820R09

### REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with an overview of the Work, Health and Safety (WHS) performance for the past 12 months.

### EXECUTIVE SUMMARY

The City of Marion 'Think Safe Live Well' - WHS Management System has matured over the course of the past 12 months. The WHS Management System aligns with the organisational values and corporate indicators with the focus on:

- Developing our people as proactive safety leaders
- Embedding a culture with safety and the community at the forefront of everything we do
- Applying WHS systems to our operations with a focus on opportunities for improvement.

The WHS performance is monitored through a number of programs and indicators. These include the Local Government Association (LGA) WHS Audit Action Plan, the WHS Management System Review and positive / lag indicators.

The LGA WHS Audit Action Plan for 2018, resulted in 98% of actions completed and as at 30 July 2019, 70% of the actions outlined in the 2019 Action Plan have been completed. The actions are identified and developed to align to identified non-conformances from the audit.

The key indicator monitored by Council is '10% or greater reduction to our Lost Time Injury Frequency Rate (LTIFR)'. As at the 30th June 2019, the LTIFR was 9.4 which demonstrates a 52% increase from the 2017/18 financial year LTIFR of 6.2 and does not achieve the KPI set by Council. However, in the two previous years, significant decreases had been achieved, resulting in a 67% reduction over the past three (3) years from 2015-16 to 2018-19.

### RECOMMENDATION

**That the Finance and Audit Committee:**

- 1. Notes the report and statistical data attached.**
- 2. Reviews and provides feedback on the WHS Performance noting initiatives outlined for improving and embedding WHS outcomes.**

### GENERAL ANALYSIS

#### THINK SAFE LIVE WELL WHS MANAGEMENT SYSTEM

Work has continued towards building our WHS Management System which is based on the WHS Plan 2017-19.

The vision of the plan is "through our thoughts, words and actions, we can all make a difference and reduce harm" and is broken down into four (4) commitments of:

1. Safety Leadership
2. Hazard Management
3. Incident Management
4. Continual Improvement.

The key programs and actions under each of the commitments are as follows:

#### Safety Leadership:

- The implementation of a Safety Observations program which aims to recognise and reward good work practices and identify solutions for work health & safety risks ultimately improving morale and shift towards a proactive safety culture.
- Continuation of the WHS Training Program based on the WHS Training Needs Analysis.
- Review of the WHS Training Needs Analysis and undertaking a gap analysis to ensure all required training has been delivered.

#### Hazard Management

- A comprehensive review of Safe Work Method Statements, Safe Work Procedures and Safe Operating Procedures and uploading them for future monitoring and review through the SkyTrust WHS Management System.
- A collaborative review of the Safety Risk Register and organisational risk level validation.
- A formal review of plant risk assessments, confined space risk assessments and chemical risk assessments.

#### Incident Management

- A review of Workplace Emergency Management Plans for all sites to ensure effectiveness
- Review of the light duties register and Return to Work

#### Continual Improvement

- Development and endorsement of a Health, Safety and Environment (HSE) Plan (2019-23) which incorporates environmental management as part of the Health and Safety programs. A copy of the plan is attached in **Appendix 2**.
- WHS Management System Review through the Risk Working Group.
- Further and ongoing development and implementation of SkyTrust, providing improved access to data that will assist in decision making and resource allocation to reduce risk.
- Ongoing review of WHS Policies and Procedures as scheduled or when required.
- Ongoing embedding WHS Procedures through collaboration with relevant work areas.
- Ongoing development of the Early Return to Work strategies.
- Ongoing development and testing of Workplace Emergency Management Plans.
- Review Contractor Management processes to assess benefits of systems improvements

#### LGA WHS Audit

The LGA Audit is a key performance measure regarding the City of Marion's performance in WHS.

In 2017, the Local Government Association Workers Compensation Scheme (LGAWCS) and Local Government Association Mutual Liability Scheme (LGAMLS) amalgamated the WHSMS audit and risk review processes. This replaced the previously separate, annual processes with a biennial, combined process for a collaborative 'Risk Evaluation' to be undertaken incorporating the same audit style approach to WHS.

The last audit took place from 10 -12th September 2018 and the results are shown in **Appendix 1** Table 3. The results demonstrate significant improvement and demonstrate that conformance has been achieved in WHS Management System areas being standards 1, 2, 4 and 5. The non-conformances identified are due to the inability to demonstrate full implementation of the WHS Management System into front-line work areas across the organisation. Key non-conforming areas are hazard management, contractor management and training.

As a result of the LGA WHS MS audit, the Council is required to set an annual action plan to address the outcomes of the audit. In 2018, Council was successful in closing out 98% of actions from the 2017 Audit. As at 30 July 2019, 70% of actions outlined in the 2019 Action Plan have been completed as outlined in **Appendix 1** Table 4. All outstanding actions are being monitored monthly by the Executive Management Team and are on track for completion before their due date of 31 October 2019.

## PERFORMANCE RESULTS

To measure continual improvement, safety indicators are measured and monitored against our sector counterparts being Group A Councils as reported in Appendix A. Performance against these targets are measured in two ways:

- positive performance indicators (PPI's); and
- lag performance indicators (LPI's)

### Positive Performance Indicators

#### **Hazard and Near Miss Reports**

The 114 Hazard and Near Miss Reports outlined in **Appendix 1** Table 1 when compared to the 132 outlined in Appendix A Table 2 represents a 14% decrease in reporting over 12 months. The newly endorsed HSE Plan 2019-2023, attached as **Appendix 2**, sets a target for a 5% increase year on year with focused initiatives aimed to increase Hazard and Near Miss reporting.

### Lag Performance Indicators

#### **Lost Time Injuries**

The key lag performance indicator was to reduce Lost Time Injuries (LTIs) outlined in Appendix A Table 6 and 7, from data extracted from internal WHS Management System (SkyTrust). This has increased from 4 LTIs reported last year to 7 LTIs reported this year.

Analysis of the LTIs in FY2018-19, outlined in **Appendix 1** Table 8, shows three primary mechanisms of injury:

1. Three manual handling injuries (muscular stress while lifting, carrying or putting down objects)
  - Back injury from lifting concrete
  - Back injury from spreading mulch
  - Shoulder injury from driving star droppers
2. Three falls from the same or differing levels (slips, trips and falls)
  - Shoulder and knee injury from falling down stairs
  - Foot injury from falling down stairs
  - Back injury from falling off a chair
3. One mechanical injury (struck by object)
  - Split lip from being hit by branch expelled from chipper

The Rolling Lost Time Injury Frequency Rate (LTIFR) represented in blue in Figure 1, from data extracted from the City of Marion's WHS Management System (SkyTrust), is reported at 11.0\*. This represents a 77% increase over the previous 12 months being the 2017-18 result of 6.2.

The Lost Time Injury Frequency Rate (LTIFR) represented in blue in Figure 2, from data extracted from the Local Government Association Workers' Compensation Scheme (LGAWCS) Claim Analysis Portal, is recorded at 9.4\* based on 6 LTI claims being accepted. This represents a 52% increase over the previous 12 months and does not meet the KPI of 10% reduction on the LTIFR from the previous year. However, despite recording an increase in the LTIFR this year, it should be noted that significant reductions have been made over the past three years including; a reduction of 57% from 2015-16 to 2016-17 which reduced again by 50% in 2017-18. These reductions equate to a 67% reduction over the three years from 2015-16 to 2018-19. The City of Marion, historically, has also recorded a higher LTIFR when compared against our industry counterparts being the Group A Councils however we have recorded lower than the sector now for three years in a row.

Continuing education and improvement strategies will be undertaken in 2019-20 with regards to safety leadership, hazard management, incident response and early return to work practices.

*\*The difference between internal and external data is due to appropriate determination deferrals and the payroll data transfer process associated with the end of financial year, which can result in delays to the LTIs being recorded in the LGAWCS data.*

The current Total Recordable Incident Frequency Rate represented in green in Figure 3, extracted from the City of Marion's WHS Management System (SkyTrust), is reported at 21.2 which represents a 100% increase over the previous 12 months.

The Lost Time Injury Duration Rate (LTIDR) represented in blue in Figure 4, from data extracted from the Local Government Association Workers' Compensation Scheme (LGAWCS) Claim Analysis Portal, is recorded at 18.8 which is 78% less than the 85.8 recorded at the same time last year and is also 14% below the industry comparison LTIDR rate of 21.8. The high LTIDR last year is due to a lower number of LTIs (4) with most recording a large number of lost time days however this year although there are a higher number of LTIs (7), three of those only recording between 1 and 3 days lost time therefore reducing the duration rate.

## DISCUSSION

### Attachment

#	Attachment	Type
1	Appendix 1 - WHS Annual Performance Report 2019	PDF File
2	Appendix 2 - HSE Plan 2019-2023	PDF File

## APPENDIX 1 – WHS Performance Report 2019

The Think Safe Live Well WHS Plan outlines a vision; ***‘Through our thoughts, work and actions we can all make a difference and reduce harm’***. The Plan’s commitments focus on further developing our leadership styles, organisational culture and WHS systems through:

- Safety Leadership
- Hazard Management
- Incident Management
- Continual Improvement

### POSITIVE PERFORMANCE INDICATORS

#### Hazard and Near Miss Reports (Internal WHS SkyTrust reporting data)

Historical statistics inform us that when there is a healthy culture of Hazard/Near Miss Reporting, there is a consequential reduction in injuries to Workers. Hazards and Near Misses reported to date for this financial year, outlined in Table 1, can be compared against those reported last financial year which are outlined in Table 2.

**Table 1: Hazard and Near Miss Reports - Financial Year 2018-19**

Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total	Ave
17	9	13	12	3	10	6	8	9	1	11	15	114	9.5

**Table 2: Hazard and Near Miss Reports - Financial Year 2017-18**

Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Total	Ave
21	14	11	9	8	3	5	11	10	16	10	14	132	11

#### LGRS Audit

The LGAWCS conducts WHS audit to test conformance of councils’ WHS Management System against the Return to Work SA Performance Standards for Self Insurers and the results are outlined in Table 3.

**Table 3. Audit outcomes**

RTW SA Performance Standards for Self Insurers	2015				2018		
	C	O	NC		C	O	NC
1. Commitment & Policy	0	0	1		1	0	0
2. Planning	0	0	1		NA	NA	NA
3. Implementation	0	2	5		2	2	4
4. Measurement & Evaluation	0	0	1		1	0	0
5. Management Systems Review & Improvement	0	0	1		1	0	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>9</b>		<b>5</b>	<b>2</b>	<b>4</b>

#### Completion of actions against the LGA Action Plan

Periodically, the LGAWCS conducts an audit to test conformance of Council’s WHS Management System against Return to Work SA’s Performance Standards for Self Insurers. In response, Council sets an action plan which outlines the commitment to addressing non-conforming elements by October each year and the cumulative performance against this plan is outlined in Table 4.

**Table 4: LGAWCS Action Plan – Calendar Year 2019**

Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Total
6%	12%	27%	36%	42%	55%	70%				70%

Good progress has been made towards completion of identified actions in the LGAWCS Action Plan with 23 (70%) of the 33 identified actions completed and all actions on track to be completed by the end of the Plan (October).

The successful close out of the actions outlined in the action plan, results in the receipt of a rebate based on the percentage of completed actions, as outlined in the action plan, to address the non-conforming elements of the audit and the claims history for Council. Table 5 summarises the outcomes of this process in comparison to last year. There has been significant input and effort from many work areas across the organisation in order to achieve 98% close out of identified actions.

**Table 5: LGAWCS Premiums and Action Plan Results**

Year	Premium	Rebate (claims history & actions results)	Special Distribution	Net Cost	Net Rate (as a % of payroll)	Action Plan Results
2018-19	\$1,299,250	\$406,173	\$128,373	\$764,704	2.28%	98% Actions Complete
2017-18	\$1,364,259	\$390,178	\$125,030	\$849,051	2.64%	96% Actions Complete

Note: The net rate is below the Return to Work SA base industry rate (before discounts) for local government administration of 2.86% in 2017-18 and 2.431% in 2018-19.

## LAG PERFORMANCE INDICATORS

### Lost Time Injuries Reported (Internal WHS SkyTrust reporting data)

Lost Time Injuries (LTIs) are those injuries where a whole work day or more has been lost due to a workplace injury. LTIs reported to date for this financial year, outlined in Table 6, can be compared against those reported last financial year which are outlined in Table 7.

**Table 6: Number of LTIs per month - Financial Year 2018-19**

Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total
1	0	0	0	0	0	0	1	1	0	3	1	7

**Table 7: Number of LTIs per month - Financial Year 2017-18**

Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Total
0	1	0	0	1	0	1	0	1	0	0	0	4

Individual LTIs reported for 2018-19 are outlined in Table 8 below :

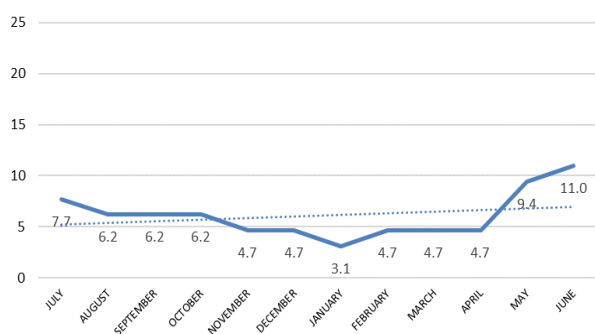
**Table 8: Outline of LTIs reported - Financial Year 2018-19**

No.	Description of Incident	Mechanism of Injury	Injury Description
1	Trip and fall down internal stair well	Fall on differing level	Bilateral shoulder sprain and left knee sprain injuries.
2	Feeding a bowed branch into chipper which whipped around and hit face	Mechanical – Struck by object	Split upper lip requiring stitches
3	Missed a step on Admin Building stairs and landed awkwardly on right foot	Fall on differing level	Right calcaneal avulsion of Achilles tendon
4	Lifting stuck piece of concrete from excavated footpath	Muscular Stress – Lifting	Severe muscular strain in lower back
5	Spreading mulch in tipper truck	Muscular Stress – Lifting	Strained back
6	Driving star dropper into ground	Muscular Stress – Force	Strained right shoulder
7	Slipped off edge of chair	Fall from a height – Sitting Furniture	Contusion to lower back

### Rolling Lost Time Injury Frequency Rate (Internal WHS SkyTrust reporting data)

Lost Time Injury Frequency Rate (LTIFR), is an industry standard tool for measuring LTI's within a given reporting period which enables comparison to other organisations. Council's Rolling LTIFR, outlined with a solid blue line in Figure 1, extracted from internal WHS Management System (SkyTrust) incident report data, provides analysis of the average LTIFR over the last 12 months.

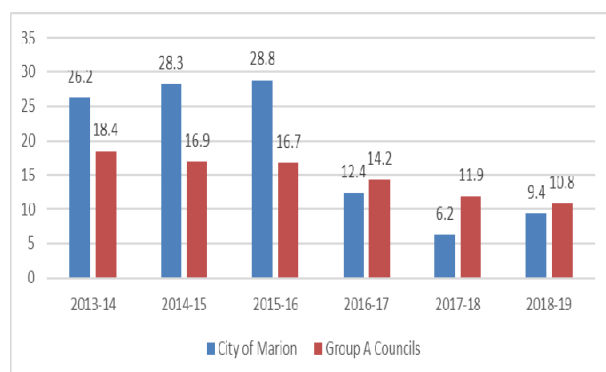
**Figure 1: Rolling LTIFR**



### Lost Time Injury Frequency Rate (LGAWCS Claims Data)

Council's LTIFR outlined in Figure 2, data is sourced from the Local Government Association Workers' Compensation Scheme (LGAWCS) Claim Analysis Portal, once claims have been determined and can be measured and monitored against our local government sector counterparts being the Group A Councils (GAC<sup>1</sup>).

**Figure 2: LTIFR compared against Group A Councils**

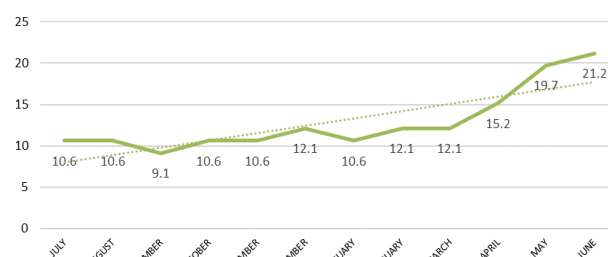


<sup>1</sup> GaC are metropolitan councils with more than 300 staff (Marion, Adelaide, Charles Sturt, Onkaparinga, Playford, Port Adelaide Enfield, Salisbury and Tee Tree Gully).

### Total Recordable Incident Frequency Rate (Internal WHS SkyTrust reporting data)

Total Recordable Incidents include fatalities, LTI's and incidents resulting in the employee receiving medical treatment and/or is certified as only fit to undertake suitable duties. The Rolling Total Recordable Incident Frequency Rate (TRIFR), outlined with a solid green line in Figure 3 from internal incident report data, provides analysis of the average TRIFR over the last 12 months.

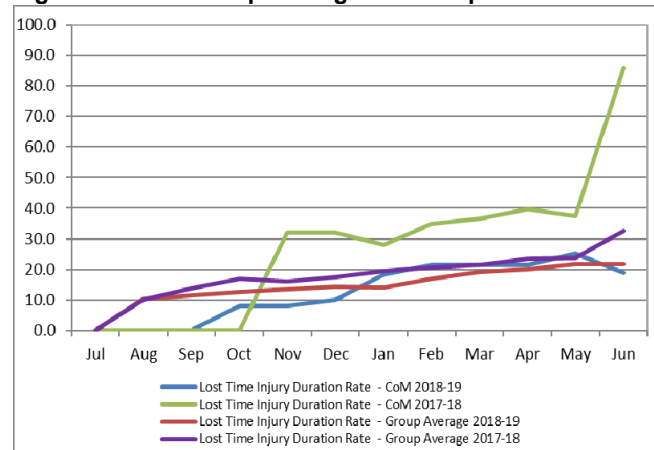
**Figure 3: Rolling TRIFR**



### Lost Time Injury Duration Rate (LGAWCS Claims Data)

The Lost Time Injury Duration Rate (LTIDR), is an industry standard tool for measuring the average days lost from LTI's within a reporting period to enable comparison to other organisations. Council's LTIDR is outlined in Figure 4, data is sourced from the Local Government Association Workers' Compensation Scheme (LGAWCS) Claim Analysis Portal, once claims have been determined and can be measured and monitored against our local government sector counterparts being the GAC.

**Figure 4: LTIDR compared against Group A Councils**



OUR HSE VISION

We can all make a difference towards achieving zero harm, to people and the environment.

OUR HSE PRINCIPLES

- The Community and Safety is at the forefront of everything we do.
- Everyone has an integral role in improving health, safety and the environment.
- Empowered people are respected and encouraged to be safety leaders and environmental champions.
- Proactive planning for safety and environment leads to more efficient and effective outcomes.

OUR COMMUNITY VISION



WE LIVE OUR VALUES

- Respect**  
Treating everyone as we want to be treated, where all contributions are valued.
- Integrity**  
Fostering trust and honesty in all of our interactions.
- Achievement**  
Enhancing our knowledge and performance to reach our shared goals, while dedicated to support one another.
- Innovation**  
Encouraging new ideas, and learning from our experience to do things better.



OUR FOUR COMMITMENTS

- 1

**Safety Leadership**

1.1

Exhibit & actively promote worker & environmentally safe behaviours

1.2

Empower people to understand their HSE responsibilities & processes as we build capacity, ownership & achieve safe outcomes

1.3

Encourage those impacted by our operations to be included in discussions that may affect their health & safety or the environment

2

**Hazard Management**

2.1

Take pride in delivering safe outcomes for our people, community & environment

2.2

Proactively undertake systematic identification, assessment, control, monitoring & review of hazards associated with our operations

2.3

Be accountable for continual improvement of risk reduction processes

3

**Incident Management**

3.1

Promptly report safety & environmental hazards, near misses, incidents and harm

3.2

Reduce or eliminate contributing factors to incidents to reduce risk of reoccurrence

3.3

Prioritise and support injured employees with treatment and provision for staying at work while they recover

4

**Continual Improvement**

4.1

Provide a management system that complies with the requirements of the Return to Work SA's Performance Standards for Self Insurers (RTW PSSI)

4.2

Be accountable for making positive differences to health, safety & environment

4.3

We will build a culture of performance excellence



## 1. HEALTH, SAFETY & ENVIRONMENTAL LEADERSHIP



WE WILL ACHIEVE THIS BY:	SUCCESS MEASURES:	TARGET	2019/20	2020/21	2021/22	2022/23
1.1 Exhibit & actively promote worker & environmentally safe behaviours						
Setting an example through visible leadership	Percentage of leaders review their HSE Risks in the SkyTrust Safety Risk Register each year as scheduled.	100% of leaders	70%	85%	100%	100%
	WHS Committee meetings will have ELT representation	100% attendance	100%	100%	100%	100%
	Leaders undertake their allocated Safety Observations each year.	100% occurrence	70%	85%	100%	100%
	General Staff, ELT and SLT meetings have safety on the agenda	100% of meetings	100%	100%	100%	100%
	Leadership visibility of HSE culture through new initiatives	2 initiatives each year	2	2	2	2
Actively promoting safety & the environment	Promotion of HSE & wellbeing through the monthly TSLW newsletters	12 newsletters per year	100%	100%	100%	100%
	Delivery & promotion of monthly Wellbeing themes based on annual Wellbeing Plan	12 themes per year	12	12	12	12
	Green @ Work initiatives	2 initiatives / year	2	2	2	2
Acknowledging safe & environmentally sustainable behaviours	STAR award nomination for HSE related behaviours	10% increase each year	Intro	10%	10%	10%
1.2 Empower people to understand their HSE responsibilities & processes as we build capacity, ownership & achieve safe outcomes						
Training all leaders in WHS	Percentage of ELT, SLT & identified UMs undertake Due Diligence training every 4 years	100% of identified staff	100%	100%	100%	100%
	Percentage of CoM leaders complete the WHS Leadership 1, 2 & 3 eLearning modules	100% of identified staff	100%	100%	100%	100%
Training all relevant roles in Environmental impacts	Competency based Environmental impacts training (eLearning or face-to-face) for relevant staff included in Organisational TNA	100% of identified staff	Intro	70%	85%	100%
1.3 Encourage those impacted by our operations to be included in discussions that may affect their health & safety or the environment						
Consulting & communicating WHS matters with staff, volunteers & contractors	Percentage of WHS / ERM Policy & Procedures, introduced or revised, include consultation and communication with all affected staff	100% of documents reviewed	100%	100%	100%	100%
	Options, including advantages / disadvantages, of merging the ERM and WHS Committees is considered with recommended approach approved to commence from July 2020	Identify and implement options	Identify options	Implement	Evaluate	Monitor
Communicating environmental requirements with staff, volunteers & contractors	Percentage of staff, agency staff with a >6 month contract, contractor & volunteer inductions include environmental requirements	100% of staff	70%	85%	100%	100%
Gain feedback on staff sense of safety while at work	Percentage result for Safety questions within Organisational Pulse Survey results maintained	80%	80%	80%	80%	80%

## 2. HAZARD MANAGEMENT

WE WILL ACHIEVE THIS BY:	SUCCESS MEASURES:	TARGET	2019/20	2020/21	2021/22	2022/23
2.1 Take pride in delivering safe outcomes for our people, community & environment						
Improving reporting as part of building an overall positive HSE culture	Increase in WHS hazard & near miss incident reports year on year for the life of the plan	5% increase per year	5%	5%	5%	5%
	Increase in environmental incident reports year on year for the life of the plan	10% increase per year	10%	10%	10%	10%
2.2 Proactively undertake systematic identification, assessment, control, monitoring & review of hazards associated with our operations						
Identifying, assessing & controlling all high priority hazards.	Percentage of plant that is risk assessed prior to entering service & reviewed at least 5 yearly	100%	80%	90%	100%	100%
	Percentage of chemicals that are risk assessed prior to being used & reviewed at least 5 yearly	100%	80%	90%	100%	100%
	Percentage of SWMS, SWPs & SOPs that are reviewed as scheduled	100%	80%	90%	100%	100%
	Spot audits of all relevant projects in CAMMS to ensure their predesign environmental checklist was completed	Quarterly audits undertaken	4	4	4	4
	TRIFR reduction of 10% or greater on previous year	10% reduction each year	10%	10%	10%	10%
2.3 Be accountable for continual improvement of risk reduction processes						
Taking action to improve our risk controls	Percentage of corrective and preventative actions that are closed out within their scheduled timeframes	100% completed within timeframe	70%	80%	90%	100%

