

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, 10 December 2019 at 09:30 AM

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

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

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



Adrian Skull
Chief Executive Officer



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OPEN MEETING

KAURNA ACKNOWLEDGEMENT

We acknowledge the Kaurna 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 8 October 2019

Originating Officer Manager Corporate Governance - Kate McKenzie

Corporate Manager Manager Corporate Governance - Kate McKenzie

Report Reference: FAC191210R01

RECOMMENDATION:

That the minutes arising from the Finance and Audit Committee Meeting held on 8 October 2019 be taken as read and confirmed.

ATTACHMENTS:

| # | Attachment | Type |
|---|--------------------------|----------|
| 1 | FAC191008 -Final Minutes | PDF File |

FAC191008 - FINANCE AND AUDIT COMMITTEE MEETING - 8 October 2019

Tuesday, 08 October 2019 at 09:30 AM

Council Administration Centre, 245 Sturt Road, Sturt



IN ATTENDANCE**Mr Greg Connor (Chair), Mrs Emma Hinchey, Ms Natalie Johnston, Councillor Clancy****In Attendance**

| | |
|-----------------------|---|
| Mr Adrian Skull | Chief Executive Officer |
| Ms Sorana Dinmore | General Manager, Corporate Services |
| Mr Tony Lines | General Manager City Services |
| Ms Illa Houridis | General Manager City Development |
| Mr Ray Barnwell | Manager Finance |
| Ms Kate McKenzie | Manager Corporate Governance |
| Mr Dave Harman | Unit Manager, Statutory Finance & Payroll |
| Ms Karen Brewster | Acting, Innovation Leader |
| Ms Sherie Walzcak | Unit Manager Risk |
| Mr Lee Girolamo | Deloitte Touche Tohmatsu |
| Mr Charlie Hall | Deloitte Touche Tohmatsu |
| Mr Eric Beere | KPMG |
| Mr James Rivett | KPMG |
| Mr Michael Richardson | BRM Advisory |

OPEN MEETING

The Chair opened the meeting at 09:30 AM.

KAURNA ACKNOWLEDGEMENT

We acknowledge the Kaurna 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 20 August 2019
Report Reference: FAC191008R01

Moved Councillor Clancy, Seconded Ms Johnston

1. That the minutes arising from the Finance and Audit Committee Meeting held on 20 August 2019 be taken as read and confirmed subject to the typos identified.

Carried Unanimously

BUSINESS ARISING**Business Arising Statement****Report Reference: FAC191008R02**

That the Finance and Audit Committee notes the Business Arising Statement and the work program presented in the agenda. The Committee noted that all reports were listed in accordance with the schedule.

The Committee noted that at the previous meeting, the desktop review of infrastructure construction was noted and a report was to be brought back to the Committee in October / November 2019. The Committee requested that this be added to the schedule of reports.

ACTION: that a report on the desktop review of Infrastructure Construction be brought to the December 2019 Finance and Audit Committee Meeting.

CONFIDENTIAL ITEMS - Nil**REPORTS FOR DISCUSSION****Elected Member Report****Report Reference: FAC191008R03**

The Committee enquired about the Council decision regarding the Cove Cobra Football Club and the media attention around the matter. It was noted that the Council had undertaken an independent investigation and determined to not renew the clubs tenancy on the basis of a finding of inappropriate, sexist and intimidating behaviour. The Committee noted the community interest and that Council would receive a petition with approximately 6500 signatures. The Committee also queried if the Club had been provided natural justice as part of the process and it was noted that the Club had been aware of issues for a long time.

Annual Financial Statements for the year ended 30 June 2019**Report Reference: FAC191008R04**

Mr Lee Girolamo from Deloitte provided an overview and thanked staff for the smooth audit.

He noted that the audit was completed in accordance with the requirements of the Local Government Act and the accounting standards. The Audit is now substantially complete and no misstatements with a material impact were noted. Additionally, no insufficiencies in internal controls were identified however some control observations were made.

The audit procedure focused on audit risks and included the following:

- Infrastructure, Property, Plant and Equipment (IPPE)
- Rates, revenue and grants.
- Grant income – ensuring the funds are expended in accordance with the agreement. No issues noted

The Committee made the following comments:

- That new accounting standards in relation to leases and revenue will commence for the year end June 2020 and Council will need to comply.

Minutes of the Finance and Audit Committee held on 8 October 2019

- That detailed testing had occurred on expenditure and strong controls were evident
- All journals reviewed had appropriate explanation
- All minor matters raised have been rectified by management.
- A total of 103 internal controls were tested and risk rated. Only two (2) items, noted as insignificant, were identified. One relating to the process of review for the Register of Allowances and Benefits and the other relating to the system being able to report changes to the Masterfile in Authority. The Committee noted that this can still be tracked and you can see who made the last change, however the system can't produce a report. The Committee asked that the recommendations be tracked as part of the internal audit recommendations so the Committee can see the progress at each meeting.

Action - Add the external audit recommendations to the report for the internal audit recommendations to ensure consistency in reporting.

The Manager Finance also made the following comments on the Annual Financial Statements:

- Council's Auditors have indicated that they expect to issue an unmodified audit opinion.
- The Council recorded an operating surplus of \$12.134m, compared to an operating surplus of \$10.904m for 2017/18 and \$7.740m greater than the surplus forecast in the original adopted 2018/19 budget. The analytical review provided on pages 34-36 of the agenda outlines the key variances from both original budget and movement from prior years accounts
- Total Operating income for 2018/19 was \$95.637m compared to \$92.566m in 2017/18. The increase of \$3.071m predominantly results from an increase in Rates of \$2.3m (from an adopted rate increase of 1.8% + growth) in addition to the advance receipt of 2019/20 and 2020/21 Supplementary Road grant funding of \$0.963m.
- Total Operating expense for 2018/19 was \$83.503m compared to \$81.662m in 2017/18. The increase of \$1.841m (2.3%) predominantly relates to an increase in Materials, Contracts & Other Expenses of \$2.313m (7.5%) which includes a significant once-off cash contribution (\$1m) to the Oaklands Crossing grade separation project, election expenses incurred every 4 years (\$0.367m) and other annual increases to waste collection and utilities..
- Employee costs came in slightly below adopted 2018/19 budget at \$34.8m but increased \$1.587m (4.8%) from 2017/18 including annual increases from Enterprise Agreements (2.3% Salary and 2.5% Wages) and lower than average capitalised labour (where staff costs are allocated to capital works). In addition, there were increases to grant funded positions (\$170k) and Council approved positions (\$211k).
- Other key variances reported on the Statement of Comprehensive Income are Amounts Received Specifically for New or Upgraded Assets (up \$3.117m) predominantly relating to State Government Grants received for the Sam Willoughby International BMX Track (\$1.3m) and Birch Crescent Streetscape (\$1.8m). Physical resources received free of charge has increased by \$5.189m primarily due to contributed assets relating to the Tonsley redevelopment. Depreciation has dropped by 11%.
- The key ratios are strong and reflect solid cash position. Council currently has \$38m in reserves, however there are a number of large projects in the 2019/20 budget which are due to commence shortly that will use some of these reserves.

The Committee cautioned the Council about how many major projects are being managed at one time to ensure resources are adequately allocated. It may be a significant risk to manage three major projects at the one time without appropriate resources.

The Committee also noted/queried:

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- That the financial ratios look fabulous and terrible at the same time. The Council is in a strong position but is keeping a lot in reserves. Is Council collecting too much from rates and not doing enough with it? The Capital works program this year is \$44m (including) Mitchell park. It would be good to demonstrate how the key ratios appear each year under the LTFP.

Action – The key ratios are to be calculated for each year of the LTFP and brought to the next meeting.

- Council needs to ensure that its KPI's are enabling the business to function and not restricting its ability to delivery.
- The increase in carryovers and noted that \$9.8m related to grants plus \$1m for the Asset Management System and \$1.8 for Streetscapes retimed to future years.
- That the Buildings Asset Renewal program which has yet to be defined will impact on the ratios.
- Why the insurance rebate is considered as income and not a reduction in the expenditure?

Action: In the Business Arising statement for the next meeting, please provide details as to why the insurance rebate is considered as income and not a reduction in the expenditure?

- Why the sundry debtors had increased - it was noted that this mainly related to significant grant funding for Tonsley Greenway (\$1.7m) and the final grant payment for the Edwardstown redevelopment (\$400k). These grants had been invoiced prior to year-end but funding had not been received at the end of the financial year.
- That the Materials, Contracts and Other expenses has increased by \$1m due to the once-off cash contribution to Oaklands grade separation project.
- The two regional subsidiary financial statements. The Committee noted SRWRA is doing well but didn't provided a dividend this year however they are looking strong and spending the surplus on improvements to the business. The Committee questioned what the long term outlook for Council Solutions is, as Council is doing a lot with Charles Sturt and Port Adelaide Enfield. The Committee noted that there is low risk for Council using other procurement options.

Moved Ms Hinchey, Seconded Councillor Clancy

That the Finance and Audit Committee:

1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2019, as included at Attachments 3-5, be adopted.
2. Notes Deloitte's management letter, as included at Attachment 6.
3. Notes the comparative analysis to prior year Audited Financial Statements and original adopted budget (Analytical Review), as included at Attachment 2.
4. Update the ratios before being presented to Council – 5 year average.
5. Note that the letters will be signed as noted within the Committee reports.

Carried Unanimously

Meeting with the External Auditors in Confidence (without management present)**Report Reference: FAC191008R05****Moved Councillor Clancy, Seconded Ms Hinchey**

That the Finance and Audit Committee:

1. Pursuant to Section 90(2) and (3)(g) of the *Local Government Act 1999*, orders that all persons present, be excluded from the meeting, with the exception of Mr Lee Girolamo and Charlie Hall from Deloitte Touche Tomatsu, as the Finance and Audit Committee meets with Council's External Auditors, on the basis that the Finance and Audit Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information of the Council.
2. Include the following comments within the minutes:

10.23am The Committee moved into confidence

The members of the Finance and Audit Committee met representatives of Deloitte's Lee Girolamo and Charlie Hall without Management present. The Deloitte representatives were asked about the relationship they felt they had with the Management team during the Audit process. Mr Girolamo commented that they had received good support and assistance from the Marion team during the Audit. Information requested was received in a timely and accurate manner. He went on to say that the Marion had added extra controls to their own audits which showed a good culture existing internally.

Adjournment

The Chair requested a 5 minute adjournment

10.35 am the meeting was adjourned

10.40 am the meeting resumed

Internal Audit Plan 2019 -2021**Report Reference: FAC191008R07**

Mr Eric Beere and Mr James Rivett from KPMG entered the meeting. Mr Beere advised the Committee that this would be Mr Rivett's last meeting as he had tendered his resignation with KPMG. The Committee thanked Mr Rivett for this work with the Council over the past 4 years and wished him well. The Committee queried Mr Beere about the succession plan? It was noted that this was currently being worked through with the Manager Corporate Governance.