## 3. INCIDENT MANAGEMENT

WE WILL ACHIEVE THIS BY:	SUCCESS MEASURES:	TARGET	2019/20	2020/21	2021/22	2022/23
3.1 Promptly report safety & environmental hazards, near misses, incidents and harm						
Improving reporting as part of building an overall positive HSE culture	Percentage of all incidents that are reported in SkyTrust within 1 working day of the incident occurring	100%	80%	90%	100%	100%
Report positive performance and lag indicators to make decisions & changes that improve HSE	Comprehensive monthly & extended quarterly WHS report by the 10th day of the following month	Monthly Reports	12	12	12	12
3.2 Reduce or eliminate contributing factors to incidents to reduce risk of reoccurrence						
Undertaking incident investigations to identify contributing factors	Percentage of all medium or abbove risk rated incidents reported are investigated by the responsible person and corrective actions identified within 10 business days of the incident being reported	100%	80%	90%	100%	100%
Responding to contractors who have reported reoccurring incidents or who have recurring incidents reported against them	Recurring contractor incidents investigated by the contactor manager (with support from the Risk and/or Environmental Sustainability Teams) and corrective actions identified within 7 days of the incident being reported	100%	80%	90%	100%	100%
Improving the quality of incident investigation & reporting.	Percentage of all incidents risk rated as high or above reviewed by the Risk team	100%	80%	90%	100%	100%
	Percentage of all incidents with an environmental impact is reviewed by the Environment team	100%	100%	100%	100%	100%
3.3 Prioritise and support injured employees with treatment and provision for staying at work while they recover						
Providing suitable duties to staff who are injured during work activities	LTIDR Reduction equal to or greater than target set up council	Council set target	10%	10%	10%	10%
	LTIFR Reduction of 10% or greater on previous year	10% reduction annually	10%	10%	10%	10%
	All Lost Time Injuries will have a 48 hour meeting scheduled by the people leader inviting the HR Business Partner and WHS Coordinator	48 hr meeting scheduled for all LTIs	100%	100%	100%	100%

## 4. CONTINUAL IMPROVEMENT

WE WILL ACHIEVE THIS BY:	SUCCESS MEASURES:	TARGET	2019/20	2020/21	2021/22	2022/23
4.1 Provide a management system that complies with the requirements of the Return to Work SA's Performance Standards for Self Insurers (RTW PSSI)						
Undertaking a RTW PSSI compliance self-assessment as part of the management review reported to RWG	Increase of conformances from previous self-assessment	10% increase each assessment	10%	10%	10%	10%
Participating in biennial LGRS Risk Evaluation testing against the RTW PSSI	Increase of conformances from previous LGAWCS audit	10% increase each audit	10%	-	10%	
Undertaking an annual ERM compliance self-assessment and report to RWG	Practical transition of ERM system elements to SkyTrust	100% of all agreed system elements	50%	75%	90%	100%
4.2 Be accountable for making positive differences to health, safety & environment						
Undertaking a proactive schedule of audits	WHSMS audits being performed	At least 10% / year	10%	10%	10%	10%
	ERM process and sites/activities audits conducted per year	1 process audit & 1 site/activity audit / year	2	2	2	2
	Contractor HSE Audits conducted per year	At least 6 / year	6	6	6	6
4.3 We will build a culture of performance excellence						
Training and educating our workforce to ensure they have the key skills to deliver our services	An organisational TNA where worker training records are checked to ensure that all training identified has been delivered	100% of training delivered	70%	80%	90%	100%
	Percentage of staff competency verified for operation of plant as per training needs analysis	100% of competencies verified	70%	80%	90%	100%
Reviewing LGA Circulars & Government Gazettes	'Legal Requirements' is a mandatory agenda item in the WHS & ERM Committee agendas and reflected in the minutes	100% of meeting agendas	100%	100%	100%	100%
Maintaining HSE compliance obligations ie monitoring, licences and permits	Scheduling of legislative inspection, testing and servicing requirements using the Inspection and Audit Module in SkyTrust	100% being tested when due	70%	80%	90%	100%

## Business Continuity Management Policy and Framework

<b>Originating Officer</b>	Unit Manager Risk - Sherie Walczak
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	Acting General Manager Corporate Services - Ray Barnwell
<b>Report Reference</b>	FAC190820R10

### REPORT OBJECTIVE

*The purpose of this report is to provide the Finance & Audit Committee with assurance that the City of Marion is managing its Business Continuity risk via its suite of documentation including the Business Continuity Management Policy and Framework in alignment with ISO22301 'Societal security - Business Continuity Management Systems – Requirement and Guidelines'.*

### EXECUTIVE SUMMARY

The current versions of the Business Continuity Management Policy (Appendix 1) and Framework (Appendix 2) were endorsed by Council in 2016 and programmed for review in 2019. These documents have been reviewed and are now attached for consideration and feedback from the Finance and Audit Committee.

### RECOMMENDATION

**That the Finance and Audit Committee:**

- 1. Recommends that the revised Business Continuity Management Policy be submitted to Council for consideration and adoption**

### DISCUSSION

The purpose of the Business Continuity Management Policy (BCMP) is "to formalise the Council's commitment to business continuity management and to establish responsibilities for the application of business continuity management within Council operations".

Both the Business Continuity Management Policy and Framework have been reviewed (attached as Appendix 1 and 2) for consideration. Revisions are outlined in track changes and include use of corporate policy template and use of updated terminology, references and definitions.

### CONCLUSION

The revised Business Continuity Management Policy and Framework, together with the suite of underpinning documentation and practices (including the Business Continuity Plan, Business Impact Analysis assessment and Recovery Strategies), will provide Council with assurance that the City of Marion is prudently managing its Business Continuity risk.

### Attachment

#	Attachment	Type
1	Appendix 1 - Revised Business Continuity Management Policy	PDF File
2	Appendix 2 - Revised Business Continuity Management Framework	PDF File

## 1. RATIONALE

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

## 2. POLICY STATEMENT

The City of Marion ('the Council') is committed to excellence in governance. Business Continuity Management is an important component of the broader risk management program contributing to good governance and organisational resilience to achieve Council's Vision and strategic objectives, which focus on our corporate values and the Community's wellbeing.

## 3. OBJECTIVES

To achieve Council's business continuity management objectives, the Council Business Continuity Management Framework (the 'Framework') has been established in accordance with the International Standards ISO 22301:2012 Societal Security Business Continuity Management Systems – Requirements and Guidance. The ~~aim of the~~ Framework ~~is to provide~~s guidance for ~~a program to~~ effectively managing disruptive events or situations that may impact on the key services of the Council.

The following objectives underpin the Council's approach to business continuity:

- To satisfy all internal and external obligations with regards to continuity of key services.
- To guide an Incident Management Team to effectively manage a disruptive incident.
- To regularly undertake a business impact analysis across all Council work areas to gain an understanding of their activities and required supporting resources.
- To document cost effective business continuity arrangements for time critical activities in order to minimise disruption to critical community services.
- To enhance the capability of an Incident Management Team structure by undertaking annual exercises and testing business continuity arrangements and documentation.
- To embed business continuity management in the Council culture and values by undertaking awareness raising activities on an ongoing basis.
- To continually align with the risk management program.

## 4. POLICY SCOPE AND IMPLEMENTATION

This business continuity management policy applies to all operations and functions of the Council including operational, project and strategic. The scope of business continuity management ~~will be~~ is to focus on time critical activities and supporting resources to enable delivery of the key services of the Council.

## 5. DEFINITIONS

**Business Continuity** – capability of the organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident.

**Business Continuity Management** – holistic management process that identifies potential threats to an organisation and the impacts to business operations those threats, if realised, might cause and which provides a framework for building organisational resilience with the capability of an effective response that safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

**Incident** – situation that might be, or could lead to, a disruption, loss, emergency or crisis.

## 6. ROLES AND RESPONSIBILITIES

Council has the overall responsibility for risk, setting the organisation's risk appetite, oversight of the organisation's systems for managing risk including approving and reviewing the Council's Business Continuity Management Policy and Framework

To assist Council in discharging its responsibility in relation to business continuity management, the Council it will seek the views of its Finance & Audit Committee. The responsibilities of the Committee are contained outlined in the Committee's Policy and Terms of Reference.

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

The Chief Executive Officer has overall accountability for an effective risk management program and, therefore, the business continuity management program.

Note: The Framework provides further information on the business continuity management roles and responsibilities, with additional practical information held within the Business Continuity Plan.

## 7. REFERENCES

Local Government Act 1999

City of Marion Risk Management Policy and Framework

City of Marion Business Continuity Framework

City of Marion Business Continuity Plan

City of Marion Community Emergency Management Plan

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

ISO 22301:2012 Societal Security – Business Continuity Management Systems – Requirements and Guidance

## 8. REVIEW AND EVALUATION

Review: Every four years

Authorisation: By Council

Administrator: Risk Unit/Corporate Governance

## APPENDIX 2



# Business Continuity Framework

Version 2.01  
Authorised ~~Endorsed~~ by Council  
~~26 July 2016~~ DD MMM 2019

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## Introduction

The City of Marion is committed to excellence in governance. Business Continuity Management is an important component of the broader risk management program, contributing to good governance and organisational resilience to achieve Council's Vision and strategic objectives, which focus on Community Wellbeing.

Business Continuity Management (BCM) ~~has a focus~~ focuses on our capability to continue operations following a disruptive incident and ~~to prepare~~ preparing Council ~~in how~~ to deal with disruptive incidents in advance.

The Business Continuity Framework ('the Framework') should be read in conjunction with the Business Continuity Policy ('the Policy'), which outlines Council's commitment to business continuity and the objectives for the business continuity program. With additional reference to the Risk Management Policy and Risk Management Framework.

This Business Continuity Framework is aligned to the International Standards ISO 22301:2012 (Requirements) and ISO 22313:2012 (Guidance) for business continuity systems.

An explanation of formal business continuity terms and definitions sourced from ISO22301:2012 appears in Appendix 1.

The Framework is intended to be a plain language, easy to read overview business continuity, it is not intended to be a document referenced at the time of a disruptive incident.

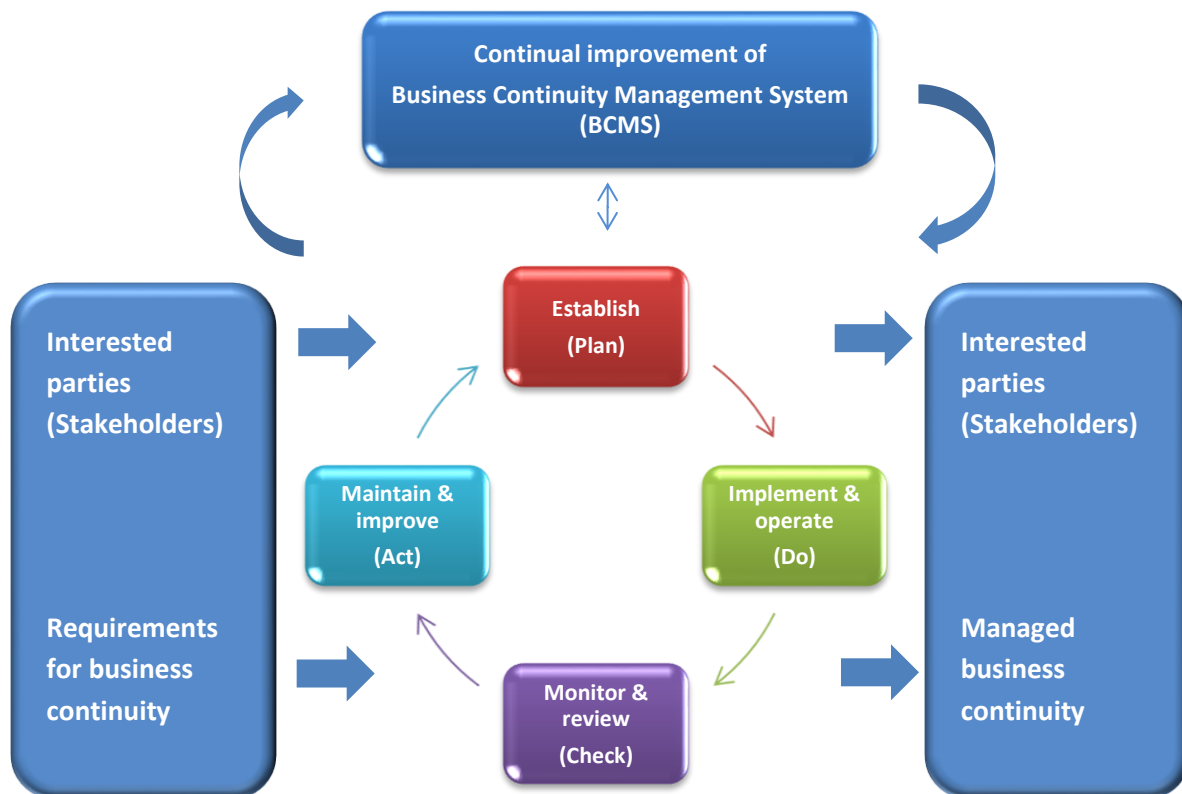
### **Business Continuity Process**

ISO 22301:2012 applies a 'Plan-Do-Check-Act' (PDCA) cycle to planning, establishing, implementing, operating, monitoring, reviewing, maintaining and continually improving the effectiveness of the organisation's business continuity ~~(BCM)~~ program. ~~The process applying the PDCA cycle is shown in Diagram 1.~~

### **Explanation of the 'Plan-Do-Check-Act' (PDCA) model in ISO 22301:2012**

<b>Plan</b> (Establish)	Establish business continuity policy, objectives, targets, controls, processes and procedures relevant to improving business continuity in order to deliver results that align with the organisation's policies and procedures. Eg: Business Impact Analysis & Recovery Strategies
<b>Do</b> (Implement & operate)	Implement and operate the business continuity policy, controls, processes and procedures. Eg: Business Continuity Plan
<b>Check</b> (Monitor & review)	Monitor and review performance against business continuity policy and objectives, report the results to management for review, and determine and authorise actions for remediation and improvement. Eg: Post Incident Review
<b>Act</b> (Maintain & improve)	Maintain and improve the business continuity (BCM) program by taking corrective action, based on the results of management review and reappraising the scope of the BCM program and business continuity policy and objectives. Eg: Incident Management & Recovery

Diagram 1: 'Plan-Do-Check-Act' (PDCA) cycle - ISO 22301:2012



Business continuity involves:

- identifying key activities and the services they deliver
- knowing the priorities for resuming activities following a significant disruption
- identifying the resources required
- understanding the threats ~~to these activities~~, their dependencies and ~~the~~ impacts of not resuming them;
- having tried and trusted arrangements in place to resume ~~these activities making ensuring that these arrangements~~ are routinely reviewed and updated

Activities are disrupted by a wide variety of incidents, many ~~of which are~~ difficult to predict. By using the impact of the disruption as the focus, rather than the cause, business continuity determines priorities and processes for continued service delivery ~~and, in order~~ to meet Council's obligations. The aim is to recognise in advance what needs to be done across all work areas, for the supply chain, our stakeholders and reputation ~~and it will then be possible to~~ take a realistic view on responses needed ~~so that we can~~ be confident of managing consequences and avoiding unacceptable impacts.

Business continuity can be effective in dealing with both sudden disruptive incidents (eg fire) and gradual ones (eg influenza pandemics), where business continuity works collaboratively with both Workplace and Community Emergency Management Plans

The following diagrams (adapted from ISO 22313:2012) ~~are intended to~~ illustrate conceptually how business continuity can be effective in mitigating impacts ~~in certain situations~~. No particular timescales are implied by the relevant distance between the stages shown in either diagram.

Diagram 2: Mitigating impacts through effective business continuity – sudden disruption

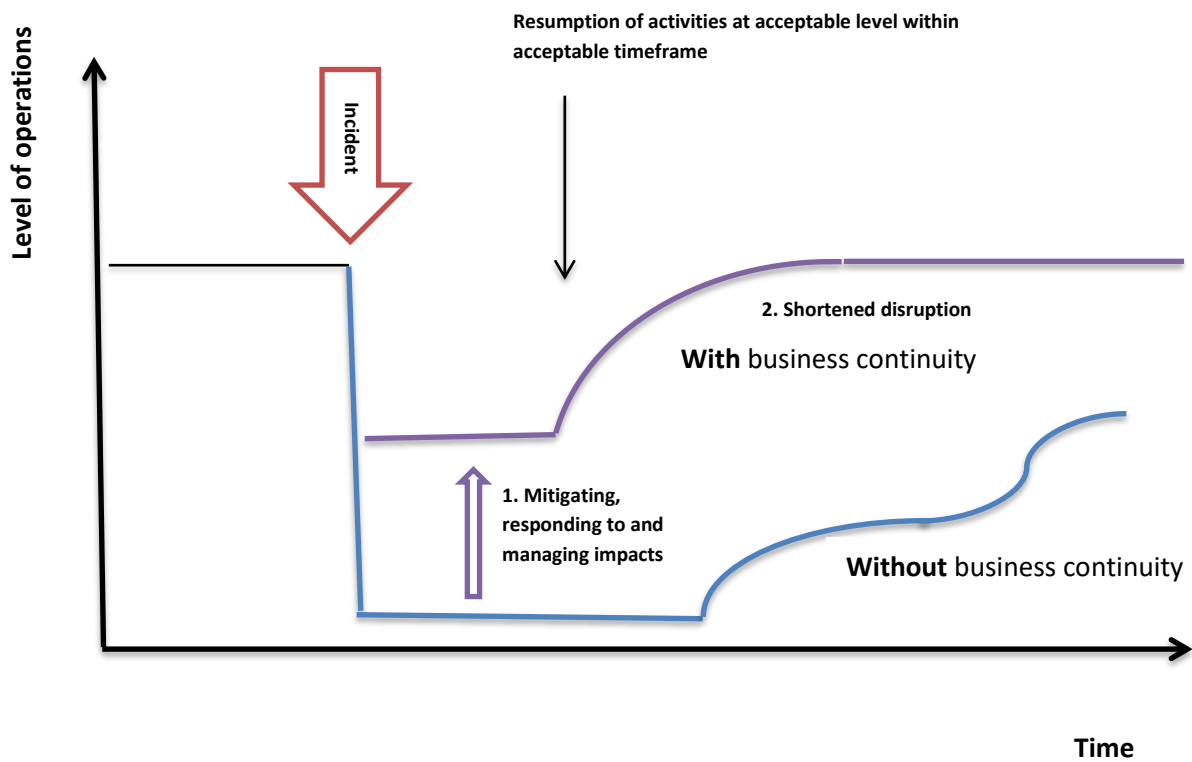
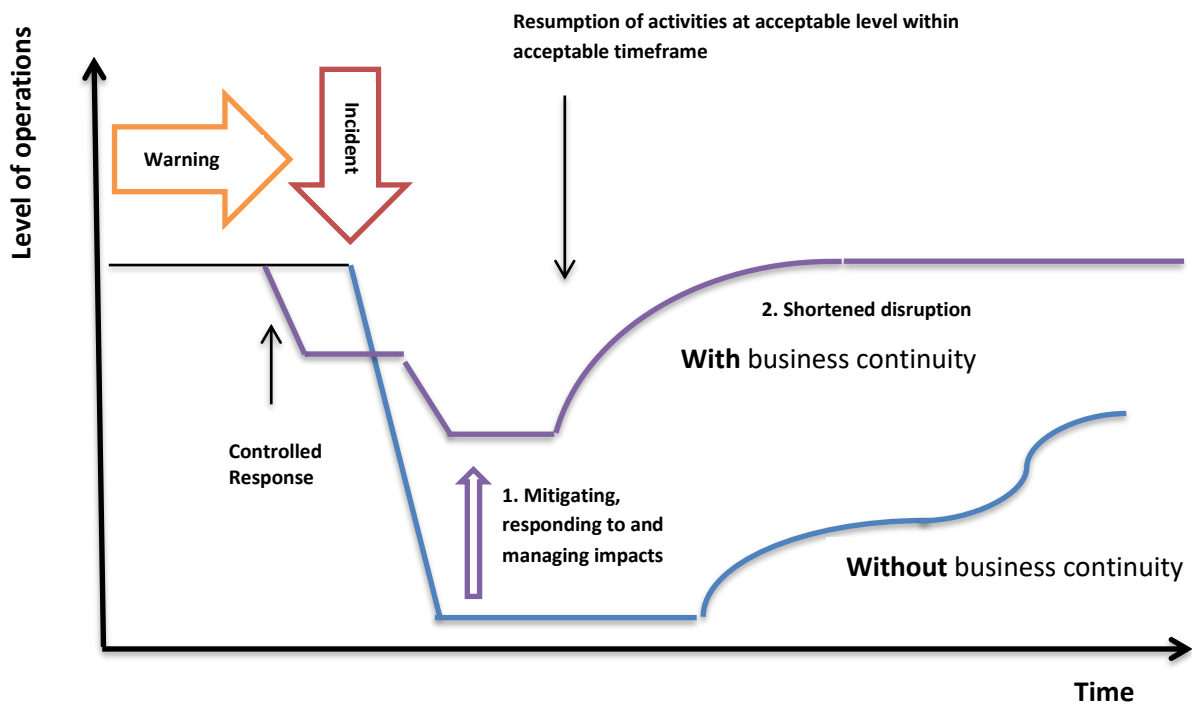


Diagram 3: Mitigating impacts through effective business continuity – gradual disruption



## Understanding Our Context

~~Relevant~~ The internal and external factors ~~that are relevant to our purpose and operations~~ need to be understood so ~~that our purpose and operation~~ this information can be taken into account when establishing, implementing, maintaining and improving our business continuity program and assigning priorities.

### Internal Factors

The key services provided by Council will be directed by the Business Continuity Plan and confirmed by the Executive Leadership Team.

### External Factors

The political, legal and regulatory requirements placed on the City of Marion in relation to the continuity of operations and services, as well as the interest of relevant stakeholders will be documented and kept up to date and taken into account in establishing, implementing and maintaining our business continuity program.

~~For example, Section 7 of the South Australian Local Government Act 1999 sets out the functions of a council.~~

~~These requirements will be taken into account in establishing, implementing and maintaining our business continuity program.~~

## Understanding the Needs and Expectations of our Stakeholders

Individuals, groups of people or other organisations that can affect, be affected by, or perceive themselves to be affected by the decisions of the City of Marion, whether under normal operations or during a disruptive incident will be identified.

By understanding these ~~stakeholders' interests~~ interests in, or perceptions of, Council under both normal and disruptive situations, it is possible to develop appropriate continuity arrangements and communication strategies that meet their needs and expectations. ~~It is particularly important to develop appropriate strategies and plans to facilitate communications with these stakeholders~~ at the time of disruption.

~~The Strategy and Innovation Department will work with the Corporate Governance Department to provide a high level stakeholder 'map' or 'chart' to initiate the stakeholder analysis.~~

## Our Approach to Business Continuity

We have adopted the latest available literature on business continuity to ensure the program is based on current leading practice. In addition to the International Standards (ISO 22301 and 22313), the Risk Management Unit, as facilitators of the program, will also reference the Business Continuity Institute's Good Practice Guidelines 2013 Global Edition (A guide to global good practice in business continuity) and other credible resources developed to guide organisation's implementing the International Standards.

## Scope of the Business Continuity Program

We have determined the scope of the business continuity program appropriate to our size, resource capacity and reasonable expectations of our stakeholders.

The business continuity program applies to all operations and functions within Council including operational, strategic and project.

**The scope of the program is focused on time critical activities and the supporting resources that enable delivery of our key services.**

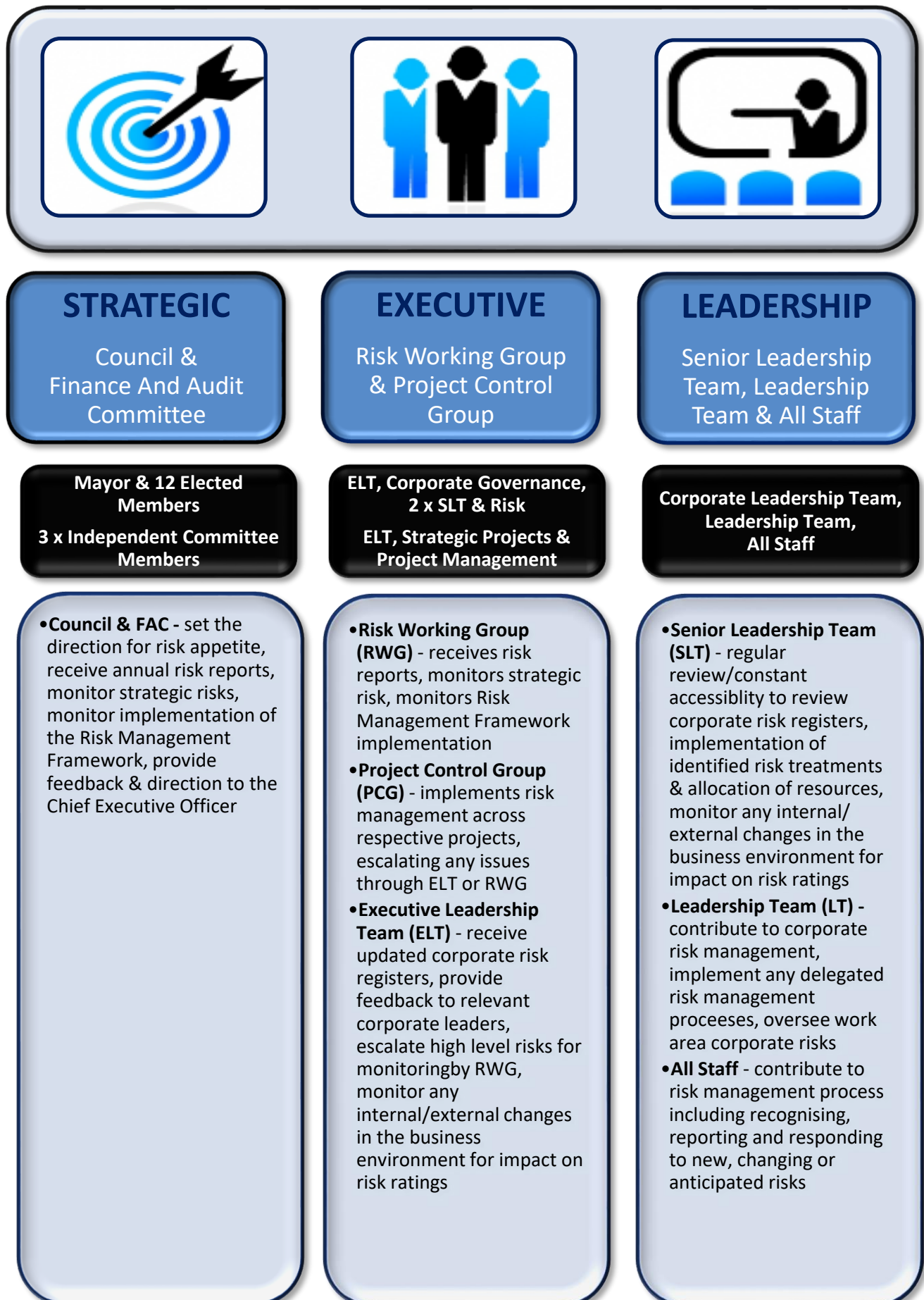
The program is intended to satisfy all internal and external obligations with regards to continuity of key services.

The program will be positioned to apply to any incident or situation that sits between:

- Council's capacity for an effective 'business as usual' operational response; and
- a wide scale or catastrophic event which may be declared as a State or National Emergency, where Council's role may be to support the State response and/or Council could not reasonably be expected to resume 'business as usual' operations within days or weeks.

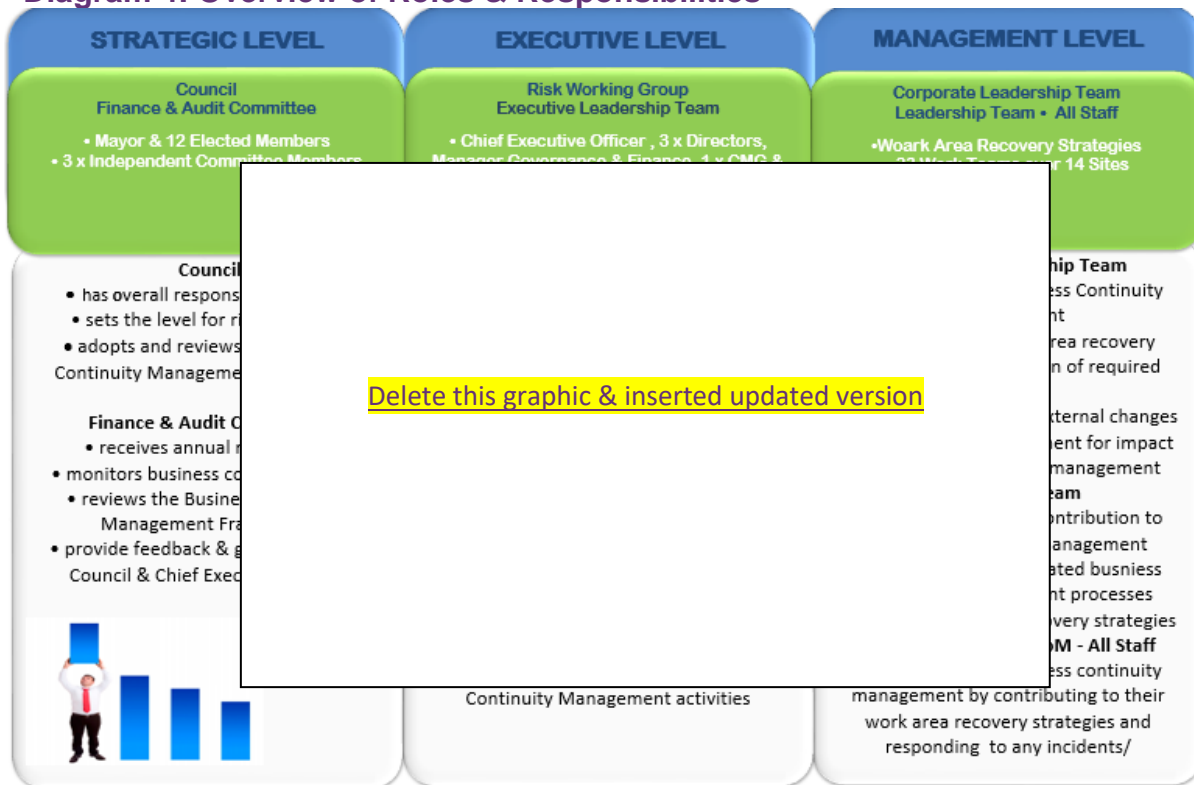
The program is aligned to the Council's risk management framework and the relevant risk management tools will be used.

**Roles and Responsibilities** The Business Continuity Policy provides a high level explanation of business continuity responsibilities, greater detail is provided below: with further information outlined can be obtained from in the Business Continuity Plan



## Overview of Roles & Responsibilities

Diagram 4: Overview of Roles & Responsibilities



### Council

Council is responsible for setting the organisation's risk appetite, oversight of the organisation's systems for managing risk including approving and reviewing the City of Marion's Business Continuity Policy and Framework. The effectiveness of our business continuity is monitored and reported to the Chief Executive Officer and Executive Leadership Team via the Risk Working Group and through the review of reports from the Finance & Audit Committee.

### Finance & Audit Committee

As part of its advisory and assurance role to Council, the Finance & Audit Committee reviews the risk profile annually, monitors the risk exposure to Council, determines and determines the adequacy of risk management processes including business continuity. The Committee reviews reports from management as well as external auditors regarding Council's assurance program, making recommendations to Council regarding business continuity arrangements, BCP reviews and testing outcomes. .

### Chief Executive Officer

Council has delegated various powers and functions to the Chief Executive Officer to enable the implementation of policy and procedures, to assist with the management of the City of Marion's risk profile and to ensure alignment with strategic plans. With overall accountability for business continuity, the Chief Executive Officer provides leadership and ensures appropriate resourcing and delegations are in place for an effective business continuity program at an appropriate level.

## Risk Working Group

With membership including the Executive Leadership Team, the Risk Working Group oversees business continuity on an on-going basis and confirms reports to be provided to the Finance & Audit Committee.

## General Managers

General Managers ensure participation of units within their portfolio in business continuity activities. General Managers and the Chief Executive Officer will ensure business continuity is embedded in the culture, have positions within the incident management team and participate in training and exercises.

## Leadership Team

All leaders and managers actively participate in business continuity by:

- monitoring activities supporting key services to ascertain if any changes may affect business continuity arrangements;
- maintaining awareness of business continuity activation processes and escalate issues as they arise
- participating in the business impact analysis process;
- implementing and updating business continuity recovery strategies and communicating this information to staff;
- maintaining readily accessible up-to-date contact details for their staff and key stakeholders
- liaising with the Risk Management Unit to ensure all related information is kept accurate.

Managers may be selected to join the incident management team and participate in training and exercises.

## Risk Management Team Unit Manager Risk

Accountable for the overarching Business Continuity program including responsibility for:

- establishing, overseeing, reviewing and maintaining Business Continuity Policy, Framework and Plan
- ensuring business continuity meets the strategic needs of the organisation and is aligned to Business Continuity Management ISO22301:2012
- annually reviewing business continuity management and presenting findings to the Executive Leadership Team and the Finance & Audit Committee
- facilitating appropriate training and testing of the Business Continuity Plan in collaboration with the ICT Service Recovery Plan
- engaging annually with all work areas to ensure that their needs are being met in the event of a business disruption

## Project Managers/Coordinators

Once business continuity arrangements are in place, project managers and coordinators will consider how the project may impact on the business continuity arrangements, either during the life of the project or on handover to operations.

## All Staff

All staff contribute to the business continuity process by:

- recognising, reporting and responding to situations or incidents that may impact continuity of operations
- maintaining awareness that changes to activities supporting key services may impact on business continuity arrangements;

- ensuring manual processes and recovery strategies are kept current and reporting any gaps to their manager.

## Business Continuity Resources

Business continuity competency will be included in the Training Need Analysis requirements. The Risk Management Unit facilitate business continuity management within its wider risk management framework and act as document and system owners.

Management will ensure there are a sufficient number of staff formally trained in business continuity, having due regard to the size of the organisation and ensuring coverage.

The Risk Management Unit develops and continually improves guiding information and tailored resource tools for risk management activities, including business continuity, and for recording and reporting purposes. The accuracy of document content is crucial and a regular review is required, in consultation with managers of time critical activities or their supporting resources.

## Integration

Business continuity considerations will be integrated into the relevant organisational programs and operations, as listed:

- Strategic Management Framework
- Workplace Emergency Management Plan
- Community Emergency Management Plan
- Risk Management Framework
- ICT Service Recovery Plan

An overview of each follows:

### Strategic Management Framework

The Strategic Management Framework elements include:

- Community Plan (30 years)
- Business Plan (3 years)
- Work Area Plans (3 years)
- Annual Plan (1 year)
- Personal Development Plans

The Business Plan informs the strategic directions of Council and from that the key services can be confirmed. The Work Area Plan conveys the service levels and this information can be used as a reference when considering the minimum acceptable service levels to be provided following a disruptive incident.

### Workplace Emergency Management Plan

Workplace emergency arrangements ensure a building or facility is evacuated in a safe and timely manner. Our emergency response arrangements are facilitated by the Risk Management Unit. In the event of a disruptive incident requiring building evacuation, the emergency control officer teams would hand over operations to an activated incident management team, as outlined in the Business Continuity Plan, in order for them to manage post emergency response events and oversee activation of appropriate business continuity arrangements.

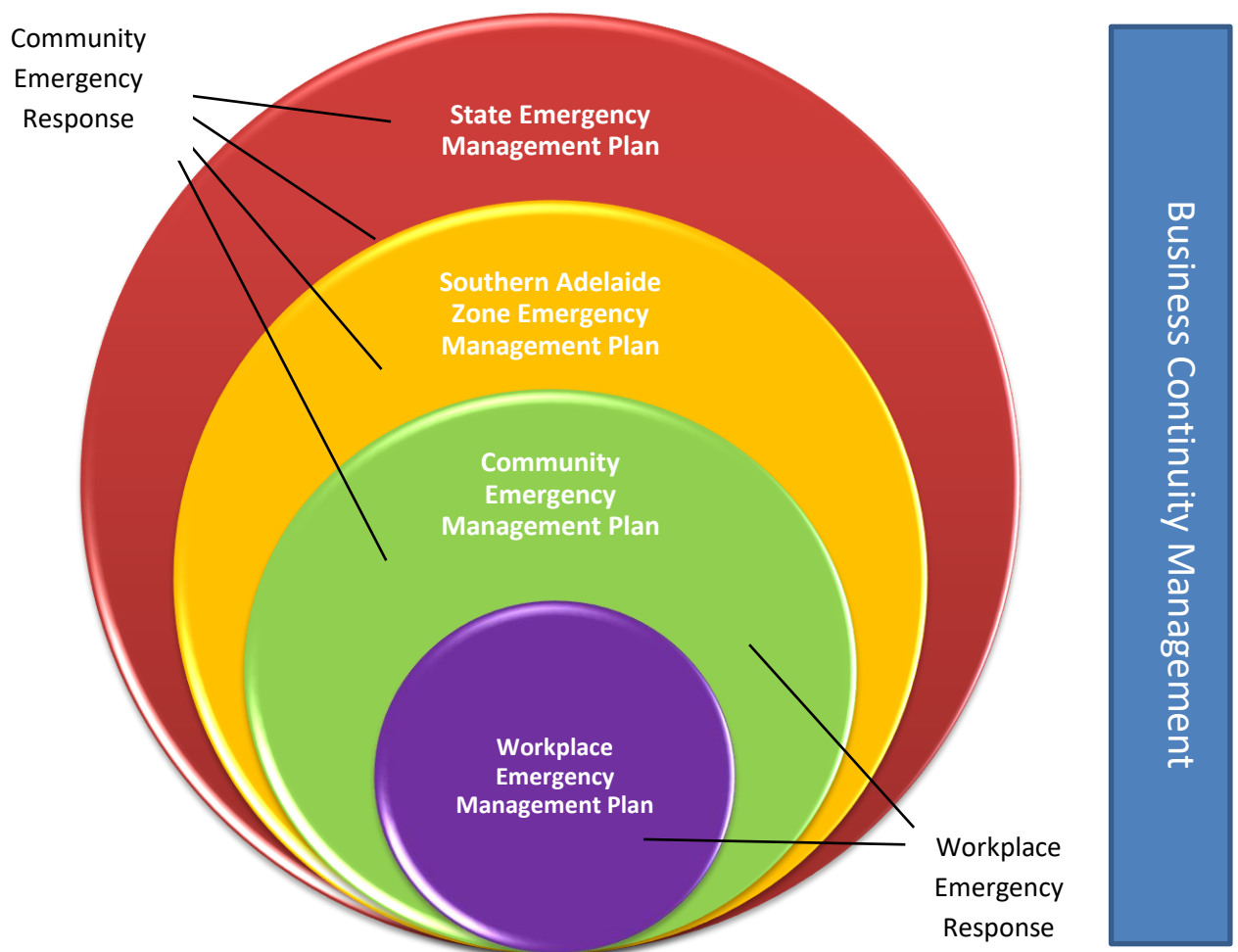
## Community Emergency Management Plan

We undertake emergency management planning and participate in exercises so we are prepared to respond effectively to requests from State Government, Control Agencies or Hazard Leaders during community level emergencies. We are active participants on the Southern Adelaide Zone Emergency Management Committee. The Risk Management Unit facilitates the Community emergency management plan in close consultation with the operational teams at City Services. The incident management team may be activated during emergencies to coordinate our response and to oversee business continuity arrangements as required.

The Southern Adelaide Zone Emergency Management Plan arrangements are taken into account in responding to community level emergencies and therefore there is an interface between that plan and the Business Continuity Plan.

### Diagram 5: Overview of Community and Workplace Emergency Response

The diagram below shows the relationship between the various documents and indicates their intended use for community emergency response and response to City of Marion incidents.



## Risk Management Framework

We undertake business continuity so we are prepared to respond quickly and effectively to an incident or situation that may disrupt or has disrupted our operations. The assessment of disruption risks is aligned to the Risk Management Framework.

## ICT Service Recovery Plan (ICT SRP)

It is vital that the ICT Service Recovery Plan specifies the restoration of ICT services that support key services in the order of priority established by business continuity and endorsed by Executive Leadership Team. The ICT Service Recovery Plan needs to work in conjunction with the Business Continuity Plan as both are often impacted at the time of a business disruption and, hence, involve the same key personnel and have common aim of a prompt and efficient resumption of business.

## Evaluating the Performance of the BCM Program

Business Continuity ~~Management~~ will be monitored, via the following activities:

- regular review and updating of IMT blue Business Continuity folders the documentation;
- distribution of updated documentation to all relevant recipients;
- evidence that outcomes from reviews and exercises have been implemented as monitored and managed by the Business Continuity Working Group and reported regularly via corporate risk reporting to the Risk Working Group.
- ~~and~~ where appropriate outcomes are incorporated into business continuity processes.

Business continuity is included in the scope of CoM'sour assurance program. The annual risk management review includes business continuity and is undertaken by the Local Government Association Mutual Liability Scheme.

## Business Continuity Elements

The business continuity elements described in ISO 22313:2012 *Societal security – Business continuity systems – Guidance* comprises five key elements:

- Operational Planning & Control
- Business Impact Analysis & Risk Assessment
- Business Continuity Recovery Strategies
- Business Continuity Plan
- Exercises & Testing

**Diagram 6: Business Continuity Elements**



A description of the elements for business continuity follows.

## Operational Planning & Control

~~Having established the business continuity objectives (as outlined in the Objectives of the Business Continuity Management Policy), the first step is to create a program to ensure business continuity is managed appropriately and its effectiveness is maintained.~~

~~The program will involve:~~

- ~~• agreeing on a suitable methodology (ISO 22301 and 22313) for implementing business continuity~~
- ~~• using implementing a planned approach, such as utilising project management methodology to set project milestones and required deliverables (which will be documented in a project plan and linked to the risk management implementation plan)~~
- ~~• maintaining documentation to track action taken and monitor changes~~
- ~~• reporting to Executive Leadership Team management (via the Risk Working Group) for monitoring that planned changes are controlled, unintended changes are reviewed and appropriate action is taken~~
- ~~• ensuring the accuracy of information and effectiveness of the process~~

## Business Impact Analysis & Risk Assessment

Gaining agreement and understanding of priorities and requirements for business continuity is achieved through the business impact analysis (BIA) of each CoM work area (as detailed within their respective Recovery Strategy documentation) and risk assessment which will then:-

A business impact analysis will:

- identify activities that support the provision of Council's key services;

- assess maximum acceptable outage (MAO) times to prioritise time lines for resuming these activities at an endorsed minimum acceptable level, taking into consideration the time within which the impacts of not resuming them would become unacceptable;
- identify dependencies and supporting resources including suppliers, outsource partners and other relevant stakeholders.
- assess 'maximum tolerable period of disruption', the 'recovery point objective (RPO)' or the impacts over time of not performing these activities or the 'recovery time objective' (RTO)

~~The Risk Management Unit will liaise with the Innovation & Strategy Unit to foster a coordinated approach to continuous improvement activities and process mapping.~~

The business impact analysis enables ~~us to~~ prioritisation ~~for the resumption of activities that support our key services and informs the ICT critical asset information register.~~ This understanding will enable enabling the identification of us to select appropriate business continuity recovery strategies.

These prioritised activities are usually referred to as 'critical activities' within business continuity. **The 'critical' term relates to time or impact criticality, rather than a perception of some activities being more important than others.**

The workarounds currently in place for the critical activities will be documented during the business impact analysis process, as this information will be used when considering business continuity recovery strategies.

Risk assessment promotes understanding of the risks relating to critical activities and their dependencies and the potential consequences of a disruptive incident.

The risk assessment will focus on identifying vulnerabilities within our operations and infrastructure linked to the underlying value they support as well as understanding the impact of their non-availability and its stakeholders. Business continuity is not about identifying, assessing and reporting every conceivable risk or allocating probabilities (likelihood) to event occurrences.

~~A report will be provided to the Risk Working Group will for endorsement and identified agreement on the critical activities and supporting resources and related that will require business related business continuity recovery strategies. The report will also outline the situations that will trigger and justify activation of the business continuity plan including an incident management team response.~~

## Business Continuity Recovery Strategies

Having undertaken the business impact analysis ~~and modified risk assessment~~, the next step is to consider how continuity will be achieved for the time critical activities and supporting resources that enable delivery of key services.

In setting the ~~R~~recovery ~~S~~strategies, ~~we will~~ consideration is given to how we will utilise resources are to be used eg: such as people, buildings, work environment and associated utilities, facilities, equipment and consumables, ICT systems, transportation, finance, partners and suppliers, and how information and data will be accessed. ~~If ICT systems fail, being able to gain manual access to provide required data information may to~~ enable critical activities to continue.

A robust business continuity approach will usually consider as a minimum, developing business continuity recovery strategies for these four scenarios:

Scenario	CoM Recovery Strategy Reference
• inability to access buildings and/or equipment eg: trucks	<u>Land &amp; Property / Operational Support</u>
• inability to access staff;	<u>Human Resources</u>
• inability to access technology	<u>ICT /ICT Service Recovery Plan</u>
• inability to access key suppliers or partners.	<u>Financial Services</u>

- ~~inability to access buildings and/or equipment (eg trucks);~~
- ~~inability to access staff;~~
- ~~inability to access technology~~
- ~~inability to access key suppliers or partners.~~

Business Impact Assessment (BIA) details are included within the Recovery Strategies to provide a focus on the operational and financial impacts resulting from a disruptive event. This are quantified against the following headings;

- function loss
- penalties for non delivery
- functional interdependencies

There are three levels at which strategies can be set:

- ~~1. Full availability – cannot fail;~~
- ~~2. Continuity within timeframe requirements at an agreed minimum service level; and~~
- ~~3. Do nothing.~~

The BIA section identifies the service provision against three categories; (i) fully available, (ii) phased over a period of time or (iii) need ‘do nothing’

- (i) Full availability is provided where any disruption to the activity cannot be tolerated. This expensive strategy option is unlikely to be cost effective in many instances, when we take into account the nature of the services we provide to the community. Examples where this strategy may be necessary are activities affecting community safety, such as our response to fallen trees.
- (ii) Where continuity of the activity can be phased over a period of time, the levels of operational capability at fixed points in time will be agreed and the type and amount of resources needed will be identified. This strategy is the option most frequently adopted by organisations, as it allows for a gradual and managed increase in capability with defined resource requirements.
- (iii) ‘Do nothing’ is an acceptable option for some activities. However, there are impacts that, if not managed, will subsequently have serious implications. These may be financial or, more likely, affect the local community.

Also detailed within the Recovery Strategies are Critical ICT Business Systems response requirements which are classified as one of the following:

## 1 Maximum Acceptable Outage (MAO)

The maximum tolerable point in time at which a recovery should occur or else the outage compromises the ability of the Council to achieve its business objectives and/or provide critical services:

## 2. Recovery Time Objective (RTO)

The maximum acceptable length of time that can elapse before the lack of a business function severely impacts the Council. This is the maximum agreed time for the recovery of the service

## 3. Recovery Point Objective (RPO)

The point in time to which systems and data must be recovered after a failure in service has occurred. For example, data should be restored up till the start of the day. It includes the amount of data needed to be reconstructed after the systems or functions have been recovered.

There may be cost implications for each recovery strategy chosen. These costs should be compared against the cost of disruption, although in some cases the impact of financial cost cannot be applied to the activity. It may be that the greatest impact could be community safety. ~~With the s~~

Supporting resources and cost implications to being considered in any related ~~the~~ decision making process.

**All The Business - eContinuity #Recovery sStrategies arewill be endorsed by their relevant Senior Leadership and Executive Leadership Team member and updated every 6 months as a minimum.**

## Business Continuity Plan

~~This Plan This step involves establishing, documenting and implementing procedures (key tasks) for the selected business continuity strategies based on the agreed timeframe requirements identified in the business impact analysis.~~ The Business Continuity Plan sets out the key actions to be implemented in response to a disruptive incident and / has a time/impact focus for those critical activities identified as supporting Council services.

~~The d~~Development of the Business Continuity Plan will be done in consultation ~~with~~across the organisation in order to minimise incorrect assumptions. ~~As these documents are used under challenging and stressful circumstances, they need to be concise, simple and easy to follow.~~

The Business Continuity Plan ~~documentation~~ will form part of a suite of interconnected documentation covering workplace emergency ~~management plansplans response~~ (building evacuation), incident management, business continuity and recovery management and community emergency management at a level appropriate to Council and its obligations.