Mr Beere provided an overview of the Internal Audit Plan (IAP) highlighting that the proposed plan was for two years however there was still flexibility within the second year. The IAP proposed four (4) collaborative projects across the two years and was drafted via collaborative workshops (including a joint session with both Executive Teams) and individual stakeholder meetings. He highlighted that there was strong engagement for the collaborative model.

The Committee noted that:

- Five (5) projects had been proposed for year one (1) and three (3) of these were collaborative projects.

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- The second year only had one (1) collaborative project however this may change.
- The IAP wasn't a traditional program but more business reviews auditing the effectiveness of the business. A review of the Service Review Program and IAP has been completed to ensure that resources had been allocated appropriately.
- It may be easy to overlook the basics and Council needsto ensure that the internal controls are still adequately audited.
- WHS hadn't been included within the program however, it will be audited via other means (i.e. insurance schemes)
- The Community Facilities management model review didn't include benchmarking. It was noted that this should be included within the scope and ensure best practice is measured.

The Committee queried what interaction had occurred with the external auditors? It was noted that it had been limited to date but KPMG will formalise this and organise to catch up a few times a year.

Moved Councillor Clancy, Seconded Ms Johnston

That the Finance and Audit Committee endorses the draft Internal Audit Plan 2019-21.

Carried Unanimously

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

Report Reference: FAC191008R06

Moved Ms Hinchey, Seconded Ms Johnston

That the Finance and Audit Committee:

1. Pursuant to Section 90(2) and (3)(g) of the *Local Government Act 1999*, orders that all persons present, be excluded from the meeting, with the exception of Eric Beere and James Rivett from KPMG, as the Finance and Audit Committee meets with Council's Internal Auditors, on the basis that the Finance and Audit Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information of the Council.

Carried Unanimously

10.49 am The Committee moved into confidence

The Members of the Finance and Audit Committee met representatives of KPMG Eric Beere and James Rivett without Management present. The Committee noted that Mr Rivett was leaving KPMG and was assured by Mr. Beere that he would be replaced by equally experienced staff. When asked about the relationship with the Marion staff Mr Beere commented that the relationship was a good one and that they (KPMG) found Marion staff to be engaged in the process, providing information in a timely manner. They also were very open to constructive comments and the team were able to have healthy debates around a range of issues. He also commented on the excellent support they received from the Corporate Governance area. The next few years where the Collaboration Model will be embedded across the two Councils should see greater learnings, savings and efficiencies coming back to all parties.

Mitchell Park Sports and Community Centre revised Section 48

Report Reference: FAC191008R08

Michael Richardson from BRM Advisory provided an overview of the report highlighting that the project had

Minutes of the Finance and Audit Committee held on 8 October 2019

a long history and the model had changed from four (4) courts to two (2) courts. There is a lack of indoor courts south of Adelaide. There is a high probability that the courts will be readily sort after. The preliminary decision for four (4) courts was discussed by Council prior to any external funding being received and Council was originally looking for 50% contribution for the project being \$10m from Council and \$10m externally. Council received \$5m commitment from Nicole Flint MP as part of the Federal Election process and the Council resolved to contribute up to \$10m and hence, the project was re-scoped to fit within available budget.

The Committee noted the report and made the following comments:

- The calculations for \$185k in court hire revenue from the proposed two courts is unclear within the report? It was noted that research undertaken to determine what revenue can be made per court found that, one court can earn up to \$100k per annum.
- The operating model for the Centre has the Council managing the facility including the bar and meals. The Committee noted that this would remove this income opportunity from the clubs. It was noted that Mitchell Park is operating with a different management model with the Club currently paying all service staff rather than having volunteers. The Club is currently running cost neutral with no surplus.
- The operating model provides 2.5 FTE council funded positions and if the Neighbourhood Centre is included on this site, the Neighbourhood Centre staff could also assist also with some of the administration requirements during the day Monday-Friday when the courts component of the Centre is less busy.
- Additional elements of the design have been removed to make the project fit the budget. The Committee requested that management confirm that the elements that have been removed, will not impact in the success and/or operations of the site. It was confirmed that these design elements were the 'nice to haves' and not critical to the operations.
- The financial analysis is unclear as the detailed design has not been completed. The Section 48 Prudential Report was unable to comment sufficiently as the financial analysis seems incomplete. The financial information was gathered in 2015 reviewed and updated however in order for the Section 48 Report to be as useful as possible, BRM need access to more up to date information. The Committee suggested that further detailed design work is required which will inform the financials and needs to be completed to understand the full picture before the Committee can recommend to Council to progress with the project. The Committee also suggested that the Return on Investment be calculated for the project with 2 courts and with 4 courts for comparison and decision-making purposes.
- The Community has not been consulted since 2016 and hence further community engagement is required as the design is now different.
- The Council needs to ensure that it has capacity to support the long term running costs of the Centre. The Committee suggested that once the further design work and financials are completed, this will give the Council a better understanding of the financial risks of the project.
- The new design incorporates female facilities and change rooms to support growth in women's AFL.
- The federal government funding has not been received to date. Management is preparing a business case for receipt of the funding deed. It is recognized that this is a marginal seat and highly unlikely that the funding won't be received.
- Council's next iteration of the Long Term Financial Plan will be updated in December to incorporate the changed timing of and any additional costs for this project. The current LTFP includes Council's

Minutes of the Finance and Audit Committee held on 8 October 2019

contribution of \$10m to the capital costs which is currently forecast to be funded through borrowings.

- The budget of \$14k for marketing and promotion of the centre won't be enough. It is recommended that an increase in the marketing budget is required to make the project successful.
- The data is too old to make informed decision on.
- Council should review other projects (i.e. Edwardstown and City of Charles Sturt Rec Centre) and the post implementations reviews for any learnings that can be applied. Council could consider inviting the manager from Charles Sturt to sit on the project steering group for independent advice.
- Councils needs to be aware of other projects / competing priorities and ensure that resources are appropriately allocated.
- The project may require some additional project management resourcing to be included within the total project budget.

In summary, the Committee suggested that the project is a good investment for the Community however, the Council consider the following:

1. Completing further detailed design work
2. Updating cost estimates and the financial analysis within the Section 48 report
3. Reviewing the costs to date and the costs to be incurred if detailed design progresses.
4. Completing a return on investment analysis for a two (2) and four (4) court option. If the four (4) court option creates a higher revenue stream and a better return on investment, Council may consider reverting to this option (if the site is suitable for four courts).
5. Reviewing the financial analysis following detailed design to fully understand the long term running cost to Council of the centre.

Service Review Program and Recommendations - Progress Update

Report Reference: FAC191008R09

The Acting Innovation Leader provided an overview of the program highlighting the nine (9) reviews will be completed this financial year. One (1) will be internal only (Neighbourhood and Community Centres) and the eight (8) other reviews will be collaborative with Cities of Charles Sturt and Port Adelaide Enfield. It was noted that the Utility Review was underway and will be completed by January 2020. The Committee noted that there were no barriers to complete the full program by June 2020.

The Committee noted the report and the implementation of recommendations continues.

Independence of Council's Auditor

Report Reference: FAC191008R10

Moved Ms Hinchey, Seconded Ms Johnston

That the Finance and Audit Committee:

1. Notes the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2018/19 financial year.
2. Notes that the CEO will be signing a statement that Council's external auditor Deloitte Touche Tohmatsu maintained their independence in accordance with the Local Government (Financial

Minutes of the Finance and Audit Committee held on 8 October 2019

Management) Regulations 2011 for the 2018/19 financial year.

3. Endorses the Chairperson signing a statement that Council's external auditor Deloitte Touche Tohmatsu maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2018/19 financial year.

Carried Unanimously

Finance and Audit Committee Annual Report to Council 2018/19

Report Reference: FAC191008R11

Moved Councillor Clancy, Seconded Ms Hinchey

That the Finance and Audit Committee:

1. Endorses the Annual Report to Council for 2018/19 provided at Appendix 1 to this report, subject to amendments as required, prior to being presented to the General Council meeting on 22 October 2019.

Carried Unanimously

Fraud and Corruption Management Annual Performance Report 2019

Report Reference: FAC191008R12

The Unit Manager Risk provided an overview of the report and project noting that it has focused on proactive initiatives, resourcing and training for staff. The program includes a corporate tool which leaders are required to complete to assist with the testing of internal controls. The actions from the corporate tool are monitored through the Risk Working Group.

It was noted that the Council will be providing mandatory training to all staff regarding the new requirements of the Public Interest Disclosure Act and ICAC refresher training. This will be rolled out before the end of the financial year.

The Committee noted that comments on credit cards and suggested that the Council may need to consider having more cards. They are generally a safe way to purchase with good controls around them.

The Committee suggested that it may be good to have some kind of fraud penetration testing undertaken to test controls and that an update on the records management items be brought back to the next meeting.

ACTION: that an update is provided through the business arising statement on the records management items at the next meeting

REPORTS FOR NOTING

Debtors Report

Report Reference: FAC191008R13

The Committee noted the report and noted that Council will be progressing utilising its powers under S184 to potentially sell properties to recover rates arrears greater than 3 years old in the next few months.

The Committee noted:

- That it is rare that the Council will write off funds and in recent years, this has been minimal (\$3k - \$6k).
- The Sundry debtors process starts at 60 days. It was suggested that a process step at 30 days should

Minutes of the Finance and Audit Committee held on 8 October 2019

also be included.

- The City of Charles Sturt have been using the S184 process well and it may be worth looking at to see if there are any opportunities for improvement in our processes.

Investment Performance 2018/19

Report Reference: FAC191008R14

The Committee noted the report and commented that:

- The Council is investing wisely. It was noted that Bank SA have recently been used for investment as they were competitive however, bulk of the Councils investment is with the Local Government Finance Authority (LGFA).
- The average daily cash balance is low however it is used for everyday transactions only. The cash flow can fluctuate from time to time depending the time of year.
- On page 276 of the agenda, the inclusion of the General Bank Account earnings is skewing the performance results and hence, consideration should be given to removing this. The Committee did note that it is included to deter balances from being kept in that low earning account which is a good control but others may be possible.

Internal Audit Program - Implementation of Recommendations

Report Reference: FAC191008R15

The Committee noted the report and that a fulsome review of the timing, intended actions and outstanding recommendations needs to be completed prior to the next meeting.

WORKSHOP / PRESENTATION ITEMS - Nil

OTHER BUSINESS

The Committee acknowledge and thanked Mr Connor for his contribution, advice and knowledge over the past 6 years and wish him well with his future endeavors. Mr Connor also thanked the staff and elected members and expressed his appreciation for being a part of the Committee. He indicated that he had enjoyed his time on the Committee and the Council was in a good position to deliver for its community.