The Business Continuity Plan will provide guiding information including:

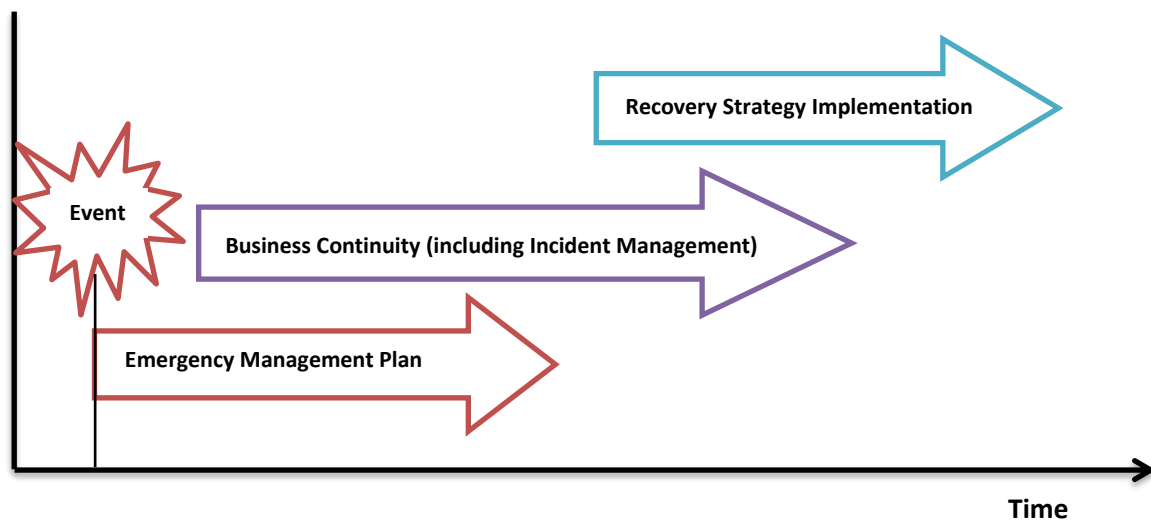
- initial activation triggers;
- alert, standby, activation and stand down processes;
- Incident Management Team structure, nominees and team role and responsibility statements ~~descriptions;~~
- an agenda for the initial meeting of the Incident Management Team covering tasks such as situation reporting (SITREP), risk assessment, communication and decision making;
- requirements and location/s for an incident management base from which to operate; and
- checklists to act as prompts for team members.

Incident management including an agreed incident management team (IMT) will be put in place when a situation arises that cannot be managed effectively as part of 'business as usual' operations or may justify activation of the Business Continuity ~~Management~~ Plan

The Business Continuity Plan has an integral Risk Management Unit ~~will work with the Communications Unit to prepare a~~ IMT communications strategy containing internal and external communications protocols that will be:

- specific – with regard to the immediate steps that should be taken during a disruption;
- flexible – so that they may be used to respond to unanticipated scenarios and changing internal and external conditions;
- focused – they should clearly relate to the impact of events that could potentially disrupt operations and be developed based on stated assumptions; and
- effective – in terms of minimising the consequences of incidents through implementation of appropriate business continuity strategies.

**Diagram 7: Overlapping Relation of Business Continuity with Emergency Management, Incident Management and Recovery Strategies**



The above chart shows the overlapping nature of the activities. A major disruptive incident requiring a building evacuation (the emergency management response) will involve handover from the Emergency Control Officers (ECO) to an activated Incident Management Team (IMT) for commencement of business continuity activities. Prior to stand down of the ~~IMT Incident Management Team~~, it will activate Recovery Strategies as required and appoint a manager to phase out the continuity procedures and progressively resume normal operations.

## Awareness Raising, Training and Testing

Those who hold positions that are named in IMT within the Business Continuity Plan will be made aware of their role and have the appropriate training to enable them to fulfill their responsibilities.

An ongoing awareness program will be implemented by the Risk Unit to ensure all staff are familiar with incident management activation procedures and initial steps that will be taken in the event of a disruptive incident affecting their work place.

Risk and business continuity will be a standard team meeting agenda item to enable issues to be raised and reported up through line management. Other in-house staff communication opportunities will also be used to raise awareness.

~~For the~~ The Business Continuity Plan to be ~~can only be~~ relied upon it needs to be tested when regular by holding exercised regular exercises; ys have been held to build confidence and awareness in IMT incident team member knowledge and working relationships and to when check the content of the plans are routinely checked for accuracy and to ensure, realistic and appropriate.

There are various forms of exercise but it is important to:

- test the systems;
- exercise the plans;
- allow people to rehearse the scenarios.

Exercising and testing is intended as a training opportunity for those who are named in the documents and to ensure the plan is both practical and accurate

Aims and objectives of Business Continuity management ~~that~~ includes:

- everyone understanding their role and that there is an overall appreciation of the plan;
- a check that activation procedures/call-out communications work;
- ensuring that office accommodation, equipment, systems and services provided are appropriate and operational verifying the critical activities can be recovered within their required time frames and to the level of service required.

Exercises & testing will be undertaken without 'risking' the organisation by causing disruptions. They will be cost-effective designed to **build confidence and appropriate** to Council.

There are various forms of exercises ranging from desktop review, where the participants review and challenge the content of the plans, a 'walk through' where the interaction between players is assessed, to a full plan test where the site or building is shut and a move undertaken to an alternative location. All exercises will involve formal planning and an exercise plan.

Although full plan testing is the only way to assure all concerned parties that the incident and continuity management arrangements will work when required, such an extensive exercise is only considered appropriate when the exercise program is mature, IMT incident management team members are well rehearsed, extensive exercise planning has been undertaken and the potential impact on service delivery has been managed.

Rehearsing the team players is vital, as people demonstrate different characteristics when put under pressure. A real activation will be a stressful situation and it is important to understand the strengths and weaknesses of the individuals concerned. Normal management culture surrounding decision making is based on consensus with the maximum information available to all parties. At times of plan activation, the management style may have to be more directive (depending on circumstances), working with less than perfect information.

At the conclusion of each exercise, a debrief session will be held to capture lessons learnt and required document changes. An exercise report will be prepared including recommendations for action and presented to the Risk Working Group. Implementation of exercise report recommendations will be monitored via the Business Continuity Working Group and reported to the Risk Working Group.

## Ongoing BCM Program Activities

Business continuity management is an ongoing cycle of activities to ensure accuracy of all information and to enable an effective response in the event of a disruptive incident.

Changes to service delivery, including continuous improvement activity outcomes and organisational or structural changes will be monitored by the Leadership Team to alert the Risk Management Unit of any potential impact on the effectiveness of business continuity.

## Appendix 1 – Definitions

Term	Meaning (*as per ISO 22301:2012 Business Continuity Systems - Requirements)
<b>Activity</b>	Process or set of processes undertaken by an organisation (or on its behalf) that produces or supports one or more products and services Example – Such processes include accounts, call centre, IT, manufacture, distribution.
<b>Business continuity</b>	Capability of the organisation to continue delivery of products or services at acceptable predefined levels following disruptive incident
<b>Business continuity management (BCM)</b>	Holistic management process that identifies potential threats to an organisation and the impacts to business operations those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability of an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities
<b>Business continuity management system (BCMS)</b>	Part of the overall management system that establishes, implements, operates, monitors, reviews, maintains and improves business continuity
<b>Business continuity plan (BCP)</b>	Documented procedures that guide organisations to respond, recover, resume, and restore to a pre-defined level of operation following disruption Note: The management system includes organisational structure, policies, planning activities, responsibilities, procedures, processes and resources
<b>Business continuity program</b>	Ongoing management and governance processes supported by top management and appropriately resourced to implement and maintain business continuity management
<b>Business impact analysis (BIA)</b>	Process of analysing activities and the effect that a business disruption might have upon them
<b>Document</b>	Information and its supporting medium
<b>Documented information</b>	Information required to be controlled and maintained by an organisation and the medium on which it is contained Note 1: Documented information can be in any format and on any media from any source. Note 2: Documented information can refer to The management system, including related processes; Information created in order for the organisation to operate (documentation); Evidence of results achieved (recorded)
<b>Effectiveness</b>	Extent to which planned activities are realised and planned results achieved
<b>Event</b>	Occurrence or change of a particular set of circumstances Note 1: An event can be one or more occurrences, and can have several causes. Note 2: An event can consist of something not happening. Note 3: An event can sometimes be referred to an 'incident' or 'accident'. Note 4: An event without consequences may also be referred to as a 'near miss', 'incident', 'near hit', 'close call'.
<b>Exercise</b>	Process to train for, assess, practice, and improve performance in an organisation Note 1: Exercises can be used for: validating policies, plans, procedures, training, equipment, and inter-organisational agreements; clarifying and training personnel in roles and responsibilities; improving inter-organisational coordination and communications; identifying gaps in resources; improving individual performance; and identifying opportunities for improvement, and controlled opportunity to practice improvisation.

	Note 2: A test is a unique and particular type of exercise, which incorporates an expectation of a pass or fail element within the goal or objectives of the exercise being planned.
<b>Incident</b>	Situation that might be, or could lead to, a disruption, loss, emergency or crisis
<b>Infrastructure</b>	System of facilities, equipment and services needed for the operation of an organisation
<b>Management system</b>	Set of interrelated or interacting elements of an organisation to establish policies and objectives, and processes to achieve those objectives Note 1: A management system can address a single discipline or several disciplines. Note 2: The system elements include the organisation's structure, roles and responsibilities, planning, operation, etc. Note 3: The scope of a management system can include the whole organisation, specific and identified functions of the organisation, specific and identified sections of the organisation, or one or more functions across a group of organisations.
<b>Maximum acceptable outage (MAO)</b>	Time it would take for adverse impacts, which might arise as a result of not providing a product/service or performing an activity, to become unacceptable Note: See also maximum tolerable period of disruption.
<b>Maximum tolerable period of disruption (MTPD)</b>	Time it would take for adverse impacts, which might arise as a result of not providing a product/service or performing an activity, to become unacceptable Note: See also maximum acceptable outage.
<b>Resources</b>	All assets, people, skills, information, technology (including plan and equipment), premises, and supplies and information (whether electronic or not) that an organisation has to have available to use, when needed, in order to operate and meet its objective
<b>Risk</b>	Damage, injury, loss or other unintended occurrence, resulting from an unplanned event, impacting on achieving Community outcomes and Council objectives Note: Outcomes and Objectives can have different aspects (such as relating to people, WHS, social, cultural, financial, environmental, business continuity, organisational, reputation or public administration and can apply at different levels (such as strategic, organisational services and/or projects)
<b>Risk appetite</b>	Amount and type of risk that an organisation is willing to pursue or retain
<b>Risk assessment</b>	The overall process of risk identification, risk analysis and risk evaluation
<b>Risk management</b>	Coordinated activities to direct and control an organisation with regards to risk
<b>Stakeholder</b>	Those people and organisations who may affect, be affected by, or perceive themselves to be affected by a decision, activity or risk Note: A decision maker can be a stakeholder
<b>Testing</b>	Procedure for evaluation; a means of determining the presence, quality or veracity of something Note 1: Testing may be referred to as a 'trial' Note 2: Testing is often applied to supporting plans

## Internal Audit Program 2018/19

<b>Originating Officer</b>	Governance Officer - Victoria Moritz
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	Acting General Manager Corporate Services - Ray Barnwell
<b>Report Reference</b>	FAC190820R11

### REPORT OBJECTIVE

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

### EXECUTIVE SUMMARY

The Cyber Security Review will complete the 2018/19 Internal Audit Plan. The 2019/20 Internal Audit Program will be considered at the Finance and Audit Committee Meeting to be held in October.

Audit work commenced on the Cyber Security Review prior to the conclusion of the 2018/19 financial year with the final report now due to be presented to the Finance and Audit Committee. The scope of the audit included a follow-up cyber maturity assessment with a focus on key positive findings and areas / recommendations which remain outstanding since the prior internal audit as well as areas that require further improvement. The overall maturity rating has increased from 2016/17FY and is considered 'Defined'. Six findings have been identified. Three of these are low, two are moderate and one is a Performance Improvement Opportunity. The target date for completion of all recommendations is June 2020 with two identified as ongoing. It was recognised the overall maturity level has increased and is trending towards a recommended target maturity rating of 'Managed.'

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

- Cyber Security Review - Final Report (Appendix 1)

### RECOMMENDATION

**That the Finance and Audit Committee:**

- 1. Notes this report**
- 2. Provides feedback regarding the attached report;  
- Cyber Security Review (Appendix 1)**

### Attachment

#	Attachment	Type
1	CoM Cyber Security IA Report FINAL Aug 2019	PDF File



City of Marion

# Cyber Security Internal Audit Report

August 2019



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In accordance with the 2018-19 Internal Audit Plan of the City of Marion (CoM), an internal audit focusing on cyber security was performed. The objective, scope and approach are outlined below.

Objective and scope

To address the overall objective, the scope of the follow-up cyber maturity assessment covered the following domains included in KPMG’s Cyber Maturity Assessment (CMA) methodology:

- 1. Leadership and Governance
- 2. Human Factors
- 3. Information Risk Management
- 4. Business Continuity Management
- 5. Operations and Technology
- 6. Legal and Compliance.

Focus was placed on key positive findings and areas / recommendations which remain outstanding since the prior internal audit. We also focused on areas which require further improvement, giving consideration to the size and nature of the organisation, CoM’s existing plans for increasing maturity, and our experience in other areas that may be considered by the CoM.

Observations and summary of findings

Based on outcomes of the follow-up cyber maturity assessment, the current rating of CoM’s cyber maturity is assessed as ‘**Defined**’, with a rating of **2.90 out of 4**, which is an increase from **2.61 (Defined)** in FY2016/17. This overall maturity rating is well above the sector average achieved by other local government organisations where we have performed similar maturity assessments.

The overall rating from the follow-up cyber maturity assessment against the maturity ratings from the 2016/17 internal audit are summarised in the graph below.



There continues to be strong investment in cyber security by the CoM and since the last internal audit performed, there has been an increased focus and improvement in key areas of cyber security management, including governance, staff education and awareness and technical security controls. Of particular note:

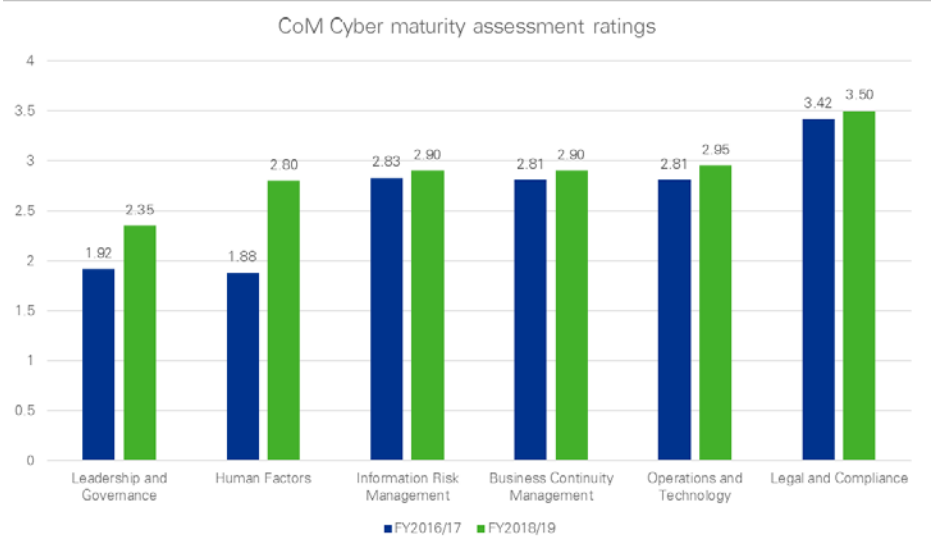
- A formal cyber security education and awareness program, *Be Security Smart* has been implemented across the organisation.
- Improvements to cyber security governance have been made, including cyber security being a standard agenda item for the IT Steering Committee, annual assurance reporting associated with the formal Cyber Security Program and implementation of formal Information Security and Acceptable Use policies.
- A number of security assessments including penetration tests and vulnerability assessments have been performed by third party providers, which has provided good visibility over the current technical risks for various applications and particular areas of CoM infrastructure.

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

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

Observations and summary of findings (cont.)

The maturity ratings for the CoM across each of the KPMG Cyber Maturity Assessment (CMA) domains is shown in the graph below.



It should be recognised, while the increase in maturity ratings is not significant compared to the last assessment, the overall maturity level has increased and is trending towards a recommended target maturity rating of **‘Managed’**. This takes into account that whilst the CoM has focused on activities to develop the baseline of governance, processes and controls, some recommended process and control areas have not been fully addressed by the CoM and some of the solutions implemented have not been in place for a long period of time, requiring further time to be fully embedded. However, the Australian average in KPMG’s CMA benchmarking data for local government organisations is currently 1.70, and as such, CoM well exceeds this maturity score.

Furthermore, to achieve a higher level of maturity, a holistic, organisational focus for managing cyber security risks is required. While there has been strong investment in cyber security by the CoM, this has primarily been within the IT function. There is opportunity to increase focus and investment across the organisation, particularly through embedding cyber security in organisational level programs and initiatives.

A holistic approach to cyber security management means that for the CoM to further increase maturity, particularly for the **Leadership and Governance, Human Factors** and **Information Risk Management** domains, it will be necessary to address at the organisational level and be led collectively between IT and the business, rather than just focussing on IT related activities and initiatives. This means that IT will need to continue to partner with the business, including the Risk function, to enable cyber security risks to be identified and managed as a business risk, rather than solely an IT risk. This can be particularly achieved through inclusion and alignment of IT and cyber security to other organisational improvement projects and initiatives, such as the Risk Management Improvement Project.

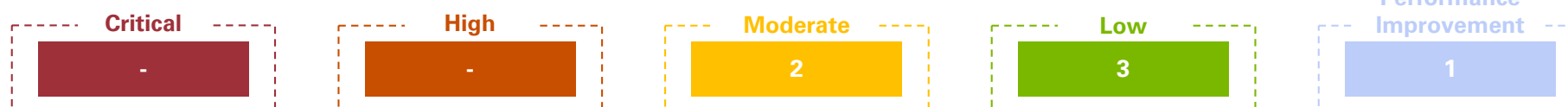
As per the recent Business Continuity, IT Disaster Recovery and Emergency Management Internal Audit, it is also recognised that significant work has been undertaken to improve the maturity of **Business Continuity Management** across the CoM. The CoM will also be undertaking a business impact assessment as part of further planned activities, and following this, IT outcomes should be communicated directly to IT, so that IT can ensure appropriate IT disaster recovery solutions, plans and processes are in place and aligned to business requirements.

The current maturity of the **Legal and Compliance** domain aligns to the recommended target maturity of **‘Managed’** and well exceeds the average maturity level of other organisations in the sector. The activities and processes within this domain should be maintained by the CoM, with limited need to focus on improving maturity except where these activities align to other organisational projects and initiatives (such as the Risk Management Improvement Program).

It needs to be recognised that should the CoM make a decision to change the desired target maturity levels across the CMA domains to the higher end of **‘Managed’** or **‘Optimised’**, there would be a need to significantly change and invest in the technology environment, and associated governance, processes and controls, as well as an increased focus in organisational culture from a cyber risk perspective. Management would need to consider and assess whether a further increase in the maturity of cyber risk management aligns to the organisation’s risk appetite and whether adequate costs versus benefits would be achieved.

## Internal audit findings

Through the work performed as part of the follow-up cyber maturity assessment, we have identified key findings across each domain of KPMG's Cyber Maturity Assessment (CMA) methodology. 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 CoM Management. Management has accepted the findings and has agreed action plans to address the recommendations.



Rating	Ref #	Description	Issue Owner(s)	Target Date(s)
Moderate	F1	Leadership and Governance	Manager ICT ICT ISD Unit Manager	1. 31 March 2020 2. 30 June 2020 3. 30 June 2020
Low	F2	Human Factors	Manager ICT Manager HR	1. 31 March 2020 2. 30 June 2020
Moderate	F3	Information Risk Management	Manager Corporate Governance Manager ICT Manager Innovation & Strategy Unit Manager Risk Strategic Procurement Lead ICT ISD Unit Manager	1. 31 March 2020 2. & 3. 30 June 2020 4. & 5. 31 December 2019
Low	F4	Business Continuity Management	Unit Manager Risk ICT ISD Unit Manager	1. 30 June 2020
PIO	F5	Operations and Technology	ICT ISD Unit Manager	1. Ongoing
Low	F6	Legal and Compliance	Manager Corporate Governance Manager ICT	1. Ongoing

The classification of risk ratings in this report are based on the risk ratings documented in **Appendix 3**.

Overview

Cyber security is continuing to be a growing area of concern for Boards, Executives and organisations alike trying to understand, mitigate and safeguard themselves from significant cyber risk. The risk of a cyber-incident is constant, whether through targeted attacks, or random target selection and the thinking around cyber preparedness has moved substantially in recent years.

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

Cyber security in leadership

In Australia, many CEOs and Boards recognise the importance of cyber security, however do not yet fully hold the depth of understanding required to drive action. This is in part, due to a lack of visibility of what needs to be done, and responsibility often falling with Management who may struggle with clearly defining the above key questions.

Organisations need to invest in the right tools, and the right people, to protect against cyber threats. Bringing in security intelligence can help to pinpoint problems, identify anomalies, and highlight unusual or suspicious activity, however one of the biggest challenges CEOs currently face is cyber skills shortage. Global estimates suggest that over 23 percent of cyber security positions take more than six months to fill.

Cyber security awareness

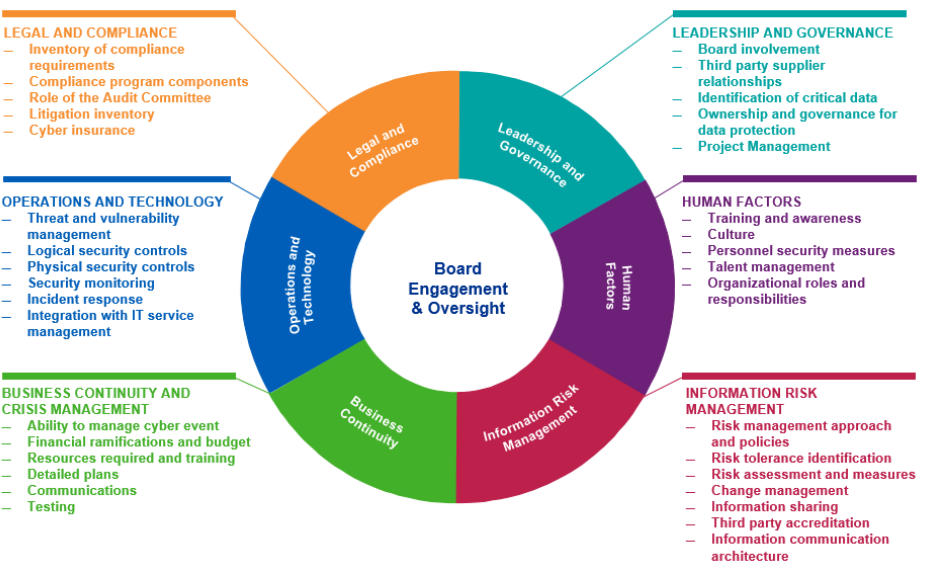
Business awareness and acceptance of ongoing cyber security uplift programs is a challenge faced by organisations globally. Whether it be through the lack of communication across the business, or push back by personnel on changes to processes, organisations regularly face challenges in implementing cyber security.

Educating staff at all levels within the business on the importance of cyber security programs is critical to ensuring their success. Often a lack of key staff involvement in early project phases, such as requirements gathering and definition of success criteria, can be the deciding factor in the success of many projects.

Cyber maturity assessment

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

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



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

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Finding 1 – Leadership and Governance

Maturity ratings:	2018/19 2.35	2016/17 1.92	Moderate
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Key positive observations

Our previous report from 2017 recognised the following key strengths relating to the Leadership and Governance Domain:

- 1. The Executive Leadership Team and Senior Leadership Team at the CoM recognise the importance of cyber security in the organisation.
- 2. A strategic partnership has been formed with CQR to act as the CoM’s outsourced security provider and subject matter expert.

This year, in addition to the above, the following was also identified:

- 1. Cyber security is now an agenda item at the IT Steering Committee, providing an update of information security plan activities, remediation of identified risks and / or control and processes issues and any ongoing trends / threats relevant to the CoM.
- 2. An annual assurance report is presented to the Risk Working Group with regard to the Cyber Security Program being performed by CQR. This is presented at the beginning of the year to outline the upcoming program and at the end of the year with measures against planned activities.
- 3. There is now a formalised Information Security Policy and an Acceptable Use Policy, which were approved by the Executive Leadership Team on 12 September 2018.
- 4. The ICT Steering Committee approved the Cyber Security Assurance Framework in December 2017. This document sets out the CoM’s intent and commitment to develop, implement and continually improve its structured governance model in accordance with ISO/IEC 27001:2013 and its roles and responsibilities for cyber security.
- 5. A Cyber Security Operating Manual has been developed which outlines the key activities and processes to be undertaken by IT to manage cyber security.

Opportunities for improvement

The following opportunities for improvement were identified during our current assessment which will assist with further increasing the CoM’s maturity in leadership and governance:

- 1. Whilst the Cyber Security Assurance Framework and Cyber Security Operating Manual sets out key cyber security governance, processes and activities for cyber security management, there is now a need to:
  - Fully implement, operationalise and embed the framework and operating manual into IT and across the organisation and develop processes so that they are followed.
  - Clearly define, agree and communicate Executive level accountability for cyber security within the CoM. It is important for Management to acknowledge that while third parties support the CoM to manage elements of cyber security, the associated accountability and responsibility for the management of these risks cannot be outsourced.
  - Ensure that policy and documentation developed by IT to support cyber security management is in a consistent format, using consistent versioning.

## Finding 1 – Leadership and Governance (cont.)

Moderate

### Recommendations

The following recommendations should be considered by Management to further increase maturity in the Leadership and Governance domain:

1. Formally define, agree and communicate the overall Executive level accountability for cyber security within the organisation (e.g. Chief Executive), with responsibility assigned to the Manager ICT. Additionally, position descriptions and associated key performance indicators should be updated and defined as appropriate for those roles accountable and responsible.
2. Fully implement and embed the Cyber Security Assurance Framework and Cyber Security Operating Manual into IT and across the organisation and develop processes to ensure that they are followed. Furthermore, while there is intent and commitment for the CoM to align to the requirements of the ISO 27001:2013 standard, it is recommended that the CoM only implements those elements relevant and necessary to adequately manage cyber security risks in line with the nature and size of the organisation. It may also be appropriate for the CoM to use relevant aspects of other cyber security industry standards, such as NIST, in conjunction with ISO 27001.
3. As part of implementing and embedding the Cyber Security Assurance Framework and Cyber Security Operating Manual, confirm that the relevant policies, procedures and guidelines are documented (in a consistent format, using consistent versioning), communicated and made available to all relevant staff.

### Agreed Management Action(s):

1. Engage HR to develop Management position descriptions as per recommendation and develop communication plan.
2. Implement and embed a change management plan for cyber security awareness and continue to align where appropriate to ISO27001:2013.
3. Work to update documents into a consistent CoM format.

### Responsibility:

1. Manager, Information and Communication Technology (ICT)
2. ICT Infrastructure Service Delivery (ISD) Unit Manager
3. ICT ISD Unit Manager

### Target date(s):

1. 31 March 2020
2. 30 June 2020
3. 30 June 2020

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Finding 2 – Human Factors

Maturity ratings:	2018/19 2.80	2016/17 1.88	Low
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Key positive observations

Our previous report from 2017 recognised the following key strengths relating to Human Factors:

1. Email communications are sent out to alert staff of specific cyber security related threats. For example, alerting of scam emails containing potentially malicious attachments. This has resulted in an increased awareness of cyber security and associated threats in the organisation, and has also led to instances of staff notifying IT of potential threats.
2. As part of induction processes, staff are required to read and formally acknowledge that they have read and understood the contents of both the Internet and Email Access And Usage and the Code of Conduct. This is then recorded against the staff member’s record for compliance.
3. A phishing exercise has been performed which consisted of a test malicious email being sent out to all staff in order to gain login credentials and passwords. Further analysis was performed over the results to gain an understanding of what level of staff and which parts of the organisation were most prone to clicking the link.

This year, in addition to the above, the following was also identified.

1. As part of induction processes, staff are now required formally acknowledge that they have read and understood the Code of Conduct, as well as the new Information Security Policy and ICT Acceptable Use Policy (which has replaced the Internet and Email Access and Usage Policy).
2. The CoM has implemented a formal security awareness program *Be Security Smart* which includes mandatory training upon induction and at regular intervals. This has assisted in developing the organisation’s knowledge of and the impact of cyber threats and has improved the organisation-wide cyber security culture.

Opportunities for improvement

The following were identified as areas for improvement in the 2017 report which have not been fully addressed by the CoM through the activities undertaken since 2017:

1. There is currently no mechanism through which to assess, monitor and improve staff attitudes and understanding of cyber security across the organisation, such as surveys.
2. The CoM last conducted a staff phishing exercise in 2017/18 and the last physical social engineering exercise was in March 2018. It is expected that these types of live assessments would be conducted on an annual basis.

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Finding 2 – Human Factors (cont.)

Low

Recommendations

- The following should be considered as recommendations for further increasing maturity in the Human Factors domain:
- 1. Whilst it is noted that staff are tested at the end of each module within the current online security training, the CoM should also consider adding a few questions on cyber security to the existing Pulse survey to measure the strength of understanding and awareness of cyber security across the organisation. The output from this can then be used to tailor and further refine the current cyber security awareness program.
  - 2. Conducting more regular phishing assessments of staff (e.g. annually) so that staff are provided more training and awareness opportunities and to assist in uplifting employee focus on cyber security as part of performing their day-to-day activities.

Agreed Management Action(s):

- 1. Review Pulse Survey appropriateness for cyber security questions, further develop security awareness program questions.
- 2. Review effectiveness of cyber security awareness program with the view to adjust frequency of phishing scans as required.

Responsibility:

- 1. Manager ICT
- 2. Manager HR

Target date(s):

- 1. 31 March 2020
- 2. 30 June 2020

## Finding 3 – Information Risk Management

### Maturity ratings:

2018/19  
2.90

2016/17  
2.83

Moderate

### Key positive observations

Our previous report from 2017, recognised the following key strengths relating to Information Risk Management:

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

This year, in addition to the above, the following was also identified.

1. The requirements for third-party cyber security obligations, including related clauses have been provided to Procurement to be included in all contract renewals and new contracts.
2. It is acknowledged that the CoM has undertaken a number of security assessments including penetration tests and vulnerability assessments from third party providers. This has provided good visibility over the current technical risks for various applications and particular areas of CoM infrastructure.

### Opportunities for improvement

The following were identified as areas for improvement in the 2017 report which have not been fully addressed by the CoM through the activities undertaken since 2017:

1. There is currently limited definition of the associated requirements that staff must comply with for the sharing of information both internally and externally (including USBs and third-party sharing sites).
2. There is currently no formally documented IT asset management policy or associated procedures in place to document requirements relating to IT asset management, including asset review for completeness and accuracy. Furthermore, whilst hardware and some software based asset registers exist, there is currently no record of information assets.
3. A formal cyber risk assessment has not been performed over all critical assets across the business, including both tangible and intangible assets.

The following have been identified as areas for improvement in 2019 to increase the CoM's cyber security maturity relating to the Information Risk Management:

1. Whilst cyber security obligations have been identified and provided to Procurement for consideration in third party agreements, this has not been formalised or endorsed. It is also noted that the onus is still currently on the individual department engaging with the third-party vendor to ensure that appropriate due diligence has been performed prior to formally engaging the third party.
2. While the CoM adheres to the State Records Act for information classification, this is only limited to information stored in the electronic records management system. For information classification to be fully implemented in an organisation, we would expect all information assets to be covered (e.g. IT systems and hardware).
3. CoM currently records their technical IT risks in two separate registers within SharePoint, a vulnerabilities register and an ICT risk register. However, there is no visibility of this corporately and no centralised, consistent and proactive process for cyber and IT related risks and vulnerabilities, to be reported to Executive, so that it can be tracked and managed centrally.

## Finding 3 – Information Risk Management (cont.)

Moderate

### Recommendations

The following should be considered as recommendations for increasing maturity in the Information Risk Management domain, particularly when implementing, operationalising and embedding the Cyber Security Assurance Framework and Cyber Security Operating Manual:

1. Clearly define and communicate the requirements for sharing of information both internally and externally. Consideration should be also given to implementing controls for removable and portable media control as part of a data loss prevention strategy, such as storage, handling, whitelisting allowed USB devices, encryption and destruction.
2. Formally define the requirements for IT asset management and document the associated processes in place, including relating to the periodic review of asset registers for completeness and accuracy. Perform an assessment to identify and document tangible and intangible assets (physical, logical and information assets) across the organisation and clearly assign ownership. Once established, classification of information assets should also occur.
3. Perform a formal risk assessment over tangible and intangible critical assets to ensure that all cyber security related risks are appropriately tracked, managed and mitigated, where possible. Ensure that risks are captured in a formal register.
4. Formalise and have the Executive Leadership Team endorse the cyber security obligations to be included in all third-party contracts. Existing third-party contracts should then be reviewed to determine compliance and any potential concerns moving forward should be renegotiated where possible. Continual due diligence and assurance activities on third parties should be performed to ensure that they adhere to the CoM's minimum requirements.
5. Formalise the IT risk register and the vulnerabilities register process so that IT and cyber risks are translated into business impact and raised up to the CoM strategic risk register. In addition, a centralised IT and vulnerabilities register should be implemented to capture known risks, issues and exceptions that can be tracked and monitored.

### Agreed Management Action(s):

1. Implement a Data Governance Framework to classify CoM's information and define appropriate resources to manage this function to communicate requirement for information sharing.
2. Work with Strategic Asset Department to include ICT Assets in line with Asset Management Strategy.
3. Review and include ICT assets in risk assessment process.
4. Contracts to include cyber security clauses into standard contracts.
5. Work with Risk Department to implement process for ICT risks to roll up to corporate risk register.

### Responsibility:

1. Manager Corporate Governance and Manager ICT
2. Manager ICT and Manager Innovation & Strategy
3. Unit Manager Risk
4. Strategic Procurement Lead
5. Unit Manager Risk and ICT ISD Unit Manager

### Target date(s):

1. 31 March 2020
2. & 3. 30 June 2020
4. & 5. 31 December 2019

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Finding 4 – Business Continuity Management

Maturity ratings:	2018/19 2.90	2016/17 2.81	Low
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Key positive observations

- Our previous report from 2017, recognised the following key strengths relating to Business Continuity:
1. A secondary data centre exists at the City Services Depot on Marion Road, which acts as the recovery site in the event that the primary site at the Admin Centre is unavailable and services are required to be restored. Data is replicated across sites providing redundancy of both server and network infrastructure.
  2. An IT Security Response Plan (SRP) has been developed to define processes to recover key production systems to the secondary site in the event of a disaster or disruption.
  3. A Business Continuity Framework and associated Business Continuity Plan (BCP) have been developed to ensure that key services, including time critical activities and the supporting resources, are able to be restored in the event of a business disruption. Functions across the CoM have been defined as critical and non-critical, and all critical functions have developed an associated SRP.

This year, in addition to the above, the following was also identified.

1. The CoM has developed a formal approach to emergency and business continuity planning, with a framework and suite of plans in place. A business continuity policy and framework has been documented, which:
  - Formalises the CoM’s commitment to business continuity management and establish responsibilities for the application of business continuity management within Council operations.
  - Provides details of the core responsibilities during a business continuity event and the governance details (training, integration, etc.) to support going maintenance of the business continuity information.

Key positive observations (cont.)

2. From a governance perspective, an Incident Management Team (IMT) exists with formal roles and responsibilities defined. The IMT is responsible for responding to a potential disaster or business interruption, activating relevant aspects of the BCPs (depending on the nature of the event) and overall coordination of the response and recovery activities. The nature of business continuity planning means that it must continue to evolve and improve as the organisation changes and evolves.
3. A Technical Impact Assessment has been documented, which informs the ICT Site Recovery Plan.
4. The CoM conducted a Cyber Security BCP exercise in 2018 with senior leadership.

Opportunities for improvement

- As per the recent Business Continuity, IT Disaster Recovery and Emergency Management Internal Audit, the following finding was raised with Management actions agreed:
1. While a Technical Impact Assessment has been completed and documented by the IT team, which provides an ICT focus and is used to inform the ICT Site Recovery Plan, a holistic Business Impact Assessment (BIA) has not been undertaken for the CoM to identify and prioritise critical business processes. The BIA will allow the CoM to identify and prioritise the critical business processes across the organisation, including maximum allowable outage periods.
  2. Following completion of the BIA, the IT outcomes should be communicated directly to IT, so that IT can ensure appropriate IT disaster recovery solutions, plans and processes are in place and aligned to business requirements.

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Finding 4 – Business Continuity Management (cont.)

Recommendations

In addition to the recommendations and agreed actions in the Business Continuity, IT Disaster Recovery and Emergency Management Internal Audit, the following recommendation should be considered for increasing maturity in the Business Continuity domain:

- 1. Ensure that defined recovery objectives have been communicate and validated with IT to ensure that these are achievable.

Low

Agreed Management Action(s):

- 1. Review validity of departmental recovery objectives and in conjunction with Risk Department run BCP workshops where recovery objectives are unrealistic or unachievable.

Responsibility:

- 1. Unit Manager Risk and ICT ISD Unit Manager

Target date(s):

- 1. 30 June 2020

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Finding 5 – Operations and Technology

PIO

Key positive observations

- Our previous report from 2017, recognised the following key strengths relating to the Operations and Technology domain:
1. Formal processes relating to logical and remote access are in place and managed via the CoM’s dHelp system.
  2. Appropriate controls are in place to restrict access to office locations and server rooms.
  3. An annual external penetration test is performed by CQR and any time there is a significant change within the environment at the CoM. It is noted that internal and wireless penetration tests are only performed once over the four year audit program.
  4. The CoM has invested in a number of industry leading tools, including the following:
    - Trend Micro for Antivirus on desktop and server level, as well as intrusion detection at server level
    - Fortinet firewalls in order to provide better protection of the CoM network
    - Brocade network advisor for internal network monitoring
    - Meru Networks wireless network monitoring including monitoring of rogue access points
    - Symantec for web content and mail filtering.
  5. Wireless networks are appropriately secured and RADIUS is used for authentication. Corporate and guest wireless networks are monitored, and users have to click a formal acknowledgement of the acceptable use policy prior to being provided with wireless access.
  6. A mobile device policy is in place which users are required to formally acknowledge before being provided with mobile access. BYOD (Bring Your Own Device) requirements are clearly outlined and requests must be formally approved. MobileIron is used for mobile device management, including remote wipe functionality.

Key positive observations (cont.)

7. Domain administrators have separate administrator accounts for privileged activities to ensure that business as usual activities (such as reading emails, opening attachments and browsing the internet) are not performed using an account with administrative privileges.
- This year, in addition to the above, the following was also noted.
1. The CoM has implemented the following network penetration tests and vulnerability assessments. Reviews in the last 18 months have included:
    - External Penetration Test as part of Local Government Risk Services (LGRS) program (in progress)
    - Network Infrastructure Review (April 2019)
    - Corporate Web Application Penetration Test (March 2019)
    - Demilitarized Zone (DMZ) Server Vulnerability Assessment (March 2018)
    - CAMMS Ecuria Web App Penetration Test (April 2018).

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<b>Finding 5 – Operations and Technology (cont.)</b>	2018/19 2.95	2016/17 2.81	PIO
<b>Recommendations</b>  Based on the size and nature of the CoM business and the supporting IT environment, and the role which CQR provides to the CoM for supporting technical cyber security elements, we have not provided any further specific recommendations to improve current maturity in this domain.  However, we would encourage Management to continue to invest as appropriate in technology solutions as changes are considered and made throughout the organisation and to the IT environment, and as the external cyber landscape changes.			<b>Agreed Management Action(s):</b>  1. Continue to invest in Cyber Security program and appropriate technology.
<b>Responsibility:</b> 1. ICT ISD Unit Manager			
<b>Target date(s):</b> 1. Ongoing			

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<b>Finding 6 – Legal and Compliance</b>			2018/19 3.50	2016/17 3.42	Low
<b>Key positive observations</b>			<b>Key opportunities for improvement</b>		
Our previous report from 2017, recognised the following key strengths relating to Legal and Compliance:			The following were identified as areas for improvement in the 2017 report which have not been fully addressed by the CoM through the activities undertaken since 2017:		
<div>1. The CoM has adopted a “three lines of defence” approach to assurance and compliance management. As part of this, an outsourced internal audit function has been established to provide independent assurance over a range of functions, including cyber security activities. Furthermore, an internal risk function exists for risk management processes and oversight. CQR provide additional assurance and audit activities with respect to cyber security in accordance with the agreed Cyber Security Plan.</div> <div>2. The CoM has invested in a dedicated Cyber Insurance policy as part of the asset insurance provided through the Local Government Association.</div>			<div>1. Whilst an informal compliance assessment has been undertaken by Corporate Governance, this has not been formalised or communicated. There is also no central register maintained to ensure that all areas of CoM are aware of and comply with all relevant statutory, regulatory or contractual requirements, industry based requirements (such as PCI-DSS) or industry better practice relating to cyber security where deemed relevant (such as ISO/IEC 27001).</div>		
This year, in addition to the above, the following was also identified:					
<div>1. Implementation of an annual PCI-DSS audit process, as a part of the outsourced end of year financial audit conducted by a third party.</div>					
<b>Recommendations</b>					
The following should be considered as a recommendation for increasing maturity in the Legal and Compliance domain:					
<div>1. Consider improving and formalising the current information security compliance program to ensure that all statutory, regulatory, contractual and industry based (such as PCI-DSS) requirements are well understood, analysed, implemented and monitored. IT, in conjunction with Corporate Governance, should ensure that all cyber security related compliance obligations are assessed and incorporated into the development of the policy framework.</div>					
<b>Agreed Management Action:</b>					
<div>1. ICT will, in conjunction with Corporate Governance, review processes identifying legislative change to cyber security to be incorporated into future policy governance frameworks.</div>					
<b>Responsibility:</b>					
<div>1. Manager Corporate Governance and Manager ICT</div>					
<b>Target date(s):</b>					
<div>1. Ongoing</div>					

KPMG's CMA Methodology is designed to assess an organisation's ability to protect and manage its sensitive, most valuable information assets, protect itself against cyber attack as well as to identify, manage, and minimise the impact if one should occur. It looks beyond pure technical preparedness and takes a rounded view of people, process and technology.

## CMA domains

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

## Maturity rating summary

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

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

Table of contents	Executive summary	Background	Internal audit findings	Appendices
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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
Phil Mattingly	ICT Infrastructure Service Delivery Unit Manager
Kate McKenzie	Manager Corporate Governance
Sherie Walczak	Unit Manager Risk
Annmarie Mabarrack	A/Manager ICT
Steph Roberts	Manager HR
Fiona Harvey	Manager Innovation & Strategy
Jamie Dunnicliff	Strategic Procurement Lead



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
<b>Extreme/Critical</b>	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"> <li>• Detrimental impact on operations or functions.</li> <li>• Sustained, serious loss in reputation.</li> <li>• Going concern of the business becomes an issue.</li> <li>• Decrease in the public's confidence in the Council.</li> <li>• Serious decline in service/product delivery, value and/or quality recognised by stakeholders.</li> <li>• Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty.</li> <li>• Life threatening.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires immediate notification to the Council Finance and Audit Committee via the Presiding Member</li> <li>• Requires immediate notification to the CoM's Chief Executive Officer.</li> <li>• Requires immediate action planning/remediation actions</li> </ul>
<b>High</b>	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"> <li>• Major impact on operations or functions.</li> <li>• Serious diminution in reputation.</li> <li>• Probable decrease in the public's confidence in the Council.</li> <li>• Major decline in service/product delivery, value and/or quality recognised by stakeholders</li> <li>• Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty.</li> <li>• Extensive injuries.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires immediate CoM's General Manager notification.</li> <li>• Requires prompt Management action planning/remediation actions (i.e. 30 days)</li> </ul>

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

## Inherent Limitations

The scope of this report has been outlined in the Executive Summary. 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.

## Scope Exclusions

The scope of this Internal Audit has specifically excluded the following areas:

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

## 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 August 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.

## REPORTS FOR NOTING

### Internal Audit Program - Implementation of Recommendations

<b>Originating Officer</b>	Governance Officer - Victoria Moritz
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	Acting General Manager Corporate Services - Ray Barnwell
<b>Report Reference</b>	FAC190820R12

### 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 28 May 2019 regarding the City of Marion's Internal Audit Program. It was reported that all five audits completed for the 2017/18 financial year had commenced implementing finding recommendations to 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 - completed May 2019 (FAC190528R09)
- BCP and Emergency Management - completed May 2019 (FAC190528R09)
- Cyber Security (FAC190820).

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 which is now overdue. This item is 90% complete with the Project Management Framework being finalised for provision to FAC in August.
Corporate Performance Reporting 2016/17	4		1	3		There is 1 outstanding recommendation. The item is 50% and not on track however is currently being investigated through the metrix that matters project.
Accounts Receivable 2016/17			Complete (February '19)			
ICT Cyber Security Maturity (2016/17)	6		1	5		There is 1 outstanding recommendation. This item is 30% complete and not on track. An extension has been sought until 30 September.
Policy Review (2016/17)			Complete (August '18)			
Property Portfolio Management (2016/17)	7	1		6		There is 1 outstanding recommendations. This item is on track with the revised due date for completion by the end of August and is 95% complete.
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. These are overdue with a revised due date to be agreed to. Strategic Procurement Lead is reviewing these recommendations, following implementation of shared procurement structure with City of Charles Sturt.
Regulatory Fines and Enforcements (2017/18)	2			2		The final recommendation has been completed 23/07/19
Development Assessment (Planning) (2017/18)	8			8		The final recommendation has been completed 18/06/19
Procure to Pay (2018/19)	9			7	2	There are 2 outstanding recommendations. These are Performance Improvement Opportunities due for completion by the end of December 2019. They have not yet commenced and are awaiting the outcomes of the Business Systems Fitness Review. 1 item has been completed since the May update.
Customer Experience	8	3		2	3	3 items are on track with some parts that have not yet commenced. 3 items have not yet commenced. 2 items have been completed in entirety.

RECOMMENDATION	AGREED MANAGEMENT ACTION	ACTION START DATE	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 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"> <li>• Project initiation (asset management plan/ad-hoc)</li> <li>• Project evaluation (concept, feasibility/business case)</li> <li>• Program development (budgeting, prioritisation, programming)</li> <li>• Program/project delivery (procurement, design, construct)</li> <li>• Project completion and handover</li> </ul> <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).</p> <p>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>						<p>Capital works program workflows being developed with program leaders, due date for completion of the capital works programs in CAMMS is 30 June 2019.</p> <p>Financial integration for all projects and programs almost complete.</p> <p>Business rules for project management being finalised.</p> <p>An update is scheduled to be provided to the FAC in August.</p>	Not on Track	90%	<p>2019/20 Capital Works programs developed and loaded into CAMMS.</p> <p>Financial integration complete.</p> <p>Project Management Framework including business rules being finalised for provision to FAC in August</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"> <li>* Aligned with strategic plans and long-term financial plan</li> <li>* CEO KPI's and Organisational KPI's</li> <li>* Annual Business Plan and planning framework (i.e. work area plans)</li> <li>* Governance structures - Council, Committees and Development Assessment Panel.</li> <li>* Governance structures - Administration (ELT, SLT, LT and Risk Working Group)</li> <li>* Organisational structure/functional reporting requirements - City Services, City Development, Corporate Services and Human Resources (cascading into teams).</li> <li>* Consideration of additional</li> </ul>	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	85%	A draft framework will be presented to the Committee in May 2019	Completed	100%	The framework was presented to the Finance and Audit Committee on 28 May 2019

management groups and committees and their reporting requirements.								Page 120	
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	85%	Corporate KPI's have been review in accordance with the new framework. Looking to implement in July 2019	Completed	100%	This has been addressed through the Corporate Reporting Framework
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	50%	This is being investigated through the metrix that matters project.	Not on Track	50%	This is being investigated through the metrix that matters project.

## Cyber Security

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION 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. Continual due diligence and assurance activities on third parties should be performed to ensure that they adhere to CoM’s minimum requirements.	3.4	This will be further investigated and implemented where necessary	1/05/2017	31/12/2018 revised due date 30/06/2019	On Track	30%	CQR information provided and requires review. Delays experienced due to commitment of resources to Waste Tender evaluation and Contracts restructure. Extension to 30 June 2019 requested	Not on Track	30%	Further delays experienced due to commitment of resources to Waste Tender evaluation and Contracts restructure. Extension to 30 September 2019 requested

## Property Portfolio

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
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Contract management approaches are improved to ensure contractors are managed effectively.	1.3	Agreed	1/06/2017	Original Target Date August 2017 Revised Due Date 31/08/19	On Track	95%	Review of key contractors to take place and panel of contractors to be set up.	On Track	95%	Key contractor meetings being set up. EOI put out for handyman/ maintenance work, panel being set up Ongoing internal checking of the use of existing panels of contractors and correction where staff go outside of process.
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## Contractor Management

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	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.	29/05/2018	28/02/2019	Not on Track	10%	Strategic Procurement Lead is currently reviewing contract management processes. Paper to be presented to ELT for endorsement with future completion date to be aged.	Not on Track	10%	Strategic Procurement Lead is currently reviewing contract management processes. Paper to be presented to ELT for endorsement with future completion date to be agreed.
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.	29/05/2018	30/09/2018	Not on Track	10%	Strategic Procurement Lead is currently reviewing contract management processes. Paper to be presented to ELT for endorsement with future completion date to be agreed.	Not on Track	10%	Strategic Procurement Lead is currently reviewing contract management processes. Paper to be presented to ELT for endorsement with future completion date to be agreed.