MEETING CLOSURE - Meeting Declared Closed at 12:31 PM

CONFIRMED THIS 10 DAY OF DECEMBER 2019

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CHAIRPERSON

BUSINESS ARISING

Business Arising Statement

| | |
|----------------------------|---|
| Originating Officer | Manager Corporate Governance - Kate McKenzie |
| Corporate Manager | Manager Corporate Governance - Kate McKenzie |
| General Manager | General Manager Corporate Services - Sorana Dinmore |
| Report Reference | FAC191210R02 |

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:

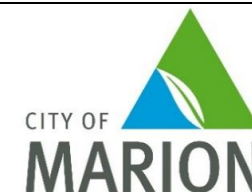
- Note the report.**

Attachment

| # | Attachment | Type |
|---|--|----------|
| 1 | FAC191210 - Business arising statement | PDF File |

CITY OF MARION

BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS

AS AT 5th DECEMBER 2019

| | Date of Meeting | Item | Responsible | Due Date | Status | Completed / Revised Due Date |
|----|-----------------|---|--|----------|---|--|
| 1. | February 2019 | Internal Audit Program 2018/19 Customer Experience Consider Customer Experience Training as part of the Elected Member Training and Development Plan. | K Cocks/ K McKenzie | TBA | This has been scheduled for the EM Forum on the 21 st January 2020 | Completed |
| 2. | October 2019 | Business Arising That a report on the desktop review of Infrastructure Construction be brought to the December 2019 Finance and Audit Committee Meeting. | T Lyons | December | This item is included on the agenda | Complete |
| 3. | October 2019 | Annual Financial Statements for the year ended 30 June 2019 Add the external audit recommendations to the report for the internal audit recommendations to ensure consistency in reporting. The key ratios are to be calculated for each year of the LTFP and brought to the next meeting. In the Business Arising statement for the next meeting, please provide details as to why the insurance rebate is considered as income and not a reduction in the expenditure? | R Barnwell R Barnwell R Barnwell | December | The external audit recommendations have been included in the reporting on the internal audit recommendations. The key ratios have been calculated for each year of the LTFP and included in Attachment 2 of Framework and Key Assumptions for the Preparation of the 2020/21 ABP and LTFP report. Insurance rebates / distributions come in a number of different forms. Amounts that relate directly to premiums (for example discounts on rate charged or reimbursements for amounts charged on estimates against actual for Workers Compensation) are recognized and offset as reductions in expenditure. The scheme also provides special distributions at its discretion (not directly related to premiums) | Complete Complete Complete |

City of Marion
Finance & Audit Committee Action Arising Statement as at 23 May 2019

| | Date of Meeting | Item | Responsible | Due Date | Status | Completed / Revised Due Date |
|----|-----------------|--|-------------|---------------|--|------------------------------|
| | | | | | based upon a number of factors – these distributions are used to fund initiatives by the organisation to improve safety or reduce risk and are as such recognised as additional revenue. | |
| 4. | | Fraud and Corruption Management Annual Performance Report 2019 that an update is provided through the business arising statement on the records management items at the next meeting | K McKenzie | December 2019 | The items identified through the Fraud and Corruption Annual Performance Report relating to records were process related. The new Team Leader Records has now been with the organisation for 3 months and developed a draft business plan which addresses the issues and also incorporates a number of process improvements and training / development options | Completed |

* Completed items to be removed are shaded

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

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

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

TUESDAY, 28 May 2019

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

| | |
|------------------------|---------------------|
| Corporate Risk Profile | Review and Feedback |
|------------------------|---------------------|

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 |

| | |
|---|---------------------|
| 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 - SRWRA Materials Recovery**

| | |
|----------------------------|--|
| Originating Officer | Governance Officer - Angela Porter |
| Corporate Manager | Manager Finance - Ray Barnwell |
| General Manager | Chief Executive Officer - Adrian Skull |
| Report Reference | FAC191210F01 |

RECOMMENDATION

That pursuant to Section 90(2) 3(d) (i) and (ii) of the Local Government Act 1999, the Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Tony Lines, Ilia Houridis, Sorana Dinmore, Kate McKenzie, Ray Barnwell, Craig Clarke and Jaimie Thwaites, be excluded from the meeting as the Committee receives and considers information relating to SRWRA Materials Recovery Facility (MRF), 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 commercial information, the disclosure of which 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 would on balance be contrary to the public interest.

Southern Region Waste Resource Authority - Materials Recovery Facility (MRF)

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.

REPORTS FOR DISCUSSION

Elected Member Report

| | |
|----------------------------|---|
| Originating Officer | Manager Corporate Governance - Kate McKenzie |
| Corporate Manager | Manager Corporate Governance - Kate McKenzie |
| General Manager | General Manager Corporate Services - Sorana Dinmore |
| Report Reference | FAC191210R02 |

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 five (5) times with three (3) General Council Meetings and two (2) Special Council Meetings. At these five (5) meetings, the Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order:

DISCUSSION

8 October 2019 - General Council Meeting

Cove Cobra Football Club Tenancy Termination - Confidential Report Reference: 191008F01

This item was considered in confidence however it has since been made public that Council determined to terminate the Cove Cobra Football Club Tenancy for various reasons.

Members appointments to various positions Report Reference: 191008R15

Councillors Shilling and Gard were appointed to the FAC until November 2020.

15 October 2019 - Special Council Meeting

Cove Sports and Community Committee Investigation - Confidential Report Reference: SGC191015F01

This item was considered in confidence however it has since been made public that Council determined to rescind its previous decision to terminate the licence for the Cove Cobra Football Club and reinstate a 12 month licence with various conditions attached

Local Government Reforms Report Reference: SGC191015R01

The Council adopted a submission to be forward to the Minister for Local Government on the proposed 72 reforms to the Local Government Act and Regulations.

22 October 2019 - General Council Meeting**Appointment of Independent Members - Finance and Audit Committee and Infrastructure and Strategy Committee GC191022F03**

Council appointed Mr David Papa to the Finance and Audit Committee and Mr Russell Colbourne to the Infrastructure and Strategy Committee.

Annual Financial Statements for the year ended 30 June 2019**Report Reference: GC191022R09**

Council Adopted the audited Annual Financial Statements for the year ended 30 June 2019

Finance and Audit Committee Annual Report to Council 2018/19**Report Reference GC191022R10**

The Council adopted the FAC Annual report as printed.

City of Marion Annual Report 2018/19**Report Reference: GC191022R11**

The Council adopted its Annual Report for 2018/19

Mitchell Park Sports and Community Centre revised Section 48**Report Reference GC191022R12**

The Council endorsed the section 48 Prudential Report for the Mitchell Park Sports and Community Centre - noting the advice from the FAC and agreed to proceed to details design phase.

South Australian Productivity Commission Local Government Inquiry**Report Reference GC191022R15**

The Council adopted the submission to SAPC for the enquiry into Local Government Costs and Efficiency.

25 November 2019 - Special Council Meeting**Outcome of Capella Investigations and Direction for Southern Soccer****Report Reference: SGC191125F01**

Although the matter was considered in confidence, Council released the minutes which state that Administration will take the lead in the project delivery of the Southern Soccer facility at Majors Road and negotiate this transfer with the Football Federation South Australia and the State Government. Council also endorsed:

-Administration to proceed with the delivery of Southern Soccer facility at Majors Road with:

- a. three natural turf soccer pitches at a cost of up to \$7,000,000 GST exclusive;
 - b. development of the site to allow capacity for future development of one additional natural turf soccer pitches;
 - c. commit additional funding of up to \$2,000,000 from Council's reserve towards the Southern Soccer Project increasing Council's funding contribution from \$2,500,000 to \$4,500,000 subject to the transfer of the Football Federation of South Australia's funding of \$2,500,000 to the City of Marion.
 - d. Council writes to the Cove Football Club (Soccer) seeking their interest as a future lease holder of the proposed new facility at Majors Road. (Noting that the Cove Football Clubs new licence agreement at the Cove Community and Sports Club could include provision for termination once the new southern soccer facility is complete if required).
- To enter into a funding Deed with state government for the delivery of the project at Majors Road.
-The forecast operating expenditure for three pitches is \$382,171 per annum (\$102,171 operating and maintenance; \$280,000 depreciation).

-The preparation of a Section 48 prudential report under the Local Government Act 1999 prior to committing to undertake this project and this report will be prepared for Council's consideration once all required funding is committed.

-That after community consultation the southern end of Capella Reserve will be upgraded as part of the Capella / Nannigai Reserve Redevelopment.

Future Land Strategy: City Services Surplus Land

Report Reference: SGC191125F02

Although the matter was considered in confidence, Council released the minutes which state that Council authorise Administration to test market that surplus land at City Services for interest in medium to long term lease of the site as currently presented.

Section 270 Report Cove Football Club

Report Reference: SGC191125F04

Council considered a section 270 review of the Cove Cobra Football Club decision. This review was prepared by MinterEllison. The review found that Council:

- Had the power to make the decision
- considered all relevant factors, and reasonably relied on legal advice in making its Decision.
- Cove Cobra Football Club was afforded procedural fairness and were notified of the potential for the making of the decision, were afforded a right of reply, and were provided with as much information as necessary.
- Council's Decision was also reasonable.

26 November 2019 - General Council Meeting

Coastal Walkway Project

Report Reference: GC191126R07

Council noted the final structural investigation findings, repaired and re-opened structures and repair costing and re-opening time frames for the remaining structures regarding the Coastal Walkway and endorsed the draft Coastal Walkway Plan including the timing and costing for renewal priorities.

Council committed up to \$2,440,604 towards renewal of Stages 1 and 2 of the Coastal Walkway Plan over the next four years to be funded through Council's Asset Sustainability Reserve Fund, subject to a commitment of \$2,440,604 from Federal and/or State Government.

1st Budget Review

Report Reference: GC191126R16

Council adopted a revised budgeted statements including the Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows and approved the identified once-off cash surplus/savings following the completion of the 2018/19 audited Annual Financial Statements of \$3.270M to be transferred to the Asset Sustainability Reserve.

Corporate Quarterly Risk Report

Report Reference: GC191126R21

Council noted the report including the reduction of risk and the mitigation strategies of high rated risks.

Cross Council Service Review - Report - Utilities Management

| | |
|----------------------------|---|
| Originating Officer | Strategic Procurement Lead - Jamie Dunnicliff |
| Corporate Manager | N/A |
| General Manager | General Manager City Services - Tony Lines |
| Report Reference | FAC191210R03 |

REPORT OBJECTIVE

To provide the Finance and Audit Committee with the final report for the Utilities Management Cross Council Service Review (CCSR).

EXECUTIVE SUMMARY

The review of the Utilities Management function has been finalised, with the final report detailing recommendations, potential savings, costs and proposed changes to maintain and enhance service delivery.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Provides comment on the Cross Council Service Review of Utilities Management .**
- 2. Notes the recommendations identified.**

DISCUSSION

In May 2018, the Cities of Marion (CoM), Charles Sturt and Port Adelaide Enfield agreed to establish a collaborative partnership where the councils would actively work together to identify and implement process improvements and initiatives to improve service, cost and quality to the mutual benefit of their communities.