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).	29/05/2018	30/06/2019	On Track	10%	Contract Management System implementation is dependent upon the outcomes of the current council-wide ICT Applications review.	Not on Track	10%	Contract Management System implementation is dependent upon the outcomes of the current council-wide ICT Applications review.

## Regulatory Fines and Enforcements – 2018

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
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<p>It is recommended that the CoM investigate undertaking once or a combination of the following solutions:</p> <ul style="list-style-type: none"> <li>- Work with Civica to implement reporting functionalities in Authority that will not be removed with a software update to Authority.</li> <li>- Allocate internal resources to develop reporting functionalities for Authority</li> <li>- Invest in a different information Technology solution than Civica, that has the ability to generate meaningful reporting.</li> </ul>	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>	21/08/2018	30/06/2019	On Track	95%	We have developed metrics for customer events and are in the user acceptance testing phase. Once this phase is complete we will be moving on to develop metrics for expiations. This work is being done in conjunction with the Performance and Innovation team.	Completed 23/07/19	100%	<p>Page 124</p> <p>A suite of metrics has been developed for expiations and customer events which is now live and in use.</p> <p>This has now been completed.</p>
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#### Development Assessment (Planning)

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
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.	0/01/1900	01/03/19 Revised De Date 30/05/19	On Track	80%	Online payment not yet implemented by I.T. department. Due May 2019.	Completed 18/06/19	100%	Online payment system online and active.

#### Procure to pay

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
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.	0/01/1900	30/06/2019	On Track	75%	OLR compliance is assessed on a regular basis... Quarterly report provided to ELT/SLT	Completed 31/07/2019	100%	OLR compliance is assessed on a regular basis... Quarterly report provided to ELT/SLT during 2018/19... Final 208/19 Report to be provided in July.
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.	0	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.	0/01/1900	31/12/2019	Not Commenced	0%	Awaiting outcomes of Business Fitness Systems Review	Not Commenced	0%	Awaiting outcomes of Business Fitness 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.	0	as above	0/01/1900	31/12/2019	Not Commenced	0%	Awaiting outcomes of Business Fitness Systems Review	Not Commenced	0%	Awaiting outcomes of Business Fitness Systems Review

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
<p>Internal Audit recommends that the CoM undertake a review of KPI's on a departmental basis to ensure that they reflect:</p> <ul style="list-style-type: none"> <li>- customer expectations</li> <li>- where it is not possible to meet customer expectations, understand why this is not possible and have clearer communication in place to bridge the gap with customer expectations.</li> </ul> <p>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 4). In order to gain an understanding of customer expectations the CoM may:</p> <ul style="list-style-type: none"> <li>- undertake a survey or focus groups of customer satisfaction with the current KPI's</li> <li>- compare reviewed KPI time frames with other councils or similar service organisations to determine what better practice is expected by customers.</li> </ul>	1.1	<p>The CoM has built a customer satisfaction tool, which was implemented within the Development and Regulatory Services team as a pilot in February 201+9.</p> <p>Management will complete the following:</p> <ol style="list-style-type: none"> <li>1. Roll out the customer satisfaction tool to all teams within the scope of this internal audit, as follows: <ul style="list-style-type: none"> <li>- Customer Experience</li> <li>- Engineering and Field Services</li> <li>- Corporate Governance</li> <li>- Risk (Claims and Insurance) and Governance</li> <li>- City Property</li> <li>- Development and Regulatory Services.</li> </ul> </li> </ol>		30/06/2019	On Track	50%	Customer Satisfaction tool is live and being rolled out across organisation. This has been completed for 2 areas and will continue to roll out as per the action.	Completed	100%	We have added the Customer Satisfaction to the Closing the Loop responses. This is across 50 Service requests types across the organisation.
	1.2	2. Review the customer satisfaction outcomes identified from the tool and recommend changes to KPI's.		30/09/2019	Not Commenced	0%		On Track	40%	The survey is now out and we have trained staff on how to analyse data ready for analysis. Analysis will occur

	1.3	3. Implement changes to the KPI's as identified in step 2 above.		31/12/2019	Not Commenced			Not Commenced	0	Will commence once 1.2 is complete/.
<p>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 be better support the reporting requirements (see the recommendation in Finding 3).</p> <p>The CoM should also implement regular reporting for each department in relation to customer experience and the management of their KPI's.</p> <p>In the interim, it is recommended that the CoM provide training to staff in relation to key reports they would like to extract from CES, and how to access key information in CES. This could be supported by user guides.</p>	2.3	<p>Long-term:</p> <p>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.</p> <p>(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.)</p>		31/12/2019	Not Commenced			Not Commenced	0%	

<p>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).</p> <p>Any customer journey maps created by the CoM should identify:</p> <ul style="list-style-type: none"> <li>•any pain points for the customer</li> <li>•areas which are taking too long for the customer</li> <li>•any other relevant issues faced by the customer.</li> </ul> <p>The CoM should then look to change or remove the pain points in order to create a better customer experience.</p>	4.1	<p>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.</p>		31/12/2019	Not Commenced			On Track	20%	<p>Customer Experience Plan endorsed 5/8/2019 by ELT which includes the development . Project has commenced with scope to be finalised by end of August</p>
<p>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.</p>	5.1	<p>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.</p> <p>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.</p>		31/03/2020	Not Commenced			Not Commenced	0	

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.

PIO1.1

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.

31/12/2019

On Track

50%

Training needs analysis complete for front line staff. Training being sourced now with known provider to bridge quality gaps within Customer Service. Field visits have been introduced into Personal Development Plans

Completed

1001%

Page 129 Customer Service visit now in every induction for new starters. This compliments the 'bus ride' around all of our sites that occur for new starters. All Customer Service staff have incorporated in their Professional Development Plans areas that they would like to develop expertise in. Buddy programs in place where Customer Service representatives can go to other areas to observe what occurs. 80% of Customer Service Consultants have been allocated improvement projects that involve collaboration with other



<p>It is recommended that the CoM provide customer facing employees with:</p> <ul style="list-style-type: none"> <li>•customer experience training as part of initial onboarding</li> <li>•customer experience refresher training on an annual basis.</li> </ul> <p>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.</p>	PIO2.1	<p>Management will investigate Customer Experience training to focus on language skills for a positive first response, including:</p> <ul style="list-style-type: none"> <li>•How to handle aggressive customers</li> <li>•How to 'wrap up' an interaction.</li> </ul> <p>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.</p>	31/12/2019	On Track	25%	<p>Customer Experience training with Tanya Perry &amp; Associates provided as part of onboarding - ongoing X 2 per year. X 3 Sessions to be delivered - 30th April and 13th May to cover all staff that did not attend program in 2017. Customer Experience refresher training in June 2019 planned "Deescalating Challenging Situations" which will be tailored to specific needs. X1 session delivered April 30th for Customer Experience Introduction. Training provider selected for refresher - De-escalating Challenging Situations and Karen Cocks has sent communication out to SLT to analyse specific area training needs to tailor for this course.</p>	On Track	25%	<p>Page 13</p> <p>No further action this period of time. Tanya Perry is away and other priorities in place.</p>
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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 modelled 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.

PIO3.1

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

31/12/2019

Not Commenced

Not Commenced

0%

## Project Management Framework Update

<b>Originating Officer</b>	Acting Manager ICT - Annmarie Mabarrack
<b>Corporate Manager</b>	N/A
<b>General Manager</b>	Acting General Manager City Development - Fiona Harvey
<b>Report Reference</b>	FAC190820R13

### REPORT OBJECTIVE

To provide the Finance and Audit Committee with an update on the roll out of the Enterprise Project Management System (EPMS) and an updated Project Management Framework document (PMF) incorporating the feedback received at the 26 February 2019 meeting (FAC190226R04)

### EXECUTIVE SUMMARY

The Project Management Framework (PMF) has continued to be developed in conjunction with the Enterprise Project Management System (EPMS).

The revised PMF guides the application of project management skills, tools and techniques to achieve project outcomes on time and on budget. Addition of rules and criteria for how projects are managed across the organisation are included to provide a guide for staff and will continue to be refined as we build our capacity and continue to embed and progress the use of the system.

The draft PMF is provided in Appendix A.

### RECOMMENDATION

**That the Finance and Audit Committee:**

- 1. Notes the updated Project Management Framework, attached in Appendix A**

### GENERAL ANALYSIS

Through an extensive change management process and training the Project Management Office has been leading the development of Capital Works Programs in the EPMS to further enhance project management discipline across the organisation. This initiative brings together all information for provision of programs and projects' status, resourcing, budget expenditure and risks to staff, management and Elected Members in real time and through a single point of truth.

All Capital Works programs and projects have now been included in the system, linking financial information to ensure oversight and reporting of these programs. This initiative also delivers the final recommendations of the 2015/16 Service Review of the Capital Works Program.

The development of the capital works modules of the EPMS involved engagement across all areas managing capital works delivery, as well as finance and risk. It also established an agreed model for identification and classification of site based projects and programs, which will be consistent across all asset related applications eg asset register, audit and inspection hierarchy, valuations database.

### DISCUSSION

The PMF has been developed in consultation with key stakeholders and project managers to support organisational buy in to ensure it can be used to develop a consistent approach to project management discipline.

Business rules are continuing to be developed based on new requirements and capabilities realised through the transition of Capital Works. Reporting is being refined with tailored reports being developed from the system to suit specific audiences.

**Next Steps**

Over 19/20 the focus will be on an internal engagement and training program to continue supporting the roll out of the PMF to ensure people have a consistent understanding of our approach to project management and can build the organisational capacity in project management discipline. City of Marion is also in discussions with Cities of Port Adelaide Enfield and Charles Sturt to collaboratively deliver training programs for staff across the 3 councils.

The development of an interactive dashboard suitable for Elected Member and community use will also progress.

**Attachment**

#	Attachment	Type
1	City of Marion - Project Management Framework August 2019	PDF File



# Project Management Framework

## City of Marion

**Document Control**

<b>Document Name</b>	City of Marion Project Management Framework
<b>Division</b>	Innovation & Strategy
<b>Unit</b>	Project Management Office
<b>Responsible Officer</b>	Project Management Leader
<b>Approval</b>	General Manager, City Development
<b>Version</b>	v 1.1
<b>Status</b>	Draft
<b>Issued</b>	August 2019
<b>Next Review</b>	January 2020

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## 1 INTRODUCTION

The City of Marion is committed to a Project Management Framework (PMF) that ensures both good governance and effective decision making to ensure the achievement of the Council's Vision and strategic objectives, which focus on the community's best interests.

The PMF supports the Community Plan's aspiration of Wellbeing by optimising the following themes:

- Liveable
- Valuing Nature
- Innovative
- Prosperous
- Connected
- Engaged
- Organisation of Excellence

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

The Project Management Framework ('the Framework') should be read in conjunction with the [Prudential Management Policy](#). The Policy recognises Council's commitment to and the importance of prudential management for all project it undertakes.

## 2 PURPOSE

The purpose of this document is to define the PMF and supporting Governance Framework that supports the City of Marion (CoM) 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 ENTERPRISE PROJECT MANAGEMENT SYSTEM

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

This framework has been embedded into Councils EPMS that supports our organisation to have effective project governance and informed decision making for all staff in a one-stop shop environment.

## 4 PRINCIPLES

The key principles of effective management of projects in CoM are:

1. Project decisions are aligned with organisational strategic plans to ensure we deliver value to our community.
2. New Initiatives will have a business case developed for review and prioritisation in line with council's strategic plans.
3. 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.
4. Projects have effective internal governance structures established to manage the projects.
5. Projects are managed based on size, complexity, type using a scalable project management approach.
6. Projects have a post implementation review conducted to determine if project objectives/outcomes were achieved.

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:

- New Initiative management
- 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 (Figure 1).

Regardless of the type, size and nature of project, this PMF includes phases, templates and checklists, processes and activities, roles and responsibilities, governance structures and project reporting. All of this information has been designed and developed into CoM's EPMS, which allows for managers and project managers to control the progress of projects throughout the life of the project.

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).

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.

## 5.3 Supporting Principles - What is a Project in CoM?

1. Must have a start and end date (timeframe)
2. It is unique – it is not a routine operation (not Business As Usual)
3. Must have a clearly defined goal/s (scope & outcomes)
4. Typically have more than one person working on the project (resources)
5. Will incur expenses, which includes resource costs (budget)
6. Meets the Capital Definition >\$5,000 to be a considered a project

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

## 5.4 Project, Programs and Portfolios

The Project Management Framework 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.

This Framework and reporting outcomes have been established 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 with multiple projects (child projects) that roll up into a Program (parent). This function will be used primarily for CoM's Capital Works Programs.

There is also a standalone independent project, 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.

Reporting of council's strategic plan and annual business planning projects will use this framework to ensure consistency and visibility of our project reporting.

## 6 FINANCIAL MANAGEMENT

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

To enable visibility and transparency 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.

### 6.1 Strategic and Annual Business Planning Process

The Strategy Unit oversees the Strategic and [Annual Business Planning](#) process. The Project Management Office (PMO) will collaborate with the Strategy Unit and Finance department to align the timing and nature of the process ensuring that project and program developments are aligned to our Strategic Plans.

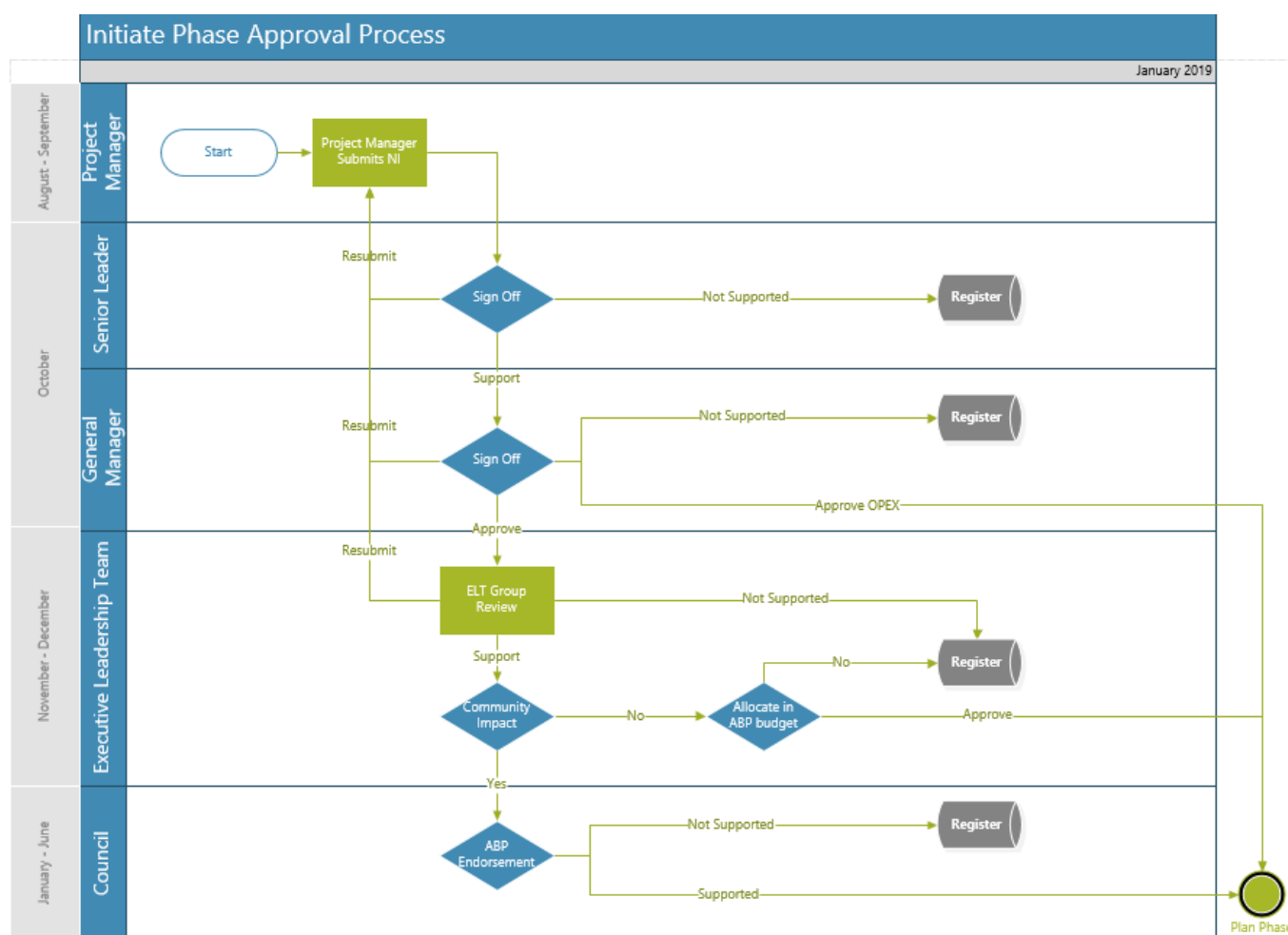
### 6.2 New Initiatives

The New Initiative approval process (Figure 1) indicates the timing and links in with the [Annual Business Planning](#) (ABP) process. New Initiatives identified by staff and Council will be assessed as part of the formal [Annual Business Planning](#) process. Initiatives outside the formal ABP process will be considered based on the following question:

1. Is it urgent?
  - There is a continuing safety risk if the problem is not fixed;
  - There will be a lost opportunity if the initiative is not undertaken very soon;
  - The initiative is worthy and it will be much more cost efficient if done soon.

If the initiative is classified as urgent, it will then be progressed immediately to ELT and/or Council to review and determine if it will proceed.

Non urgent New Initiatives identified outside the formal APB process will be assessed on a new initiative register and reviewed on a Quarterly Basis by ELT and/or Council to determine feasibility and capacity to deliver on top of current approved projects in each financial year.



**Figure 1:** New Initiative Approval Process with timing and accountability

### 6.3 Corporate Project Prioritisation and Assessment Model

To support the determination and approval of CoM's New Initiatives, Council endorsed in 2017 an [Initiative Assessment and Prioritisation Criteria Template](#). This Template is to be used for all New Initiatives to support the decision making of all New Initiatives. Template criteria (Table 1) of Low, Medium and High have been attributed to the overall score from this criteria template. This will assist ELT with project ranking and the decision making process based on overall value of each initiative.

**Table 1:** Overall Assessment and Prioritisation Criteria Values

Criteria Value	Minimum Value	Maximum Value	Overview
<b>Low</b>	0	170	Overall the project presents with low value and low risk to council.
<b>Medium</b>	171	340	Projects that fall into this category will present with high value and may present with medium level or risk and complexity.
<b>High</b>	341	685	Overall projects are of present with high value but also present as high in risk and complexity.

## 7 PROJECT LIFECYCLE

A Project Life Cycle (PLC) that has a series of project steps 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.

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

**\*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

## 7.1 Project types

Project Types (Table 3) have been established based on major classifications of our projects. There are a range of project types that will use the same workflow and a range of criteria has been set out Table 2 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 and give clarity on the type of projects being delivered.

**Table 2:** Project Management Approach questions used to inform project plan and the supporting information required to support the delivery of the project.

Question	Option	Project Management Approach
What type of program does this align to?	Site based Non Site based Not Program related	Determines how the Program or Project is structured and reported on
Is this project a New Initiative	Yes No	If yes the business case information will be required to be filled in for each New Initiative
Is there a financial investment required to deliver this project?	Yes No	If yes the project require budget information to be aligned and reported on each month
Will the Project require a Section 48 Prudential Management Report?	Yes No	If yes this identifies that the project is required to have a Section 48 report completed
Is this a Strategic Infrastructure Project?	Yes No	If yes this required checklists for infrastructure projects to be completed
Will this project be renewing, upgrading or creating a new asset?	Yes No	If yes this will require Asset Information to be captured through the lifecycle of the project
Will you be required to engage internally with staff or externally with our community (or both)?	Yes No	If yes this will required a communications and stakeholder engagement plan to be completed
Will you be seeking external Grant Funding or already secured Grant Funding for this Project?	Yes No	This will require Grant funding information to be captured
Will you be procuring contractors or consultants for the delivery of this project?	Yes No	This will required Tender and contract information to be captured

Project managers will be responsible for ensuring that they select the correct project type (Table 3) and answer all of the Project Management Approach questions (Table 2) as this will determine the correct approach for management and reporting of each project.

**Table 3:** Project Types with description

Project Types	Description
Non Capital Project	This project type is for all projects that are not capital
New Initiative	To be used for all new Project Initiatives that will require support and budget. If approved the project type will then change to be the relevant Project Type
Program Information	To be used when there is more than one Project that links to a Program outcome. It holds the strategic detail of the program and performance of all individual projects roll up
Individual Capital Works	To be used for individual (child projects) to Capital Works Programs or Individual Capital works projects that are independent of a program.
Service Review	To be used to for Service Review Projects
Service Review Implementation	To be used for Service Review Implementation Projects to track actions

## 7.2 Project Checklists, Templates & Documents

As part of the Framework a range of supporting business frameworks, checklists and supporting documents are provided to support the development and best practice. This enables Project Managers to utilise a systematic, repeatable approach to the delivery of projects regardless of type or complexity to guide best practice project management.

## 7.3 Phase Gates (Sign Off)

Phase Gates (Figure 1), are mandatory and will require a sign-off function at the end of each phase of the project. This provides a method of control to move from one phase of the project to the next. This forms the governance model around project decisions. These decisions are made by appropriate delegate/s based on the by the overall project cost using the [financial delegation](#) of the appropriate Senior Leadership Team member.

Projects cannot be progressed to the next Phase until the relevant approvals (sign-off) has been granted.

## 7.4 Change Requests

To effectively manage any variation to original project information including the project start and end dates, a formal change request is required to be submitted.

A [change request](#) is to be used to document changes that occur during a project. These changes include, time, cost and risk are to be communicated and approved by the Project Owner/Sponsor.

The Project Manager is to identify the following:

- Name of the change: give the change request a name
- Brief Description of the Change: outline the description of the change
- Reason for Change – why is the change required
- Impacted Change Areas – what are the resulting impacted areas for the change i.e Project Completion Date, Cost, Scope, Deliverables, Resources
- Outcomes of the Change – what are the outcomes from the change

The project manager will use this process 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.

## 7.5 Project Management Roles and Responsibilities

To ensure successful delivery of projects the following projects roles and essential duties are outlined in Table 4 below. Clarity on roles is essential so team members clearly understand their role as part of the project team and their associated duties.

**Table 4:** Project Management Roles and Responsibilities

Role Title	Role Description	Duties
Project Sponsor	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. The Project Sponsor is the person	<ul style="list-style-type: none"> <li>• Carry ultimate responsibility for the project</li> <li>• Approve all changes to the project scope</li> <li>• Provide additional funds for scope changes</li> <li>• Approve project deliverables</li> <li>• Make key business decisions for the project</li> <li>• Approve the project budget</li> <li>• Ensure availability of resources</li> <li>• Communicate the project's goals throughout the organisation</li> </ul>

	who charters and authorises the projects that may have a change impact.	<ul style="list-style-type: none"> <li>Review Monthly Report Updates for all projects within the portfolio</li> </ul>
Project Owner	This role, normally containing Senior Leadership is 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.	<ul style="list-style-type: none"> <li>Review changes to the project scope</li> <li>Support additional funds for scope changes</li> <li>Review project deliverables</li> <li>Support key business decisions for the project</li> <li>Review the project budget</li> <li>Ensure availability of resources</li> <li>Communicate the project's goals throughout the organization</li> <li>Review Monthly Report Updates for all projects within the portfolio</li> </ul>
Leadership Team Owner (LT)	Leadership Team Level Position that the project falls under.	<ul style="list-style-type: none"> <li>Support Project Managers that work within their workareas</li> <li>Provide back up support if/when required</li> <li>Review Monthly Report Updates for Line Managed Staff</li> </ul>
Project Manager	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 for the project with direction from the Project Sponsor/s and SLT.	<ul style="list-style-type: none"> <li>Responsible for day to day management of the Project</li> <li>Develop a project plan (scope, quality, cost)</li> <li>Manage deliverables according to the plan</li> <li>Identify project team</li> <li>Lead and manage the project team</li> <li>Establish and manage the project schedule and determine each phase</li> <li>Establish and manage the project budget</li> <li>Establish and manage the project communications and engagement plan</li> <li>Establish, manage and report on Project Risks and Issues</li> <li>Assign tasks to project team members</li> <li>Provide regular Monthly Project Updates</li> </ul>
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 project task are required to provide commentary to the Project Manager to support the Monthly Update.	<ul style="list-style-type: none"> <li>Contribute to overall project objectives</li> <li>Complete individual deliverables/tasks</li> <li>Providing technical expertise</li> <li>Work with other team members to establish and meet business needs</li> <li>Update the Project Manager on status of all tasks regularly</li> <li>Update individual tasks in the Monthly Updates</li> </ul>
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"> <li>Support the key business decisions for the project</li> <li>Review and approve the project plan</li> <li>Support the availability of resources</li> <li>Communicate the project's goals throughout the organisation</li> </ul>
Finance Officer	Finance Officer is responsible for review of budgetary information and to ensure the budgetary information is correct for all Programs and Projects.	<ul style="list-style-type: none"> <li>Review Project Cost Centre Mapping</li> <li>Provide support to Project Managers to effectively manage their project budgets</li> <li>Development of key reports to support monthly project reviews</li> </ul>

## 8 PROJECT PHASES

### 8.1 Initiation Phase

The Initiation Phase is where the project is established ensuring that a project is worth pursuing and an provided of what the project is trying achieve along with the benefits realization from undertaking the project. The project details, strategic linkages, scope and budget are identified during this phase. A project assessment and prioritisation will be 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 and objectives
- ❖ **Key Milestones** – Identification of the key project milestones and dates
- ❖ **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.

### 8.2 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.

### 8.3 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 much supporting information 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 risk 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.

## 8.4 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).

## 8.5 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.

## 8.6 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)

## 9 RISK AND ISSUE MANAGEMENT

Implementation of this framework 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.

### 9.1 Risk Management

Project Manager's will utilise CoM's [Risk Management Framework](#) to ensure that Project risks are capturing and managed using the same principles as our corporate risk management. This will ensure a single point of truth for all Project Related Risks and enable the development of appropriate reporting to support effective risk management and oversight at an executive level.

All risks identified need to have a risk owner and adequate controls put in place to effectively manage and or mitigate. Project Managers are responsible and will be required to manage and update project risks and report on the status of these of these monthly as part of the project-reporting schedule.

Project Managers will be responsible for the identification, management and control of all project risks until a project is closed.

### 9.2 Issue Management

Project Managers are responsible and will be required to manage and track project issues and report on the status of these of these monthly as part of the project-reporting schedule.

All issues identified must have the following:

- Issue name
- Date logged
- Responsible person
- Action
- Status
- Date resolved
- Resolution

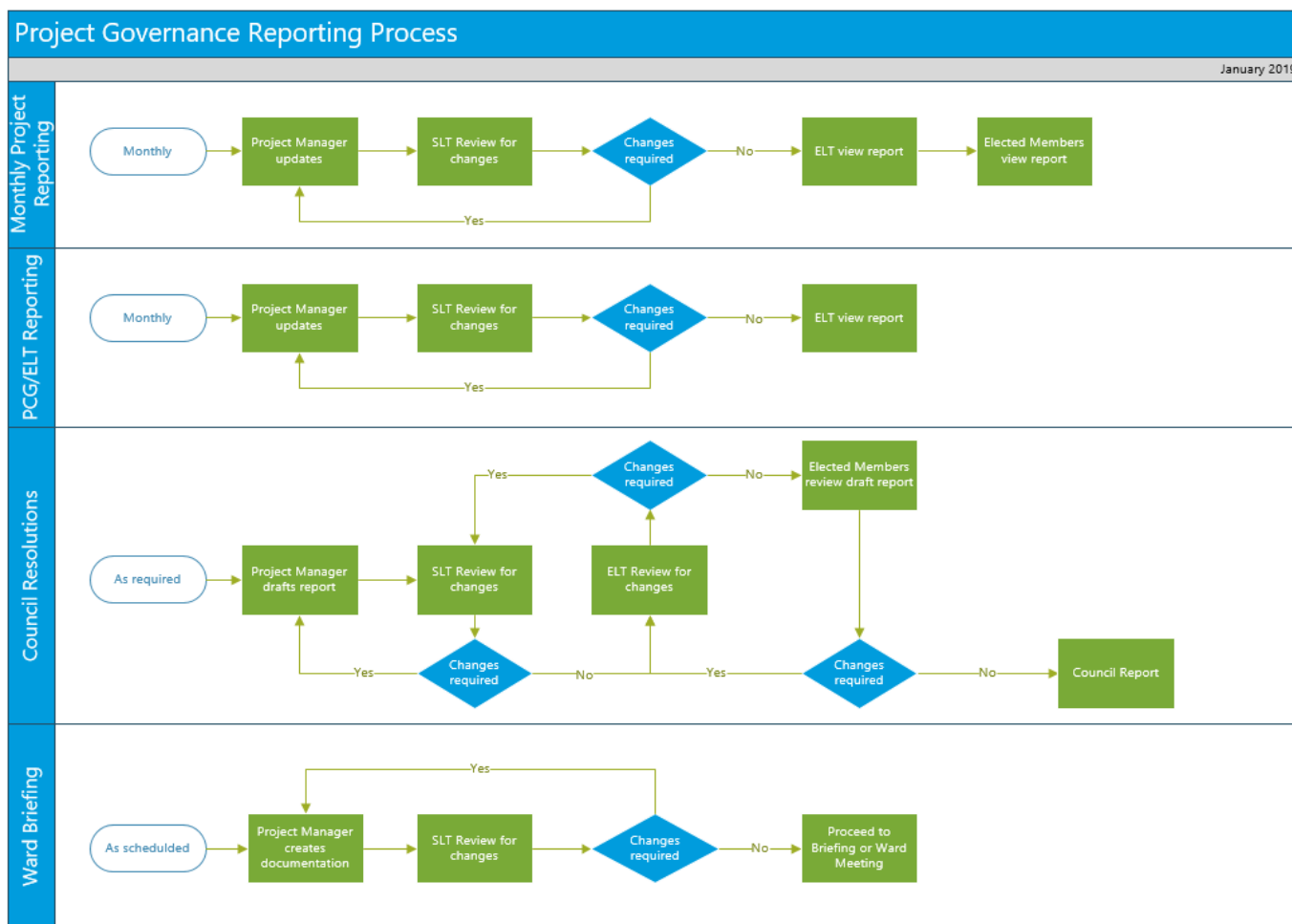
## 10 PROJECT REPORTING

All active programs and projects are required to be reported on a monthly basis Figure 2 outlines the Reporting process.

Project Managers are responsible for providing updates on their Projects/Programs and must perform the following process each month:

1. Update the project schedule and associated tasks
2. Review the project budget (actuals YTD versus budget YTD)
3. Review project risks and issues and update any actions in the month
4. Provide commentary on project progress
  - Progress in the month
  - Planned but not completed task/s
  - Next steps
  - Budget comments (if not on track)

Appendix 1 outlines how the progress performance measures for both budget and progress are determined.



**Figure 2:** Project Governance Reporting Process

**Table 5:** Reporting framework for each type of project/program and the intended audience and frequency.

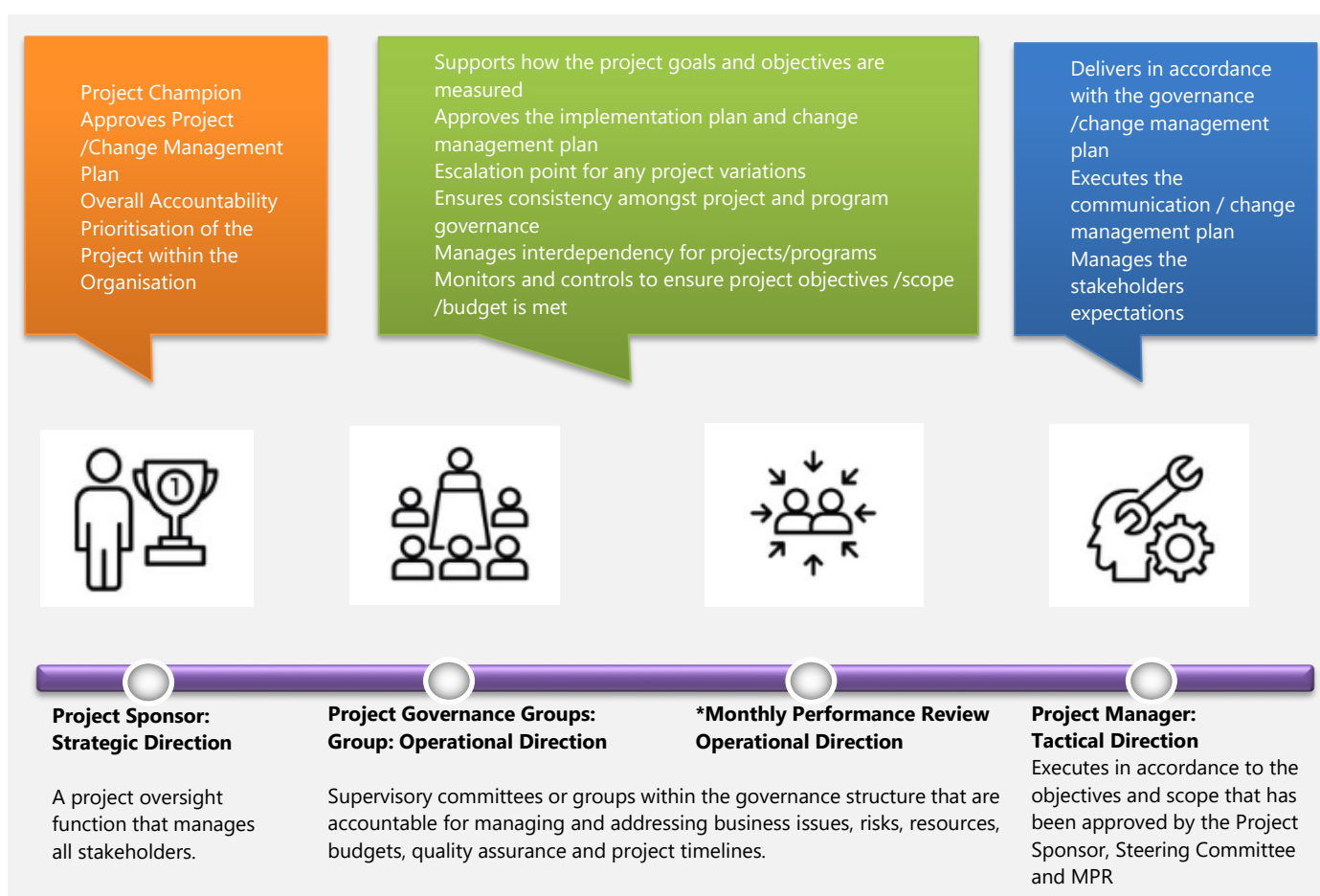
Type	Audience	When
<b>Capital Works Program</b>	Internal Capital Works Meeting Project Steering Committee	Monthly
<b>4 Year Business Plan Projects</b>	Elected Members SLT Steering Committees Project Control Groups	Monthly
<b>Annual Business Plan Projects</b>	Elected Members SLT Steering Committees	Monthly
<b>Individual Work Area Plan Projects</b>	Leadership Team SLT	Monthly
<b>Ward Briefing</b>	Elected Members SLT	Rolling 5-6 weeks

## 11 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 (Table 6) is critical to the overall success of the project. Figure 3 highlights the governance framework for project management and Table 6 identifies the governance types and purpose.

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 3:** Governance Framework and key role functions

**Table 6:** Project Governance Types, including purpose and frequency of meetings

Project Governance Type	Acronym	Purpose	Meeting Frequency	Project use cases
<b>CoM Project Steering Group</b>	PSG	City of Marion Executive Team to meet monthly for oversight and decision making on key Strategic Projects. The PSG role includes making key decisions and directing the work to be undertaken by the PDT. It is the PSG responsibility to ensure appropriate representation and consideration of all business critical issues and views during key phases of the project.	Monthly	Strategic infrastructure projects Annual Capital Works Program
<b>Internal Project Control Group</b>	IPCG	Project PCS's are responsible for detailed planning, design and implementation of specific service plans and development projects and reports through to the PSG. The PCG will be required to receive and consider regular reports including monthly progress and user group issues; make recommendations and/or endorsements and confirm appointments such as tender selection panel members.	Usually monthly	Strategic infrastructure projects
<b>External Project Control Group</b>	EPCG	Responsible for overseeing the issues that arise during construction of Strategic Infrastructure Projects. The group will receive and consider monthly progress reports from the project's architect, builder, and quantity surveyor (cost estimator). General progress, WHS issues, requests for information, variations, indicative cashflow vs actual expenditure and any other issues impacting construction will all be reported at this meeting. Decisions within Council staff delegation can be made in this meeting or taken on notice for consideration by Council's Project Steering Group	Usually monthly	Strategic infrastructure projects
<b>Project Steering Committee</b>	PSC	The PSC is responsible for overseeing the planning and design of all projects that are aligned to the City of Marion Strategic Plan or Annual Business Plan. The committee will have key stakeholders or key partners that have a critical role in the decision making of the project. It is the PSG responsibility to ensure appropriate representation and consideration of all issues and views during key phases such as development of the business case.	Monthly/Bi Monthly or Quarterly dependent on project type.	ICT Business improvement projects
<b>Project Delivery Team</b>	PDT	The role of the project delivery team is to provide advice and recommendations to the PSC and action directives from the PSC and PSG. The PDT operates within the parameters set by the PSC, coordinates project plans and all relevant documentation. The team provides recommendations and seeks approval, direction and/or endorsement of the PSC. The PPT coordinates reports and actions from working groups to ensure delivery of key project stages.	Weekly/Monthly	All projects

<b>Project Working Group</b>	PWG	The role of a Project Working Group is to utilise key business stakeholders or external stakeholders to help develop and test key project functionality and to help set project direction from a user needs perspective.	As required	Business improvement projects
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## 12 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 Management Framework](#)
- [Community Engagement Framework](#)
- [Project Management Governance Process](#)
- [Initiate Phase Approval Process](#)
- [Initiative Assessment and Prioritisation Criteria Template](#)

## 13 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.

## Appendix 1: Project Performance Measures

For all projects there will be two performance measures in place that will be reported on monthly, they are:

### Project Budget Traffic Light

The Budget Traffic light will be derived from council's financial system and be based on Budget Year to Date (YTD) versus Actual Budget YTD.

Variance = Budget YTD – Actual YTD

Variance % = (Variance/ Budget YTD) \* 100

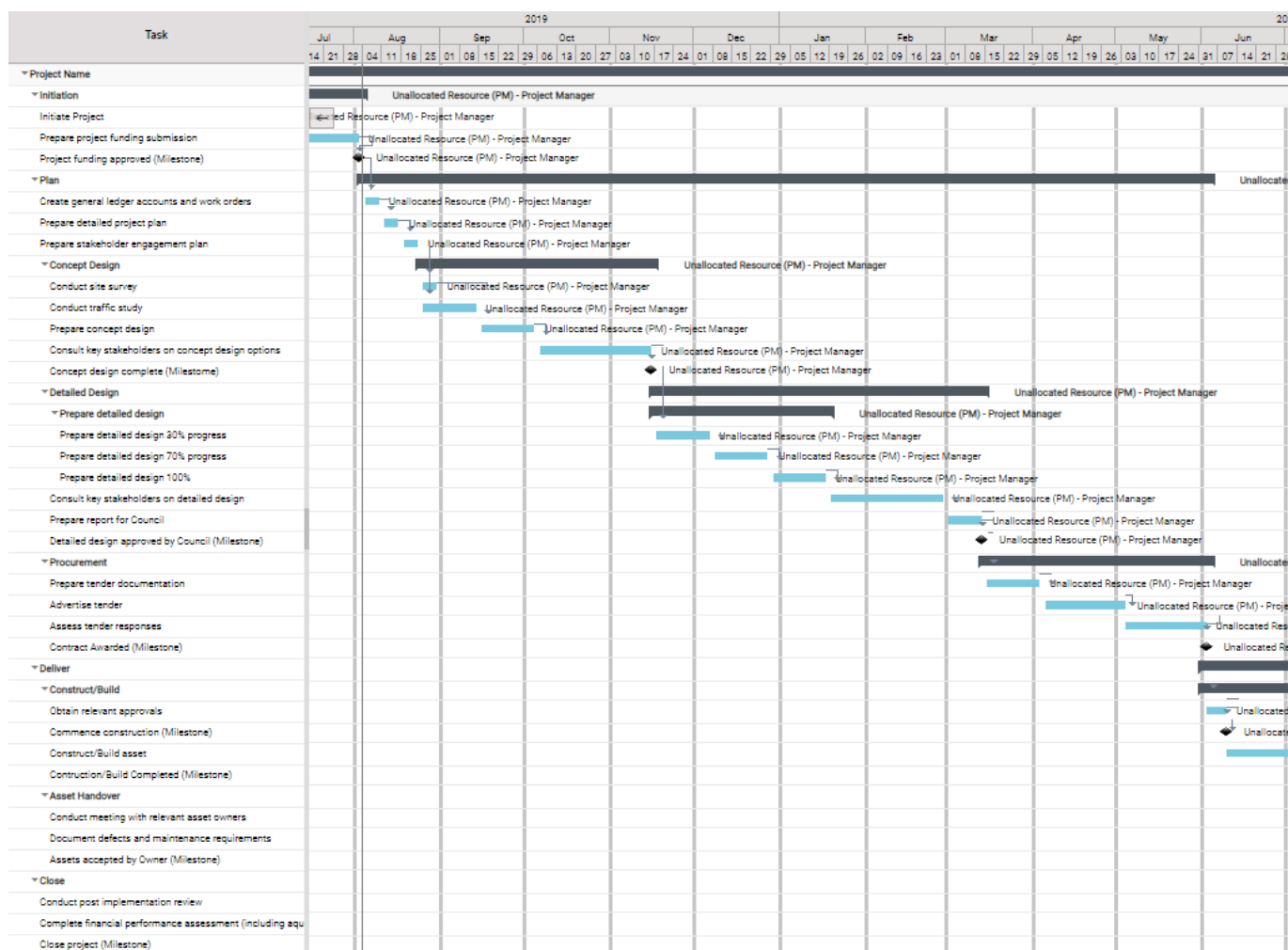
The above values will then be compared against the following budget thresholds (variances):

- **On Track:** <10%
- **Monitor:** between 10 and 20 (inclusive)
- **Off Track:** >20%

### Progress Traffic Light

All projects will be required to have a project schedule developed (Figure 1). The tasks within the project schedule are what drive the overall progress performance of the project.

Each month the project manager will need to ensure that all staff members have completed and updated their tasks and will be required to review and provide an overall progress update on the project.



**Figure 1:** Example Gantt Chart template for an infrastructure project highlighting task dependencies, milestones and duration.

The progress traffic light will be measured based on Percentage Complete of all project schedule tasks.

- The percentage complete field will be an accurate representation of Task cumulative progress as at the end of the reporting period.
- The percentage complete will determine the performance status of the project/task against the target (e.g. green = on track)

**Table 1:** Percentage Complete and Status behaviors:

Status	% Complete
<b>Not Started</b>	0%
<b>In Progress or Deferred or Ongoing</b>	1-99%
<b>Completed</b>	100%

**Thresholds:**

**On Track:** Actual is equal to and above 90% of target

**Monitor:** Actual is between 70 – 90% of target

**Off Track:** Actual is equal to and less than 70% of target

**Target Calculation:**

Project: (Project start date to current date) / (project Start and End date total duration \* 100)

Task: (Task start date to current date) / (Task Start and End date total duration \* 100)

Actual Calculation:

$$\frac{\sum d \cdot p}{\sum d}$$

- "d" is the task duration
- "p" is the task progress

## Asset Valuation Process and Outcomes for 2018/19

<b>Originating Officer</b>	Acting Manager Finance - David Harman
<b>Corporate Manager</b>	Acting Manager Finance - David Harman
<b>General Manager</b>	Acting General Manager Corporate Services - Ray Barnwell
<b>Report Reference</b>	FAC190820R14

### REPORT OBJECTIVE

This report provides a summary of the process and outcomes of the 2018/19 asset valuation.

### EXECUTIVE SUMMARY

Council's asset valuation process includes the engagement of independent professionally qualified valuers to provide comprehensive valuations of Council's assets, undertaken in accordance with council's Asset Accounting Policy every 5 years, with independent desktop valuations undertaken by the valuers in interim years for Infrastructure Assets. Desktop valuations for Infrastructure assets are undertaken as a means to monitor and counteract large valuation fluctuations as these represent 78% of Council's total depreciable asset base subject to valuation.

In accordance with Council's Asset Accounting Policy all infrastructure assets were subject to a desktop valuation for the year ended 30 June 2019. New non-infrastructure assets are being included at cost for 2018-19. Plant & Equipment and Furniture and Fittings are also recognised 'At Cost'. The desktop valuation of infrastructure assets was undertaken by Australia Pacific Valuers (APV).

The carrying value of Council's Infrastructure assets as at 30 June 2018 was \$618.603m. The outcome of the desktop infrastructure valuation for 2018-19 resulted in a minor increase in that valuation of \$2.055m (0.3%). The valuation also recognised the value of contributed assets at \$5.207m.

### RECOMMENDATION

**That the Finance and Audit Committee notes the 2018/19 desktop valuation for all infrastructure assets.**

### DISCUSSION

As noted above Council engages external, independent and qualified valuers to determine the fair value of the council's non-current assets. This is conducted in accordance with the Australian Accounting Standards AASB13 Fair Value Measurement. The definition of Fair Value is:

- *the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*

Under this overarching Accounting Standard all assets (with the exception of assets held for sale) are valued in accordance with AASB13 at Fair Value.

Under Australian Accounting Standards assets are required to be componentised and categorised. For example, roads are valued as formation, pavement and seal; buildings valued as structure, roof, fit-out, and services; stormwater pipes valued depending on materials (e.g. reinforced concrete, PVC, or Ribloc).

Council's current valuation methodology is comprised of the previous year's valuation data being provided to asset owners who provide up to date information in relation to quantities, materials, unit rates, acquisitions and disposals, and contributed assets (assets constructed on Council land by external parties). This updated data is then provided to the independent valuers to utilise in their valuation assessment.

## Infrastructure Assets

Council's infrastructure assets had a \$2.055m (0.3%) increase in value as a result of the desktop valuation, with key increases in footpaths (\$1.801m) and drainage (\$2.268m), offset by a decrease roads (\$1.352m).

The key driver for increase in asset fair value for the 2018-19 financial year relates to contributed assets (\$5.207m). This is made up predominantly of roads (\$3.216m), footpaths (\$1.215m) and drainage (\$0.776m) contributed from the State Government as part of the Tonsley redevelopment.

The following table shows the year on year movements affecting the Infrastructure assets including revaluation, contributed assets and other movements (made up of additions, depreciation and movement in Works In Progress (WIP)) :

Asset Class	Carrying Value of Infrastructure Assets 30/06/2018	Revaluation Increase/ (Decrease)	Contributed Assets	Other movements (additions less depreciation, WIP transfer)	Forecast Carrying Value of Infrastructure Assets 30/06/2019	Revaluation as % of Opening Carrying Value
Bridge Assets	4,633,863	(168,726)	0	(44,110)	4,421,027	(3.6%)
Footpath Assets	99,330,480	1,801,114	1,215,066	(74,382)	102,272,278	1.8%
Kerb and Gutter Assets	123,290,339	(210,745)	933,741	(848,218)	123,165,117	(0.2%)
Retaining Wall Assets	5,399,965	139,272	0	(43,338)	5,495,899	2.6%
Road Assets	203,845,619	(1,352,148)	2,282,210	1,339,903	206,115,584	(0.7%)
Signage Assets	1,770,348	(57,065)	0	(122,882)	1,590,401	(3.2%)
Drainage Assets	169,901,761	2,268,048	776,219	1,619,995	174,566,023	1.3%
Traffic Device Assets	10,431,365	(364,725)	0	313,102	10,379,742	(3.5%)
<b>Grand Total</b>	<b>618,603,740</b>	<b>2,055,025</b>	<b>5,207,236</b>	<b>2,140,070</b>	<b>628,006,071</b>	<b>0.3%</b>

## Building/Other Infrastructure and Other Assets

As these assets are not subject to a desktop review in 2018/19, they will be included in the annual financial statements as a combination of cost (assets constructed since the 2017/18 comprehensive valuation) and fair value.