Utilities Management was identified in CoM's Service Review Program for delivery as a Cross Council Service Review (CCSR) during FY2019/20.

The following key findings from the CCSR included establishing central responsibility for utility costs; regular reporting and analysis of utility costs and volumes to actively manage consumption of utilities; informed business cases and clear accountability for utility project initiation, implementation and benefits delivery—undertaking systemic and informed utility bill validation; and the access to a utility industry expertise to help navigate utility billing and market processes

The following key recommendations encapsulate the key actions to be implemented as a result of the CCSR:

- Establish and implement ongoing utility bill validation and reporting systems and processes including detection and remediation of identified issues on behalf of the operations.
- Undertake utility consumption analysis, to support the operations to improve their management of consumption of utilities and to support improved energy procurement practices.

- Develop a utility optimisation strategy including proactive identification, justification and implementation of utility improvement projects.
- Track and ensure realisation of benefits from all utility related projects.

The recruitment for the two approved positions (Utilities Business Analyst and Utilities Optimisation Lead) is now in progress, with the successful candidates expected to commence in the new year.

Outsourcing was assessed as not being cost effective as an outsourced bill validation function will need to be augmented with in-house resources to manage investigation and remediation of anomalies and in order to meet the overall recommendations of this review.

The review of the Utilities Management function has been finalised, the detailed final report can be reviewed in Appendix 1 and the staff engagement approach in Appendix 2. The report details recommendations, potential savings, costs and proposed changes to maintain and enhance service delivery.

Attachment

| # | Attachment | Type |
|---|---|----------|
| 1 | FAC191210 - Cross Council Service Review - Report - Utilities Management - Appendix 1 | PDF File |
| 2 | FAC191210 - Cross Council Service Review - Report - Utilities Management - Appendix 2 | PDF File |



JUSTIFICATION Utilities Optimisation

Cross Council Collaboration

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JUSTIFICATION | UTILITIES OPTIMISATION

Cross Council Collaboration

1. EXECUTIVE SUMMARY

BACKGROUND

At \$14M per annum, utilities spend is a significant component of council recurrent spend at the Cities of Charles Sturt (CCS), Port Adelaide Enfield (PAE) and Marion. Utility costs amount to around 6% of all recurrent spend and more than 11% of non-labour related spend.

Responsibility for utility costs is distributed across a number of departments in the councils. More than 10,000 utility transactions are processed each year and more than 30 people are involved. These transactions are largely processed manually and amount conservatively to 1.5FTE in effort. Validation methods are mostly manual and staff involved in the process have some concern over their ability to accurately test the invoices they are approving.

Each of the councils have been separately considering a utility bill validation function which has led to this review.

ANALYSIS AND FINDINGS

A broad review of utilities identified consumption over-runs, billing errors and benefits delays of more than \$0.5M (3-4%) across the three councils in the 17/18 financial year. Key root causes involved clarity of accountabilities, transparency of costs and consumption, benefits tracking and technical expertise in utility billing and market processes. Mitigations to avoid similar occurrences include:

- establishing central responsibility for utility costs
- regular reporting and analysis of utility costs and volumes to actively manage consumption of utilities
- informed business cases and clear accountability for utility project initiation, implementation and benefits delivery
- undertaking systemic and informed utility bill validation
- ready access to utility industry expertise to help navigate utility billing and market processes

Further opportunities were identified including more informed energy procurement practices (estimated at >\$0.1M per annum), proactive energy auditing and more focused pursuit of utility optimisation initiatives generally.

SECTOR EXPERIENCE

The City of Salisbury have established a utility management function comprising 1 FTE (with leadership support) to manage their annual energy costs of \$3M and have achieved a sustainable 7% reduction in annual energy costs after 4 years (with significant additional one off savings) through bill validation and optimisation. They expect reductions into the future. Adelaide City Council have also recently employed 2 FTE to manage utilities.

RECOMMENDATION

It is recommended the three councils implement a collaborative utilities optimisation function, comprising a Utilities Optimisation Lead and a Utilities Analyst to address the issues identified above and to proactively pursue improvement in utility costs including:

- Establish and implement ongoing utility bill validation and reporting systems and processes including detection and remediation of identified issues on behalf of the operations
- Undertake utility consumption analysis, to support the operations to improve their management of consumption of utilities and to support improved energy procurement practices
- Develop a utility optimisation strategy including proactive identification, justification and implementation of utility improvement projects
- Track and ensure realisation of benefits from all utility related projects

Outsourcing was assessed as not being cost effective as an outsourced bill validation function will need to be augmented with in-house resources to manage investigation and remediation of anomalies and in order to meet the overall recommendations of this review.

IMPACTS

As savings are not able to be reliably predicted for this initiative, an assessment was made of the sustainable savings required to ensure this initiative would be viable. Breakeven savings (based on an NPV calculation, 6% 5 years) could then be compared to other experience to determine whether it is likely the function would be able to pay for itself.

JUSTIFICATION | UTILITIES OPTIMISATION**Cross Council Collaboration**

This initiative would breakeven with savings of approximately 1.9% of utility costs (once off sustained). Salisbury's sustained improvements of 7%, and identified avoidable issues in 17/18 of 3.9% across the three councils, make it appear likely the recommendations of this review will at least pay for themselves with opportunity for significant upside.

To minimize risk and encourage the function to be proactive, it is recommended the roles are employed for three years initially, the benefits of the function are reviewed annually and the team are managed to annual targets.

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JUSTIFICATION | UTILITIES OPTIMISATION

Cross Council Collaboration

2. BACKGROUND

There has been a long held thought at Marion there would be value in being able to systematically validate energy and water bills with Marion not having been able to justify a dedicated bill validation role on a standalone basis. In late 2018, the City of Port Adelaide also started assessing how they would improve utilities management. A change in staffing at Charles Sturt in 2019 has also meant the role that previously undertaking ad hoc billing investigations was no longer available which has resulted in Charles Sturt reviewing utilities management.

UTILITIES SPEND

At \$14M per annum, utilities spend is a significant component of council recurrent spend at the Cities of Charles Sturt (CCS), Port Adelaide Enfield (PAE) and Marion. It amounts to around 6% of all recurrent spend and more than 11% of non-labour related spend.

TABLE 1: Utilities spend

| 17/18 Published Results \$M | Marion | Charles Sturt | Port Adelaide Enfield | TOTAL |
|-----------------------------------|---------------|---------------|-----------------------|----------------|
| Water | 567 | 1,994 | 3,514 | 6,075 |
| Recycled water – owned facilities | - | 386 | - | 386 |
| Electricity | 1,930 | 2,917 | 2,840 | 7,687 |
| Electricity – metered | 655 | 821 | 776 | 2,252 |
| Electricity - unmetered | 664 | 1,153 | 934 | 2,751 |
| Public Lighting SLUOS | 611 | 943 | 1,130 | 2,684 |
| Gas | 91 | 28 | 34 | 153 |
| TOTAL Utility Costs | 2,588 | 5,325 | 6,338 | 13,915 |
| Rateable Properties | 43 | 56 | 64 | 163 |
| Cost per rate payer | \$60 | \$95 | \$99 | \$85 |
| Transactions per annum | 1,100+ | 6,700+ | 2,400+ | 10,200+ |
| Water / irrigated SQM | \$0.94 | \$1.16 | \$2.40* | \$1.56 |
| Street Lights | 9,500 | 13,500 | 16,373 | 39,373 |
| Per light cost | 134 | 155 | 126 | 138 |

RESPONSIBILITY FOR UTILITIES COSTS

Responsibility for management of utility spend is spread across a number of departments in the councils including environment and sustainability, land and property management, field services and sport and recreation. This is aimed at allocating costs to the people who manage the assets that consume utilities in an attempt to control use. Despite best efforts, the high volume of transactions, existing processes, limited reporting and disseminated responsibilities don't support optimal management and control of utilities as evidenced by some of the items identified in Section 5.0.

REVIEW AND APPROVAL OF INVOICES

The majority of the receipt, checking and approval of water and energy invoices is undertaken by operational staff across the three councils. Invoices can be received via hard copy or electronically (usually a combination of both). Validation is undertaken invoice by invoice, mostly by visual inspection and, in some cases, a comparison to costs in prior periods with high level assumptions being made around the impact of seasonality.

JUSTIFICATION | UTILITIES OPTIMISATION

Cross Council Collaboration

Many of the operational team members responsible for processing utility bills have raised concerns around their ability to accurately validate whether the invoice is reasonable despite their best efforts. A number of staff involved in processing payment for utilities believe there is risk and exposure in the current processes.

In addition to the initial reviewer of the invoice, operational managers from property and field services are usually also involved in the approval process, with more managers involved the higher the value of the invoice based on delegations.

There are more than 8,000 transactions a year handled in this manner, and with a transaction time of between 5 and 10 minutes each there is at least 1-1.5FTE involved in validation and payment of utilities invoices over the course of a year across the three councils.

In addition to operational managers performing bill validation, the City of Marion also has an application called Trellis which is used to support carbon reporting with some use of the data used to perform retrospective bill checking and validation. A casual resource is employed at 0.4FTE to manage Trellis and carbon reporting and other environmental activities with 0.2 related to bill validation and reporting. Trellis costs around \$20K per annum in application licensing and support.

The City of Port Adelaide environmental management team use Planet Footprint for carbon reporting and some bill analysis is also provided. Planet Footprint isn't used for bill validation at PAE and costs around \$11K per annum in licensing and support. Bill validation functionality could be built and implemented for around \$20K, with additional ongoing licence costs of \$17K per annum to maintain the billing follow-up process (20 hours of advocacy is included in this). Planet footprint's existing contract for carbon reporting is due for renewal in 19/20.

The City of Charles Sturt don't have a licensed carbon reporting system in place. Bill validation and management is largely distributed across the operations.

BILL VALIDATION

The utility industries are notorious for billing issues. The energy market in particular is complex and has recurrent billing issues. A number of billing issues have been inadvertently identified in the last 12 months across the three councils. These are contained in the Section on Analysis and Findings.

Energy billing accuracy depends on a number of data inputs to the bill being accurate - ranging from whether the sites being billed are the responsibility of the bill recipient, to metering and load factors, energy consumption, contract quantities and supply charge pricing. The checks to be undertaken to validate an energy bill are contained in Attachment B. While not as complex, water billing requires very similar checks to be in place – these are also reflected in Attachment B.

OTHER LOCAL GOVERNMENT EXPERIENCE

The City of Salisbury (Salisbury) is seen to be a leader in utilities management in South Australian local government. The Salisbury's energy portfolio is around the same size as that of Charles Sturt and Port Adelaide Enfield and around 50% larger than that of Marion's.