## Valuation Cycle

In accordance with the report on Improved Asset Valuation Process presented to the committee on 26 February 2019 (FAC190226R11), the current valuation cycle is as follows:

Financial Year	Accounting - Infrastructure	Accounting - Non-Infrastructure	Insurance
2019-20	Desktop	Not Applicable	Indexation
2020-21	Desktop	Not Applicable	Desktop
2021-22	Desktop	Not Applicable	Indexation
2022-23	Comprehensive	Comprehensive	Comprehensive
2023-24	Desktop	Not Applicable	Indexation

## Impact of AASB 16 Leases on Council

<b>Originating Officer</b>	Acting Manager Finance - David Harman
<b>Corporate Manager</b>	Acting Manager Finance - David Harman
<b>General Manager</b>	Acting General Manager Corporate Services - Ray Barnwell
<b>Report Reference</b>	FAC190820R15

### REPORT OBJECTIVE

To provide the Committee with an update on impact of the new accounting standard AASB 16 - Leases on council's financial statements for the 2019/20 financial year.

### EXECUTIVE SUMMARY

At its meeting on 26 February 2019, the Finance and Audit Committee requested an update report on the impact AASB 16 Leases will have on council's financial reporting. This standard will apply for the first time in council's 2019/20 Annual Financial Statements. This standard requires the recognition of all leased items of a material value with a lease term of more than 12 months and includes implied leases that may exist within service contracts.

Council intends to adopt the modified retrospective/cumulative catch-up approach, and will also apply exemptions where available. In determining whether or not the value is considered low, capitalisation thresholds will be applied.

### RECOMMENDATION

**That the Finance and Audit Committee note this report.**

### DISCUSSION

AASB 16 Leases applies to all reporting periods commencing on or after 1 January 2019. For council, that will be the 2019-20 financial year. There are two options for transitioning – full retrospective, or cumulative catch-up. Council intends on transitioning using the cumulative catch-up option, as recommended at presentations attended by staff on this matter.

The application of the Standard:

- Includes all instances where there is a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Requires a discount rate to be used to calculate the present value of the lease payments for the measurement of the financial liability. This should be the interest rate implicit in the lease, or the incremental borrowing rate for the organisation.
- Requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.
- A lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

This standard has no impact on the lessor.

Administration has reviewed council's existing leases, and contracts to determine whether or not AASB 16 will apply and has identified the following

## Properties

- Cooinda – peppercorn lease from State Government due to expire in 2088.
- Marino Golf Park – peppercorn lease from Linwood Quarries due to expire in 2026.
- Car parks at Cove Civic Centre – leased from church at market value, ongoing.
- There are eight other properties that council leases, but these are all peppercorn, short term leases and we will be applying this exemption for these leases.

Both Cooinda and Marino Golf Park are “peppercorn” leases, and the Australian Accounting Standards Board has commenced a process which is expected to result in leases at significantly below market value being excluded from AASB 16 for not-for-profits.

## Equipment

- Plant and Equipment – council purchases all its fleet and light equipment so there will be no impact from this.
- ICT Hardware – the majority of Council’s PC equipment is leased.

AASB 16 provides a recognition exemption where underlying asset is of low value, and gives personal computers as an example. While this may exclude the majority of council’s ICT hardware, special attention will need to be given to any high valued leased assets, and also if these items can be considered individually.

## Implied Leases

There are contracts that will need to be reviewed (commencing after 1 July 2019 but before 30 June 2020) to determine if they contained implied leases for the application of AASB 16. These include the following:

- Waste Contract
- Community Bus service

Expected impacts on statements from the practical application of the standard

- Statement of Financial Position – increase in leased assets and financial liabilities
- Income Statement – decrease in operating expenses, increase in financing costs
- Cashflow Statement – decrease in operating cashflows, increase in financing cashflows
- Ratios – a decrease in operating expenses will result in an increase in Operating Surplus

In accordance with the Local Government Act, the LGA coordinates the preparation of a set of Model Financial Statements for local government. Included in these statements is a section on the application of AASB 16 which can be seen at attachment 1.

The South Australia Local Government Finance Managers Group’s (SALGFMG) - Financial Management Framework Working Group has also been working to prepare a calculator to assist councils in identifying the financial impacts that recognition of each lease will have on a council’s financial statements.

Due to the value of council’s current leases it is expected that the impact of AASB 16 Leases will not have a significant impact on its financial statements. If this changes upon finalisation of the contracts for implied leases, or any other matters arise an update will be provided to the Finance and Audit Committee.

## **Attachment**

#	Attachment	Type
1	1. MFS extract AASB 16 Leases	PDF File



## NEW LEASES STANDARD - AASB 16

The new Leases Standard is currently scheduled to apply from 1 January 2019 - the 2019/20 reporting period. The information reported here is preliminary in nature as it is expected that many Councils will need to significantly upgrade some areas of their records prior to its commencement.

It is possible that the AASB will make amendments to the standard in relation to high value assets leased to or by not-for-profit entities at nominal rentals, but so far this has not been indicated.

Councils are reminded that it will not only be necessary for their records to be sufficiently comprehensive to enable them to complete the necessary accounting entries, but to satisfy their Auditors of that fact.

"AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

AASB 16 contains disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.<sup>150</sup>

### Definition of a lease

***A contract, or part of a contract, that conveys the right to use an asset (the "underlying asset") for a period of time in exchange for consideration.<sup>151</sup>***

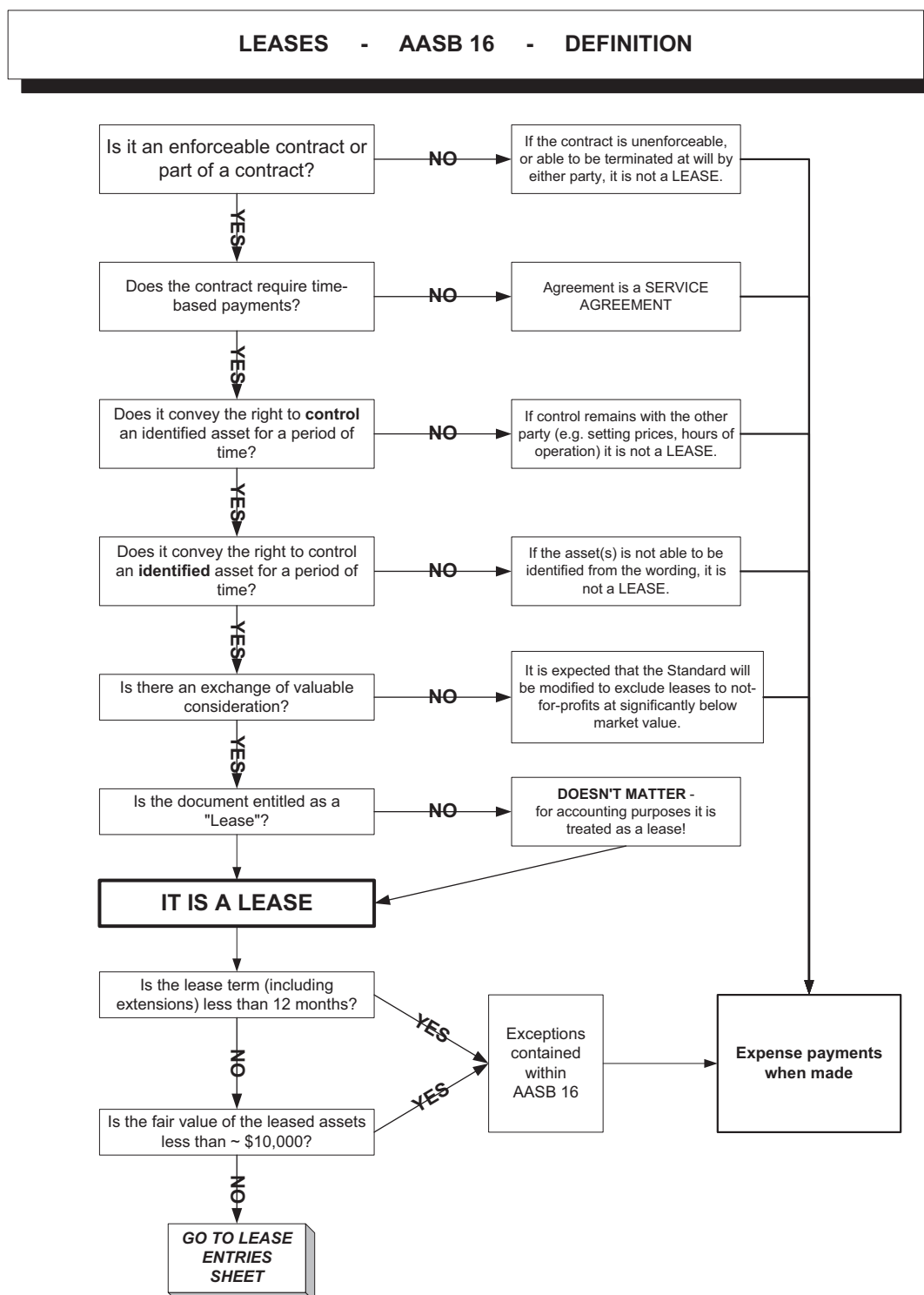
It can be seen that the definition is expressed in the broadest possible terms, and can include a number of arrangements that would not intuitively be considered to be leases.

150.AASB 16 Introduction

151.AASB 116 Appendix A Definitions

## Is it a lease?

... or more accurately, a lease to which AASB 16 Leases applies?





Is it an enforceable contract or part of a contract?

Leases are often very complex documents comprising many parts and often have different names. If any part of a document meets all of the requirements as set out in the decision chart, in accounting terms **it is a lease to which AASB 16 Leases applies.**

If the contract is unenforceable, or able to be terminated at will by either party, it is not a lease to which the Standard applies.

Sometimes an agreement - particularly with State or Federal Governments - will give the Minister an unfettered discretion to terminate the agreement. Under these circumstances, Council is unable to enforce the terms of the agreement. Any payments made under such an agreement are immediately charged to expense.

Does the contract require time-based payments?

This is an essential component in the accounting definition of a lease - it is "a contract, or part of a contract, that conveys the right to use an asset for a **period of time** in exchange for consideration."

Some contracts contain both a time-based payment component and a usage-based payment (e.g. a photocopier at so much a month + so much per copy). Such a contract contains (in the accounting standards terminology) both a lease and a service agreement.

For the **LESSOR**, this would be accounted for as an *operating lease* (see "Accounting for leases by the LESSOR" on page 154 below).

For the **LESSEE**, there is an accounting policy election that can be made: a lessee can opt to treat, *by class of underlying asset*

- Each component separately - i.e. the lease payment components in accordance with AASB 16, and the service agreement components as an expense - or
- Both components together as a single lease payment in accordance with AASB 16.

NOTE that there is NO option to treat both components as service agreement components.

The question of control of the asset is a question of fact, and depends upon a number of factors, none of which, by themselves, is decisive. These factors include responsibility for setting prices, hours of operation, insurance of the asset, maintenance in working condition and the like.

This is implicit in the definition of a lease - a contract that conveys the right to use an asset would also include the right to choose for the asset not to be used.

Does it convey the right to control an identified asset for a period of time?

The asset(s) subject to the contract must be specifically identified - it must be possible to positively identify the asset(s) to which the contract applies from the contract documentation.

Some lease agreements contain impressively detailed lists of assets (particularly of computer equipment) that are impossible to physically identify as individual items. Such lists still meet this requirement, and the inability to individually identify the several components of the lease agreement does not reduce the fair value of the leased assets (see below).

Is there an exchange of valuable consideration?

There are two aspects to this:

- Is the asset being leased of value?
- Is the lease payment of (approximately) equal value?

There are accounting consequences where the fair values of the two components are not approximately equal - the so-called "peppercorn" leases. However, the Australian Accounting Standards Board has commenced a process which is expected to result in leases at significantly below market value being excluded from AASB 16 for not-for-profits.

These Model Statements assume that this process will be completed before AASB 16 comes into effect.

Is the contract entitled as a lease?

Irrespective of whether the document is entitled as a *lease*, *licence*, *permissive occupancy* or any other description, and irrespective of whether it meets the

legal definition of a *lease or licence* or anything else, **FOR ACCOUNTING PURPOSES IT IS A LEASE.**

Is the lease term (including extensions) less than 12 months?

This is an exemption provided within AASB 16, where the full accounting procedures do not need to be applied. They are still leases within the terms of the accounting definition.

The term of the lease is

The non-cancellable period

- optional renewal period(s) that are reasonably certain to be taken up
- periods after an optional termination date if it is reasonably certain not to be terminated earlier.

Where a lease agreement includes provisions for extension(s) of time beyond the initial lease term, an assessment is made as to whether it is reasonably certain that the term will be, or will not be, extended. This hinges on Council's intention, and although this may sometimes be able to be inferred from Council's past actions, it will involve a significant element of judgment.

It is suggested that Council will need to maintain a register of all (accounting) leases, and to annually review Council's current intentions to determine whether or not it is reasonably certain that any option to extend the lease will be, or will not be, exercised. A simple extract of the register listing all leases with options to extend, and showing whether the option will / will not be exercised, and signed in respect of each lease by the relevant officer (i.e. DCS, Engineer, etc.) should provide ample evidence for audit purposes.

If an asset, previously assessed as having a lease term of less than 12 months, subsequently has its term extended, then the full accounting procedures are **mandatory** - this exemption is no longer available.

If a lease contains a purchase option - whether or not it is reasonably certain that the option will not be exercised - it is **NOT** short-term, and the exemption is not available.



Is the fair value of the leased assets less than ~ \$10,000?

This is an exemption provided within AASB 16, where the full accounting procedures do not need to be applied. They are still leases within the terms of the accounting definition.

Where a single lease document relates to many small items, the assessment of the fair value is based on the assets leased taken as a whole. Do not try to split the assets subject to a single lease document in order to create multiple components each less than \$10,000.

The accounting procedures vary depending upon whether Council is the **LESSOR**, or Council is the **LESSEE**. These are detailed in the sections below.

## Accounting for leases by the LESSOR

There are no significant changes introduced by the new Standard to accounting by a lessor.

The lease is identified as either an **operating** or a **finance** lease.

For an operating lease, payments are recognised as income. For a finance lease, the future lease payments are recognised as a debtor and interest income recognised on the amortised cost basis.

“A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.” (AASB 16 Appendix A Definitions)

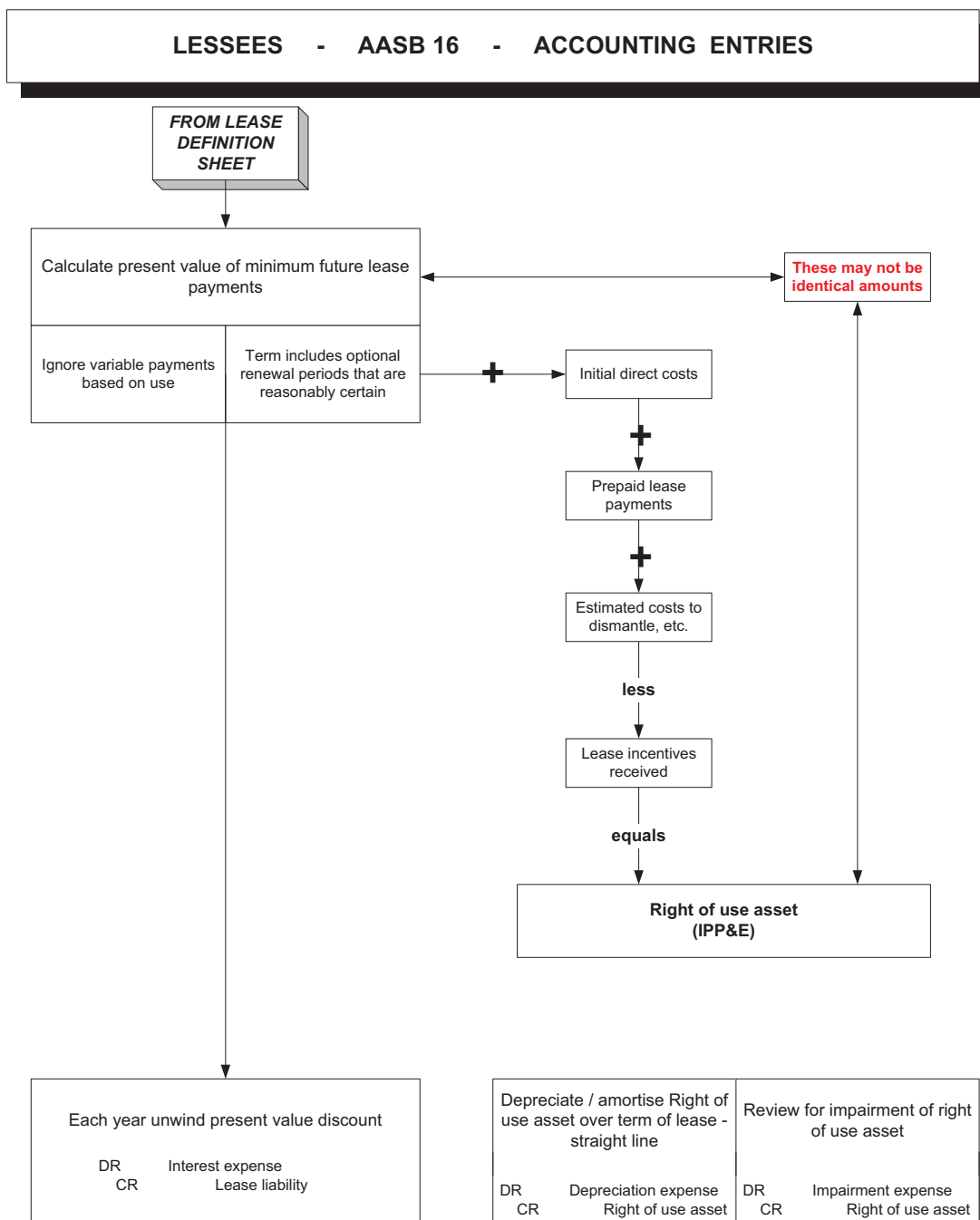
“Indicators that a lease is a finance lease include:

- (a) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- (b) the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised;
- (c) the lease term is for the major part of the economic life of the underlying asset even if title is not transferred;
- (d) at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset; and
- (e) the underlying asset is of such a specialised nature that only the lessee can use it without major modifications.
- (f) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- (g) gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equaling most of the sales proceeds at the end of the lease);
- and
- (h) the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.” (AASB 16, paras 63-64)

Councils are not in business as financiers and (except in the extremely rare circumstances of support for community organisations) should not enter into lease contracts that would require classification as finance leases.

## Accounting for leases by the LESSEE

This is the area of the new Standard that sees the greatest change - *for lessees, the old distinction between finance and operating leases is removed.*



### Present Value of Future Lease payments

#### Future Payments

Calculate the minimum future lease payments for the term of the lease, including optional renewal periods that are reasonably certain to be exercised. For further discussion on the term of a lease, see (insert cross-reference) above.



- Exclude variable payments based on use (e.g. ¢ per copy for photocopier use).
- Where the lease agreement provides for a higher rental based on a contingency, use only the lower lease rental amount.
- If the lease agreement provides for periodic rental increases based on an index (e.g. CPI), increase the rental amounts by the best available estimate of the increase in the index.
- Where the lease agreement includes a purchase option, include the amount of the purchase option.
- If the lease agreement is one where the lessor would account for it as a finance lease (see "Accounting for leases by the LESSOR" on page 154 above), include the best available estimate of the residual value of the leased assets at the end of the lease.

#### Discount Rate

- Where the cash price of the leased assets is known, or a reasonable estimate can be made from e.g. price lists, use the interest rate inherent in the lease.
- Otherwise use Council's current borrowing rate.
- Do not use Government bonds rates.

#### **The Right-of-use Asset**

Present Value of future lease payments calculated as above.

#### **ADD:**

Initial Direct Costs

These may include costs relating to the negotiation of the lease agreement, legal fees, stamp duty, registration, etc. It also includes Council's costs in readying the leased asset for the intended use (see example below).

#### **ADD:**

Prepaid lease payments

Required by some lease agreements.

A bond, paid in cash, and which will be refunded in cash at the end of the lease, is not included in the right-of-use asset. Instead it should be accounted for as a deposit debtor.

#### **ADD:**

Estimated costs to dismantle, etc.

Many lease agreements require the dismantling of leasehold improvements and the making good of the premises at the end of the lease.

The present value of the best available estimate of the costs to dismantle and make good is calculated in exactly the same way, and a provision created in exactly the same way, as for provisions for reinstatement - see "Future Reinstatement / Restoration, etc." on page 114 above. Each year the provision is reassessed, and the adjustment - DR or CR - is made to the right of use asset.

Accordingly, each year the provision will see the unwinding of the present value discount, and may have an adjustment against the right-of-use asset to bring the provision balance to the present value of the new best estimate of the future reinstatement cost. At the end of the lease, the actual reinstatement costs are charged against the provision and any balance written off to profit and loss.

**LESS:**

Lease incentives received

Occasionally a lessor may offer cash or other incentives to encourage the lease arrangement to proceed. Where the incentives are made in kind, rather than in cash, they are recognised at fair value.

**RIGHT-OF-USE ASSET**

The above is the calculation of the amount to be recognised as the right-of-use asset, and it can be seen that it will not always be equal to the present value of the future lease payments.

The required entry may involve all of the following:

		DR	CR
Right-of-use asset		xxxx	
Cash	Lease incentives received	xxxx	
Lease liability	Present value of future payments		xxxx
Cash	Initial direct costs Prepaid lease payments		xxxx
Provision for reinstatement	Estimated costs to dismantle		

The editorial committee believes that the amounts of right-of-use assets for SA Councils will not be material, and that it will be appropriate to show it as a single row in the IPP&E Note in the 2020 Model Statements. Where the amounts are material, the right-of-use asset is divided into the same asset classes that are used for IPP&E, and if sufficiently material, the right-of-use asset is shown on the face of the balance sheet. (Because of the difficulties that this would introduce for the SA Grants Commission return, disclosure on the face of the balance sheet is not permitted by these Model Statements.)

Example

Council has leased a hall for use as a temporary library for a period of 5 years, with 2 extension options, each of 5 years. Rental is \$5,000 per month in advance, increasing annually by the change in CPI. The lease requires that the premises be returned to original condition at the end of the lease, with walls freshly painted and floors sanded and polished.

Fitout costs amounted to \$450,000 (including carpeting, upgrading of electricals and installation of computer cabling), and it is estimated that reinstatement costs will amount to \$75,000 (expressed in current dollars).

Council's Asset Management Plan and Long Term Financial Plan provide for the construction of a new library and community computer resource centre in 6 years time. Accordingly, staff have assessed that one renewal period is reasonably certain, and are very much hoping that the second renewal option will not be required.



The right-of-use asset is calculated as follows:

Present value of future lease payments (10 years)	\$696,983
Initial direct cost	450,000
Prepaid lease payments	0
Estimated costs to dismantle & reinstate (PV of amount equivalent to \$75,000 current in 10 years time)	58,225
Lease incentives received	0
<b>TOTAL</b>	<b>\$1,205,208</b>

The required entry is:

	DR	CR
Right-of-use asset	\$1,205,208	
Lease liability		696,983
Cash (as expended during fitout)		450,000
Provision for reinstatement		58,225

(The annual entries would include depreciation on a straight line basis of the right-of-use asset and unwinding of the present value discounts for both lease liability and provision for reinstatement.)

## Disclosures

Further information on disclosures required by the new Standard will be included in future editions of the Model Statements. However, disclosure of the effects of transition to AASB 16 is required to be made in the 2019 Annual Financial Statements.

## Transitional Procedures

There is a choice of transition methods:

- Full retrospective - restatement of comparatives in accordance with AASB 108.
- Modified retrospective / cumulative catch-up - do not restate comparatives - cumulative effect of adopting AASB 16 is recognised as an adjustment to equity on date of initial application.

It is strongly recommended that the Council elects to use the modified retrospective / cumulative catch-up procedure.

Council may also elect not to reassess whether existing contracts contain a lease. *This does not entitle you to determine that contracts that you are currently treating as leases no longer contain a lease.* It merely means that you do not have to review every *other contract* that Council has in existence, to ascertain whether or not part of it contains a lease. It is strongly recommended that Council makes this election.

As at 30 June 2019, Council will need to:

- Calculate the present value of the future lease payments for all leases then in existence in accordance with the procedures set out in "Accounting for leases by the LESSEE" on page 155 above.
- Calculate the present value of future reinstatements required by covenants in leases in existence at 30 June 2019.
- Where Council is accounting for a current lease as a finance lease, transfer the asset carrying value from the IPP&E asset class in which it is currently located, to the IPP&E asset class right-of-use assets.
- Ensure all working papers are capable of audit verification.

Example wordings of paragraphs suitable for inclusion in Note 1 are given in "New Accounting Standards" on page 35 above

**WORKSHOP / PRESENTATION ITEMS**

**OTHER BUSINESS**

**MEETING CLOSURE**