Salisbury employs 1 FTE who undertakes systemic validation of all energy invoices in addition to asset management planning and improvement of public lighting and energy advisory across the organisation. Through this resource and the associated initiatives, the City of Salisbury have reduced their energy costs from \$3.0M to \$2.4M per annum in the 4 years since the function was established. Sustained savings of \$0.2M per annum have been achieved (7%) with additional once off savings of more than \$1.3M per annum achieved in the first three years. The resource has built up a good understanding of the industry, its processes and drivers in that time which allows them to be very effective in their role.

The City of Adelaide have recently employed 2 FTE to undertake a similar role.

EMERGING UTILITY EFFICIENCY TRENDS

Water and energy efficiency is valuable to the community in relation to cost management, preservation of the environment and an ability to respond to the impacts of climate change. At present these opportunities are assessed as and when there is time or budget to do so by the environmental, SMART, ICT or operational teams.

The trends and opportunities presented to council at present include:

- Ongoing solar investment
- Battery Technology
- Peer to peer solar energy trading
- Ongoing LED street lighting
- Motion sensor reserve lighting
- SMART metering
- Remote flow management technology
- Water Sensitive Urban Design

Having a resource available to actively pursue these opportunities for all three councils with a focus on improving cost and environmental outcomes is likely to drive faster and greater realisation of cost and environmental outcomes for the communities.

3. OBJECTIVE

The premise of this initiative is there will be opportunity to improve value for the community through:

- proactive and systematic analysis and remediation of utility billing errors,
- active management and containment of consumption (without compromising reasonable service levels)
- strategic management and optimisation of utility costs across the councils.

The objective of this assessment is to determine whether there is value in having centralized utility bill management, validation and optimisation, and what the best model for that might be.

4. ANALYSIS AND FINDINGS

ANALYSIS APPROACH

A full reconciliation of water and energy billing is a substantial exercise and was not scoped as part of this review with the approach instead being to undertake a broad review of utilities management to identify issues and opportunities and provide an indication of the potential value of structured bill reconciliation and proactive utility management.

Analysis undertaken included:

- Broad benchmarking
- Utility transaction cost analysis
- Review of consumption by property
- Analysis of impacts of solar connection delays
- Solar utilisation across councils - review of solar business cases at CCS
- Billing analysis at CCS to assess ACQ and contract quantity impacts
- Analysis and reconciliation of Trellis data at Marion
- LED benefits realisation at CCS
- Water variation analysis at PAE
- Review of energy consulting spend

The range of observations from these reviews are detailed in Attachment C. The identified issues are summarised by council in table 2 below. The root causes of the identified issues are in Table 3.

JUSTIFICATION | UTILITIES OPTIMISATION

Cross Council Collaboration

TABLE 2: Identified Impacts

| Identified Impacts 17/18 \$000s | Marion | Charles Sturt | Port Adelaide Enfield | TOTAL |
|---|-----------------|-----------------|-----------------------|------------|
| Billing errors and risk | | | | |
| Water overruns/leaks | nv | ¹ 20 | 250 ² | 270 |
| ACQ impact | ³ 25 | 6 | nv | 31 |
| Solar Delays | 80 ⁴ | - | - | 80 |
| Meter reading | - | 30 | nv | 30 |
| Potential LED inaccuracy | 20 | 20 | - | 40 |
| | 125 | 76 | 250 | 451 |
| Ongoing cost reductions from in-house capability | | | | |
| Carbon reporting casual | 10 | - | - | 10 |
| Carbon related reporting systems | 20 | - | 11 | 31 |
| Energy consulting | 10 | 10 | nv | 20 |
| | 40 | 10 | 11 | 61 |
| One off avoided potential costs | | | | |
| LED business case development | - | - | 30 | 30 |
| TOTAL | 165 | 86 | 291 | 542 |
| Other opportunities | | | | |
| PPA Arrangements – Large only | 30 | 80 | 20 | 130 |
| Energy Optimisation | nv | nv | nv | nv |
| TOTAL | 30 | 80 | 20 | 130 |

¹ 50% of identified unmitigated leaks

² 50% of the overrun in water consumption not related to seasonality in 17/18 financial year

³ Based on revisions to ACQ requested by Ann Gibbons May 2019 multiplied by the average peak demand charge paid and sample testing CCS

⁴ Based on the average \$ saving per Kw of solar capacity in CCS business case sample multiplied by unit size multiplied by number of months delay to date in connection of Marion solar as per Ann Gibbons

JUSTIFICATION | UTILITIES OPTIMISATION

Cross Council Collaboration

ROOT CAUSES

The root causes of the issues observed and remediation actions have been determined as follows:

TABLE 3: Root cause of impacts

| Root cause | Remediation |
|---|--|
| Lack of clear responsibility for utility costs | establishing central responsibility for utility costs |
| Lack of clear, seasonality adjusted, easy to use and adequately detailed reporting on utility consumption and costs | regular reporting and analysis of utility costs and volumes to support managing consumption of utilities |
| Lack of accountability for and visibility of outcomes from energy projects | informed business cases and clear accountability for utility project benefits and tracking |
| Lack of internal expertise in utility billing components and implications | undertaking systemic and informed bill validation |
| Lack of understanding of technical aspects of energy projects (ie: requirements to connect solar systems) | ready access to utility industry expertise to help navigate utility billing and market processes |

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5. FINANCIAL ASSESSMENT AND IMPACTS

Due to the benefits from energy validation not being able to be reliably predicted, scenarios were calculated to assess the likelihood of the function being able to self-fund.

Insource and external scenarios were also assessed. Analyst and lead resources are expected to be required in the in-house and externally provided bill validation model based on experience of councils in use of these systems to date. For example ie: Planet Footprint and Trellis require in-house resources to use and analyse the data generated, determine root cause, remediate billing issues with retailers and networks and to drive consumption investigations and process changes.

The scenarios, their assumptions and relative outcomes are included in the table below:

Table 4: Financial impacts

| Scenario | Assumptions | NPV Cost (6% 5 years) \$M | Benefit \$M/% improvement on base cost |
|---|---|---------------------------------|---|
| Baseline | <ul style="list-style-type: none"> 17/18 base year. No change to utility costs ongoing. | 74.5 | |
| 1718 impacts avoided - insource | <ul style="list-style-type: none"> Analyst and lead. 1718 issues avoided ongoing – 3.7% savings In-house development of system \$50K and no ongoing licencing. | 72.7 | 1.9 2.5% |
| 1718 impacts avoided - outsource | <ul style="list-style-type: none"> Analyst and lead. 1718 issues avoided ongoing – 3.7% savings Bill validation system and reconciliation sourced externally. | 72.8 | 1.7 2.3% |
| Salisbury benefits scenario | <ul style="list-style-type: none"> Analyst and lead. Benefits based on Salisbury experience - 7% per annum | 69.6 | 2.9 3.9% |
| Breakeven scenario | <ul style="list-style-type: none"> Analyst and lead In-house development of system \$50K and no ongoing licencing. \$280K benefits - 1.9% savings | 74.5 | - |

In addition to financial benefits - the indirect/unvalued benefits of the recommendations included in this report are:

- Freed up time for operational supervisors and coordinators in open space, property and the civil operations
- Further improvement in environmental outcomes
- Value from utility optimisation being achieved over and above the estimated range of improvements
- Organisational confidence in utilities management
- Accuracy in carbon reporting

The assumptions used in this high level evaluation are:

- 17/18 base financial year
- Costs escalated at CPI and wages CPI per access economics forecast
- \$50K investment in proprietary bill validation model
- Benefits are as per assumptions set out in analysis and findings

6. RECOMMENDATIONS

Based on the anticipated benefit from more systematic and detailed review of utility invoices and more proactive management of utility consumption and benefits realisation it is recommended a collaborative utility optimisation function is implemented as follows:

- A Utility Management Officer is appointed and whose responsibilities include:
 - Establishment and ongoing management of a utility bill and consumption validation function
 - Utility optimisation, including development of an optimisation strategy, identification of optimisation opportunities, business case development and implementation of initiatives
 - Benefits realisation in relation to utility business cases
- A Utility Analyst is appointed with responsibilities including:
 - Maintenance of billing validation processes including monthly reconciliation of utility bills, detection and remediation of anomalies including liaison with industry bodies
 - Carbon reporting
 - Monthly analysis of overall utility consumption and spend including detection, analysis and remediation of unfavourable trends and identification of utility optimisation opportunities
 - Provision of analytical support to the procurement function to enable improved procurement of energy services
- Consolidation of all utility bill validation and payment in the central function and redirection of the casual funding at Marion to the central function.
- Consolidation of carbon reporting and utility bill validation into a single exception based bill validation and reporting analysis tool, preferably proprietary to save ongoing licensing costs and achieve all required functionality (including the bill validation tests in Attachment B).
- Consideration is given to developing the validation system in conjunction with the City of Salisbury.
- Consideration be given to grant funding and the model / system being able to be adopted across the industry to support regional councils.
- The function is managed from within the Shared Procurement team based on the function needing to be commercial and operational in nature and also due to it being aligned with energy procurement. There is no recommendation on the physical location of the function.
- The roles are employed out of the City of Marion as Cross Council resources with the roles to be funded jointly by all three councils initially in proportion to the value of the utility bill portfolio managed on behalf of each council.

7. RISKS AND MITIGATIONS

The risks below have been determined through a desktop assessment. It is recommended that this list is tested with a wider group of people before this document is finalised.

The mitigations should also form part of the terms and conditions of the Initiative Agreement that will be put in place as part of Initiative Governance.

TABLE 4: Key Risks, Issues and Mitigations

| Risk | Mitigation | Status |
|--|---|--------------------------------|
| Expected benefits aren't sustained | <ul style="list-style-type: none"> Contract roles for 3 years with extension subject to proven value of roles and redirect to other analytical work that generates value if sooner | In recruitment |
| Roles don't generate value | <ul style="list-style-type: none"> See above Independent annual review of roles to confirm roles are of net benefit to the organisations and communities | Include in implementation plan |
| Effort is duplicated | <ul style="list-style-type: none"> Implementation plan needs to include modification of or transition of existing energy bill validation tasks away from operational managers / teams to centralised resources | In implementation plan |
| Organisations don't buy in to new roles | <ul style="list-style-type: none"> Assign executive sponsors in each council Representation from all three councils for recruitment of roles | In implementation plan |
| Engaged staff don't have the right skill sets | <ul style="list-style-type: none"> Clear specification of role skills and requirements Incumbents to have proven energy billing and energy project implementation experience with proven results Interview panel to include commercial and revenue assurance resource skill sets Clear specification of roles and responsibilities and skills and abilities Clear management of probation requirements and goals to be delivered upon in initial three and six months to enable proof of skill set | In implementation plan |
| Not clear on whether the roles are self-funding as expected | <ul style="list-style-type: none"> Clear benefits realisation and monitoring of key metrics as set out in benefits realisation section of this report Establishment of baseline metrics against which performance can be measured (as set out in benefits realisation section) | Include in implementation |
| Roles not set up for success | <ul style="list-style-type: none"> Support of executive sponsors Engagement and buy-in to this initiative from key stakeholders in operations, procurement, property and environment teams Consolidation / allowance of funding for bill validation system design and implementation | Include in implementation plan |
| Consumption increases because users of utility services are no longer responsible for the costs | <ul style="list-style-type: none"> Continue to allocate costs to the asset maintainers however make the total cost the responsibility of the Utility Optimisation Leader Put in place escalation processes for managing neglect to manage consumption at site if needed Clarify roles with respect to utility management – operational use remains with operational managers, total cost is responsibility of Utility Optimisation Leader | Include in implementation |

8. SCOPE

IN SCOPE ACTIVITIES

Utility cost management

- Strategic management of water, electricity, gas and other energy consumption
- Development/selection and implementation of energy and water bill validation systems
- Energy and Water bill validation
- Energy and water consumption analysis including input into procurement processes
- Collection of data for carbon reporting

Utility cost optimisation

- Analysis and optimisation of utility consumption
- Development of utility optimisation projects including preparation of business cases, implementation and benefits realisation in conjunction with key stakeholders.

OUT OF SCOPE ACTIVITIES

Activities that are not in scope are:

- Day to day management of irrigation systems and controllers
- Day to day management of public lighting, solar and electrical appliances
- New customer set up and billing for recycled water business
- Commercialisation of recycled water business
- Specification of carbon reporting requirements
- Submission of carbon reporting
- Management of carbon credits

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9. CHANGE IMPACTS

Key points to note are:

- The Utilities Optimisation team will be made up of two new roles to the organisations. Both roles will need to be recruited as cross council. The leadership role will need to engage stakeholders across all three organisations.
- They will take on tasks and responsibilities currently managed across a large number of people and those impacted people will remain in the organisations and in effect be stakeholders of the Utilities Optimisation Team. Transaction approval and processing time is likely to be replaced with usage analysis etc.
- The team will need to be able to prepare and approve for payment costs across a number of organisations so delegations will need to be established for the team as Authorised Officers of all three organisations.
- They will also be managed on an outcomes basis which will be different to most other roles in local government.

The change impacts likely to be driven by this initiative are set out below:

| Impact | Marion | CCS | PAE | Outcome |
|--|---|---|---|--|
| Relieved of transaction processing / approval tasks | Operations Managers Property Managers Environmental Teams | Operations Managers Property Managers Environmental Teams | Operations Managers Property Managers Environmental Teams | Minor increase in capacity in roles due to transaction processing relief – to be replaced with reporting review and analysis input |
| | Trellis Administrator | | | Role no longer required for majority of current tasks |
| Role in energy procurement changes | | Environmental Teams | | Become advised of outcomes of procurement process |
| Supported in optimisation project identification | Operations Managers Property Managers Environmental Teams | Operations Managers Property Managers Environmental Teams | Operations Managers Property Managers Environmental Teams | All stakeholders can identify projects including Utilities Optimisation team who have clear responsibility to do so |
| Become stakeholders of and recipients of utilities reporting and analysis | Operations Managers Property Managers Environmental Teams | Operations Managers Property Managers Environmental Teams | Operations Managers Property Managers Environmental Teams | May be asked to change behaviours / outcomes by Utilities Optimisation Teams – ie: flow controller management practices may need to change etc |
| Not required to undertake project justification and benefits realisation tasks | Operations Managers Property Managers Environmental Teams | Operations Managers Property Managers Environmental Teams | Operations Managers Property Managers Environmental Teams | Clarity around responsibility for this will be provided. May need to support ensuring benefits are realised (ie: property managers may need to be part of supporting changes in electrical config to realise benefits etc) |
| Utilisation of BMS data changes | N/A | Property Managers | Property Managers | Minor change related |
| Vendor relationship may change | Trellis – electricity and gas bill validation | Trellis – LED lighting | Planet Footprint | May consolidate or change vendors – likely to have proprietary systems |
| Longer term – change in meter reading practices | | Operations Team | Operations Team | May impact overtime payments CCS |

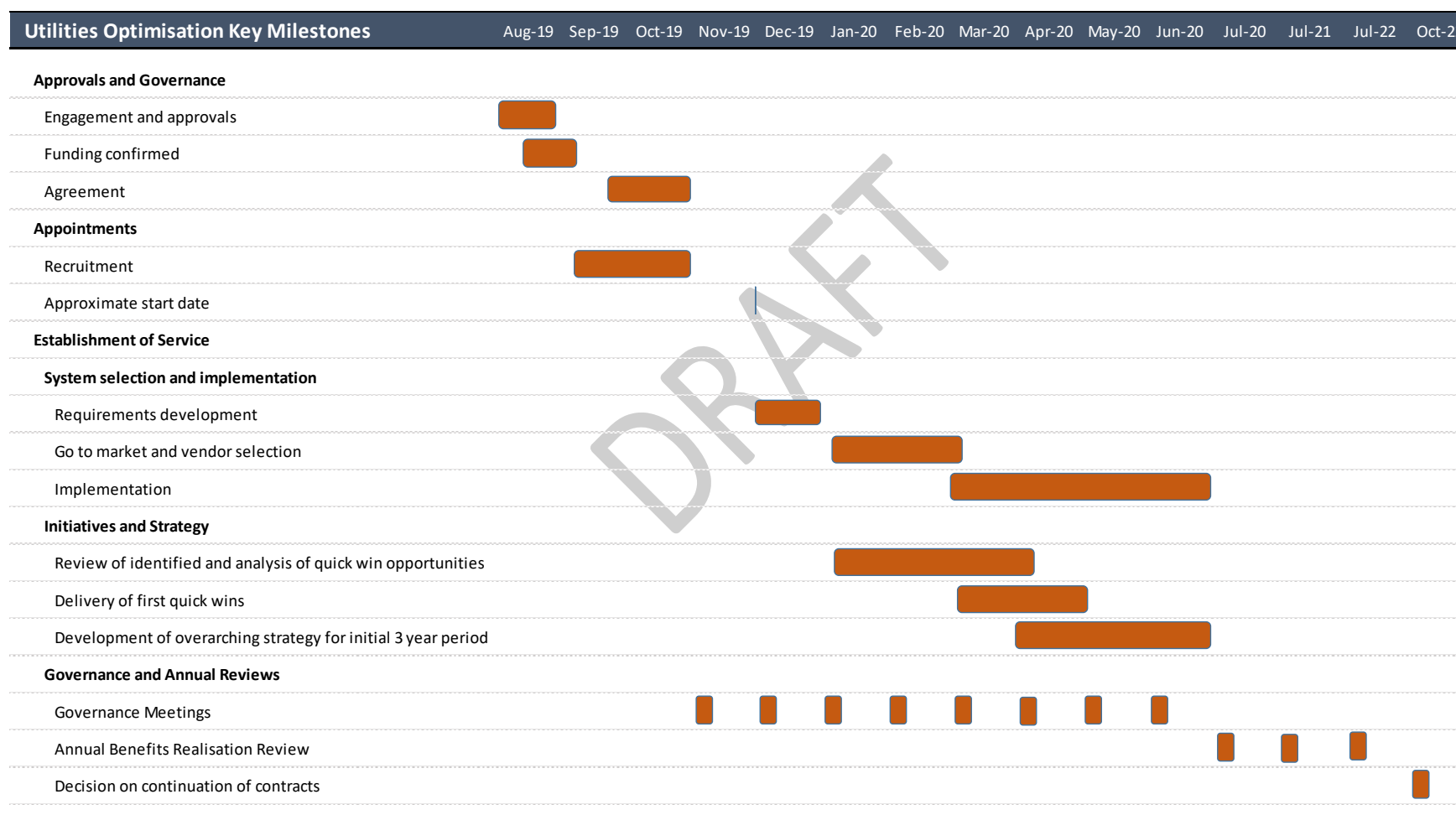
10. CONSULTATION

The following engagement has occurred:

- Information gathering discussions over a number of months with stakeholders listed in section 14.
- Review of this document in its draft form by Finance and the Human Resources / P&C Managers of all three organisations
- Stakeholder engagement sessions held by each of the General Managers sponsoring this initiative (Jan Cornish, Mark Buckerfield and Tony Lines)
- Discussion of the initiative at the ASU ECC at each organisation

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The following implementation milestones recognise establishing systems and processes for reporting, analysis and bill validation as being critical, as well as there being a need for the team to demonstrate benefit and deliver a strategy regarding optimisation of utilities in the following 2.5 years. Key milestones relate to the annual review of the effectiveness of the team and ongoing governance of the team to ensure benefits are realized.



12. BENEFITS REALISATION

It is recommended benefits are tracked as follows:

- Reporting against a baseline of 18/19 utilities costs including tracking movements in costs at a volume and rate level – externally driven changes to be separated from improvement related changes
- Tracking of avoided costs and other benefits associated with the function
- Monthly review of progress and outcomes by a governance group – group to be assessed after 12 months
- Quarterly review of progress and outcomes by an executive sponsorship group
- Annual review of outcomes and net value of function to be presented to the cross council executive group
- Formal review of continuation of function after three years

13. PRINCIPLES

The following principles are proposed to underpin the agreement between the councils with regard to a collaborative utility validation function:

- Costs to be charged on a recovery basis only
- Costs allocated based on the proportion of utility costs incurred by each council
- Delegations and system access to all three councils to be provided to incumbents
- Budgets and actual utility costs to be retained at home councils with control facilitated through centralized systems and reporting
- Governance as per collaboration governance framework
- Specific roles and responsibilities with regard to custodianship of team members to be agreed between councils

14. STAKEHOLDERS AND ENGAGEMENT

The following stakeholders all currently have an involvement in the management of water and utility billing across the Cities of Marion, Charles Sturt and Port Adelaide Enfield. This group will need to be engaged in the initiative

| Role | Who | Interest |
|--|--|--|
| Environmental Leaders | <ul style="list-style-type: none"> Ann Gibbons Kathy Daish Maggie Hine Craig Hughes Fiona Jenkins Nelly Belperio | <ul style="list-style-type: none"> Emissions reporting Interest in improvement in environmental outcomes Undertaking some ad hoc energy bill validation Generation of energy efficiency projects from an environmental perspective Business casing and input |
| Recycled Water Management | <ul style="list-style-type: none"> Glynn Ricketts Shane Radbone (Vacant Water Business Manager CCS) | <ul style="list-style-type: none"> Water Cost Optimisation Optimisation of Recycled Water Asset Utilisation Recycled Water Billing Functions |
| Operational Leaders | <ul style="list-style-type: none"> Jan Cornish Tony Lines Mark Buckerfield Peter Kinnersley Mick Davey Toni Hinton Mat Allen Simon Trill Andrew Smithson Colin Donnelly Sam Adams | <ul style="list-style-type: none"> Partially responsible for water costs Partially responsible for energy costs Irrigation Control and water consumption Water bill validation and approval Manual Water Read management Irrigation Asset Management Optimisation Irrigation efficiency and maintenance |
| Property Leaders | <ul style="list-style-type: none"> Abby Dickson Fiona Harvey (acting) Sam Higgins Perry Nesbitt Donna Moore Matt Rose | <ul style="list-style-type: none"> Partially responsible for water costs Partially responsible for energy costs Some informal responsibility for solar energy management Responsible for commercial lease arrangements Responsible for recovery of costs from sporting and community clubs |
| Sport and Recreation Management | <ul style="list-style-type: none"> Fiona Harvey (acting) Sam Higgins Matt Rose Perry Nesbitt | <ul style="list-style-type: none"> Responsible for leasing and commercial arrangements with sporting and community clubs Responsible for recovery of costs from sporting and community clubs |
| Procurement | <ul style="list-style-type: none"> Donna Dunbar Jamie Dunncliff Ray Barnwell (acting) | <ul style="list-style-type: none"> Responsible for energy procurement contracting |

APPENDIX A

PROPOSED POSITION RESPONSIBILITIES – UTILITIES OPTIMISATION LEAD

The overall purpose of this role would be to provide energy and water billing management expertise to the cities of Charles Sturt, Marion and Port Adelaide Enfield with the aim of reducing the cost and consumption of utilities, improving the environmental footprint of the organisations and doing this in a manner that doesn't compromise service levels required by the community. It is envisaged the role would work to more than pay for their own and their teams costs through improvements in utilities outcomes.

Responsibilities would include:

Provision of Utilities expertise

- Provision of utilities commercial, operational and technical expertise to the three councils
- Ensure compliance with regulatory and market obligations in relation to utilities across the organisations

Management and Control of Utilities Spend

- Manage and improve the \$14.0M utilities spend portfolio
- Improve commercial and environmental outcomes for the three councils through active management of utilities consumption and spend
- Design and implement efficient systems and processes to ensure billing is valid and accurate and so the organisations only pay for the utilities charges they should
- Design and implement reporting and analysis tools and processes to ensure there is optimal management of actual utilities consumption and an ability to accurately track underlying consumption including solar monitoring, smart metering and building management systems and tools where valid
- Support planning, budgeting and forecasting processes

Improvement in Utilities Outcomes

- Determine and implement strategies to improve utilities management and demonstrate team value in quantified and qualitative terms
- Identify and develop the business case for utilities optimisation and improvement projects
- Work with all stakeholders to implement utilities optimisation projects
- Benefits realisation and tracking of environmental and utilities optimisation projects past and future
- Undertake analysis and implement operational processes to support optimal procurement of utilities including demand management
- Deliver carbon reporting in line with requirements provided by the environmental teams
- Support other initiatives as requested by the councils

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PROPOSED POSITION RESPONSIBILITIES – UTILITIES ANALYST

Support the Utilities Optimisation Lead to reduce the cost and consumption of utilities, improving the environmental footprint of the organisations and doing this in a manner that doesn't compromise service levels required by the community. Responsibilities would include:

Management and Control of Utilities Spend

- Support design and implementation of utility bill validation and consumption management systems and processes
- Undertake monthly bill validation processes, identify anomalies, remediate exceptions including liaison with retailers, networks and other vendors until issues are resolved
- Build effective relationships with energy providers, distributors and authorities.
- Establish and manage procedures for transparent on charging of utilities to tenants and event organisers.

Reporting and Analysis

- Analyse and report on utilities consumption and cost to business units with focus on tariff charges, estimated reads, and develop savings strategies for operational teams
- Develop key performance indicators and their use in benchmarking the effectiveness of utility management across the organisations
- Develop plans, budgets and forecasts in relation to utilities spend
- Ensure all three councils are compliant with market and regulatory changes.
- Work collaboratively with the environmental teams on carbon and reporting emission reductions.

Improvement of Utilities Outcomes

- Support the implementation of new utilities management business processes.
- Provide data required for utility related projects and programs, including but not limited to Assets, Sustainability and Finance.
- Assist in the New Initiative Bid preparation for the Capital Works program with respect to Energy and Lighting projects.
- Implement reporting tools and processes to support benefits realisation with respect

Asset and Data Management

- Assess the validity of all utility meter requests and their impact on our inventory profile.
- Maintain asset data.

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APPENDIX B - BILLING VALIDATION TESTS TO BE CONDUCTED

The following are draft and minimum requirements for any billing validation processes and systems for utilities based on what has been identified to date.

GENERAL REQUIREMENTS:

The following requirements have been determined following the analysis undertaken for this review and are important to ensuring an efficient and effective bill validation function:

- Systems should be designed to operate on an exception basis. Anomalies are systematically determined and highlighted for review and resolution. Review of 100% of accounts to determine issues should not be required.
- Checks need to be built such that there is ultimate confirmation exceptions have been resolved and exceptions need to remain evident until they are resolved in the bills provided by the utilities.

SPECIFIC REQUIREMENTS:

Minimum tests to be conducted by the bill validation system are set out below:

| TEST | ELECTRICITY | UNMETERED LIGHTING | WATER | GAS |
|---|-------------|--------------------|-------|-----|
| Site Ownership / Accuracy | | | | |
| • Is the meter the responsibility of the council (ie: site owned etc) | ✓ | ✓ | ✓ | ✓ |
| • Does the applied tariff align with the published tariff for the recorded asset type (SLUOS and retail pricing) | | ✓ | | |
| Consumption Accuracy | | | | |
| • Has an actual read occurred within the last 12 months (ie: not estimated) | ✓ | | ✓ | ✓ |
| • Does the consumption make sense for the site use | ✓ | | ✓ | ✓ |
| • Does the consumption compare to similar sites? | ✓ | | ✓ | ✓ |
| • Does the consumption / units billed make sense relative to consumption for prior periods (taking accurate seasonality adjustments into account) | ✓ | ✓ | ✓ | ✓ |
| • Does the consumption compare to independent data sources (flow meters, SMART meters, solar monitoring, check meters, BMS) | ✓ | | ✓ | ✓ |
| • Are zero consumption sites valid? | ✓ | | ✓ | ✓ |
| • Do the units billed align with asset data? | | ✓ | | |
| • Are the physical peak and off peak registers being billed on peak and off peak tariff components accurately (ie: wires aren't crossed!) | ✓ | | | |
| • Do shoulder and peak demand and peak and off peak volumes appear correct for the nature of the site? | ✓ | | | |
| • Are energy multipliers being applied correctly? | ✓ | | ✓ | ✓ |
| Pricing | | | | |
| • Are prices being charged in line with published tariffs or contract terms and conditions | ✓ | ✓ | ✓ | ✓ |
| Contract / capacity charges | | | | |
| • Are annual contract quantities accurate based on prior annual consumption? | ✓ | ✓ | | ✓ |
| • Is contract demand accurate when compared to prior peak consumption? | ✓ | ✓ | | ✓ |
| • Are metering and services charges in line with contract? | | | | |

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| TEST | ELECTRICITY | UNMETERED LIGHTING | WATER | GAS |
|---|-------------|--------------------|-------|-----|
| Solar accuracy | | | | |
| • Are solar units functioning? | ✓ | | | |
| • Is solar consumption reflected in metered volumes? | ✓ | | | |
| • Are feed in tariffs possible / available for the site? | ✓ | | | |
| • Is energy exported to the grid netted off against the bill at an appropriate tariff? | ✓ | | | |
| Billing optimisation | | | | |
| • Is the site on the most cost effective tariff? | ✓ | ✓ | ✓ | ✓ |
| • Should zero consumption sites be decommissioned? | ✓ | ✓ | ✓ | ✓ |
| • Are all sites with sewer charges due the charge? | | | ✓ | |
| • Are any environmental / green energy charges warranted / valid? | ✓ | ✓ | | ✓ |
| • Can metering service charges be improved upon (ie: competitive pricing)? | ✓ | | | |
| • Is peak and off peak consumption in appropriate balance? | ✓ | | | |
| • Are hot water tariffs in use where available / appropriate? | | | | ✓ |
| • Have energy / site audits been conducted on the top consumption sites? | ✓ | ✓ | ✓ | ✓ |
| • Have the impacts of utility efficiency projects been realized in utility billing? | ✓ | ✓ | ✓ | ✓ |
| Responsibility for bill | | | | |
| • Are the costs recovered in line with the leases / contracts for the site (ie: sporting clubs etc) | ✓ | ✓ | ✓ | ✓ |

APPENDIX C – QUICK WIN INVESTIGATION AREAS

The following potential quick wins are provided to support the team to hit the ground running:

| Area | What |
|---|--|
| Water consumption management PAE | <ul style="list-style-type: none"> • PAE don't have easy visibility of their water consumption making it difficult to manage consumption however they have controllers on a large number of their reserves • Using controller data to better manage water consumption should be beneficial to PAE |
| Resolution of unconnected solar installs | <ul style="list-style-type: none"> • There are a number of long standing issues with solar metering and connection that need to be resolved. |
| Charles Sturt Civic Centre Energy Audit | <ul style="list-style-type: none"> • CCS Civic Centre is the highest cost building across the three portfolios. • While there has been a recent push to increase solar at the site, the site may benefit from an energy audit (see YMCA energy audit comment) to determine opportunities to systematically reduce consumption |
| DPTI Energy Costs | <ul style="list-style-type: none"> • Opportunity to change support arrangements for DPTI road lighting to change to energy sharing |
| Charles Sturt Civic Centre | <ul style="list-style-type: none"> • Potential migration to cloud hosted infrastructure by CCS may present an opportunity to reduce energy consumption associated with the data room provided appropriate |
| CCS water pump costs | <ul style="list-style-type: none"> • Water Recycling pump costs appear high at CCS. • Solar opportunities have been deemed not feasible due to a lack of space for solar panels. • A review of the ability to construct structures to support solar – or alternative ways to reduce costs will provide an opportunity |
| St Clair Commercial Arrangements | <ul style="list-style-type: none"> • An Energy Audit and correction of solar issues has resulted in a significant drop in the energy costs at St Clair • There is potential for the YMCA to benefit from current and planned investments in solar at St Clair • St Clair commercial arrangements were set based on an assumption regarding electricity costs and should be reviewed to ensure the community benefit from their investment |
| LED benefits | <ul style="list-style-type: none"> • A preliminary review of the benefits of the LED street light roll out at CCS has shown benefits associated with SAPN charges are not being realised. • This should be tested thoroughly with a review of potential recovery opportunities. |
| PAE LED Business Case | <ul style="list-style-type: none"> • Potential opportunity associated with LED roll outs at PAE should be reviewed using the information gained at CCS and Marion |
| Resolution of estimated reads | <ul style="list-style-type: none"> • There are a large number of sites where consumption has been estimated for an extended period of time • The operations have difficulty organising to have actual reads taken due to issues dealing with the retailers and network providers • While there may be upside and downside in getting accurate reads – a reduction in estimated reads reduces council exposure |
| Load Profile Management | <ul style="list-style-type: none"> • A review of the potential impact of changes in energy procurement opportunities should be undertaken in conjunction with the shared procurement lead |
| Test Lease Recoveries | <ul style="list-style-type: none"> • Testing recoveries of energy costs against terms of leases may highlight opportunities to pass more energy costs onto lease holders |
| ACQ⁵ accuracy and Demand quantified | <ul style="list-style-type: none"> • Penalties are paid where load is above nominated contract quantities and additional fees are paid for capacity that is not used. Load profile analysis will support determination of more accurate contract quantities and will reduce costs |
| Sewer Charges – sites with no toilet | <ul style="list-style-type: none"> • A number of reserves are receiving sewer charges however there is no plumbed toilet on site meaning the sewer charge can be reviewed |

⁵ Annual Contract Quantity and Annual Demand nominations provided for >160MWh electricity customers

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| Area | What |
|--|---|
| Supply Charges – Zero Consumption Sites | <ul style="list-style-type: none"> • Removal of meters from sites where there is no likelihood of future consumption will save supply charge costs |
| Emergency Services Levy | <ul style="list-style-type: none"> • Quick check on all council properties to determine if there are ESL billing issues. Not proposing this forms a systemised billing check but an annual review based on ESL billed. |

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ATTACHMENT C – DETAILED OBSERVATIONS AND FINDINGS

WATER CONSUMPTION MANAGEMENT

Water consumption at the City of Port Adelaide Enfield increased by \$0.9M to \$3.5M in the 2017/18 financial years. Once this was adjusted for billing between years and seasonality there was a \$0.5M increase in water costs due to undetected leaks, changes in staffing associated with management of the irrigation controllers and service levels being inadvertently increased. It has been assumed that half of this could have been avoided.

A high level review of City of Charles Sturt water consumption highlighted around \$36K of cost associated with leaks and overruns associated with inground tanks running on that might have been minimized with tighter water reporting and analysis. It has been assumed half of this could have been avoided

SOLAR

Solar presents a great opportunity for councils to reduce cost and their environmental footprint. The councils collectively have around more than 1,000Kw of Solar generation capacity. These solar units have been estimated to generate up to \$150K in energy each year.

Marion use a payback period of 7 years for their solar investments and CCS use 4 years while the life of a solar unit is expected to be much more than 10 years. Extension of the payback period at CCS will increase the number of viable projects able to be undertaken. This has been raised with the CCS environmental team and has been applied in their current review of potential solar projects.

The councils' ability to measure and confirm solar business case benefits are being achieved is currently low due to the inability to monitor volumes passing through the inverter. Solar units are susceptible to "trips" which result in the units not generating energy until they are effectively re-set. These trips can go on for a number of months before being detected resulting in missed value, if solar monitoring units aren't in place. As a result investment in monitoring systems are likely to be of value. This information is beneficial for carbon reporting as well as knowing the systems are working as required. Port Adelaide Enfield is currently assessing implementation of a solar monitoring system with the other councils interested in this technology.

WATER METER READING

Two of the councils undertake manual water meter reading to gain more timely information to help manage water consumption. This is used to support better water control and also to a degree, to validate water bills from the provider. This is undertaken at a cost of around \$30K per annum for each council.

Each of the councils have the majority of their large sites on irrigation control systems. These controllers collect flow data that could be used to monitor and manage water consumption without the need to collect, record and compile manual meter read data. This would reduce labour investment in meter reading as well as the effort required from the parks and gardens supervisors and coordinators to compile and reference this data.

WATER CONSUMPTION OPTIMISATION

There is significant variation in consumption per square meter of irrigated area across the councils. Some of this is driven by a lack of definition of service levels for sites and / or consumption not being managed to those service levels. In addition the age, condition and design of irrigation systems can also contribute to water consumption efficiency.

In addition to irrigation replacement, natural landscaping application and design as part of irrigation replacement programs could support further improvement in water consumption and amenity.

There is opportunity to designing irrigation replacement to actively manage water consumption without a decline in service levels.

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ENERGY MANAGEMENT SYSTEMS AND AUDITING

Each of the councils has a building management system in place with monitoring at some, but not all, sites. The information gathered from the building management systems can be used to proactively to manage energy consumption, however this can sometimes not occur as accountability for utility management is spread across a large number of parties in each of the organisations. Expansion of an active use of the BMS data is an opportunity.

St Clair also demonstrated the value of energy auditing with the building being constructed in line with energy efficient design principles and to a rating of XX. Following handing over the site to be managed by a third party, their energy auditors determined how to reduce energy costs by a further 50% or \$70K per annum

UTILITY BILLING EXPERTISE

In addition to understanding energy local profiles, there are around 10-15 different billing components on each energy bill with their own rate and volume inputs. Rates need to align with contracted terms and conditions and volumes need to relate to the contract terms and conditions as well as metering data.

As an example, a component of >160MWh contracts is the annual contracted demand. This is billed as the maximum of the annual contracted demand or the actual demand taken. If demand is consistently lower than the annual contracted demand, energy costs will be higher for the organisation than if the annual contracted demand was set at a more appropriate level. A review of sites at Marion identified a number of sites where the ACQ was overstated resulting in charges being higher by \$25K. Alternatively a review of a sample of bills at CCS highlighted the annual contract quantities were set too low resulting in additional penalties of what could be \$6-12K per annum.

Understanding all of the billing components and their drivers is very likely to yield additional value.

CARBON REPORTING

At present the focus of collection of energy data is for carbon reporting and emissions management. The information collected for carbon reporting is a subset of the information that is required to be collected for billing validation. It is recommended that data collection for carbon reporting and for utility management is consolidated into the one system / repository to avoid duplication and inconsistencies.

BENEFITS REALISATION - LED LIGHTING PROJECTS

Both CCS and Marion are undertaking significant LED replacement projects targeted at reducing energy consumption for the community and increasing the quality of lux ratings across the public lighting network, increasing community amenity and safety.

These projects are being undertaken at a cost of \$4.9M and \$3.1M for CCS and Marion, with annual reductions in energy and SLUOS charges of \$0.6M and \$0.5M respectively.

Each of the organisations need to establish the same processes to ensure street lighting changes occur as planned for the projects and that records are updated at distributors and retailers in line with these physical changes. These lights also need to be charged at agreed and published pricing to ensure benefits are realized in alignment with business case expectations.

An initial review of the impact of the Charles Sturt benefits to date has shown energy costs savings may be \$20K per annum lower than the business case⁶ while no SLUOS savings appear to have been realized despite 5,500 lights being changed over by the end of June 2019. Expected SLUOS savings were more than \$100K per annum. SAPN have confirmed they have had billing issues however the extent of these issues are not yet known. The engineering team are currently working to try and understand the impact of LED on their energy costs however this is not the skill set or focus of the team.

The City of Mitcham have also converted 5,000 LED lights. Reconciliations undertaken at Mitcham identified a \$20-\$30K error in billing that has been caused by both the newly installed lights and removed lights being charged for by the retailer resulting in duplicated energy costs while the retailers update their data.

⁶ For the number of lights installed to date

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PAE currently don't have an LED lighting project underway. PAE may benefit from the knowledge and experience gained at Marion and CCS through these projects which should reduce cost from inception to business case, costs of project management and also should reduce delays experienced at Marion and CCS through the engagement with SAPN and their commercial arm Enerven.

ENERGY CONSULTING SPEND

At present, consultants are typically used to plan and assess the viability of energy efficiency projects such as solar across the councils. These consulting engagements are undertaken on a reactive basis with CCS spending \$10-15K per annum on these kinds of consulting arrangements and Marion spending similar. It is expected the proposed role will be able to undertake these optimisation business cases without consultants being required.

SPORT AND RECREATION AND COMMERCIAL LEASE RECOVERIES

The councils are responsible for a number of sites where the site is leased or used by a third party business or sporting / social club. Some of the councils move responsibility for the water and electricity meter to the occupant. Where the council retains responsibility for water or energy consumption, there is a re-charging process in place. This recharging process can occur with varying degrees of accuracy.

PROCUREMENT PROFILING

Understanding energy consumption profiling over the course of a year and within intervals of time can support optimisation of contracting arrangements for energy. The LGA recently refreshed the energy contracts for Local Government however this contracting was based on annual contract quantities and not on the interval data for each of the organisations sites. This means the best contract can't be sought for each site.

Additionally, councils currently procure energy under the ALPGA procurement energy contract which is a conventional retail agreement. Power Purchase Agreements (PPAs) can be used to optimise pricing management. PPAs rely on the ability to actively manage consumption against contract demand levels to maximise the savings potential of agreed consumption contracts. This type of contract, managed well has the ability to deliver savings up to 10% on current costs and methods of electricity contracting for large volume customers. They do however carry risks if the consumption and ability to manage demand, due to the nature of then being subjected to volatility of the spot market.

VALIDATION SYSTEM DEVELOPMENT - COLLABORATION AND GRANT FUNDING

The City of Salisbury use an in-house developed set of Visual Basic queries to undertake bill validation. Billing data is received electronically and compared to contract and regulated tariff parameters which are input into excel tables annually. The processes are quite manual and require individual to scroll through and review of each bill to detect errors - albeit the validation calculations are performed automatically. There is opportunity to further streamline the City of Salisbury's current systems and processes to automatically generate exceptions. The City of Salisbury currently need to revisit their system.

Smaller councils could equally benefit from this kind of system and function however it is very unlikely they will be able to justify having the skills and systems to support the function.

Utilities Management project – staff engagement

9-10 September 2019

1. Earlier this year three councils (Marion, CCS, PAE) decided to evaluate the merit of undertaking a Utilities Management cross-council collaboration project.
2. Combined \$13.9 M annual spend across the three councils for water, recycled water, electricity (metered, unmetered, public lighting SLUOS), and gas.
3. Looked at 2017/18 energy and water experience, including a detailed water analysis and transactional analysis, which identified some potential opportunities. The initial review identified \$0.5 M (3.9%) in billing errors and consumption overruns.
4. Considered City of Salisbury experience, which employed 1 FTE to manage electricity (only), and found \$1.3 M one-off savings in first 3 years and \$0.2 M (7%) p.a. ongoing savings, from a \$3.0 M annual spend.
5. This cross-council project aims to reduce the cost and consumption of utilities and improve our environmental footprint, without compromising service levels to the community.
6. The proposal is to:
 - a. Establish a cross-council utilities optimisation function
 - b. Employ 2 additional FTE through the Marion Council, each with 3 year contracts, funded through savings identified through the project, and charged across the three councils
 - c. Host the function from within the shared procurement team (Marion and CCS)
 - d. Establish a proprietary validation and reporting tool (estimated cost of \$50 k)
 - e. Task staff to:
 - i. Provide commercial, operational and technical expertise in utilities
 - ii. Ensure compliance with regulatory and market obligations
 - iii. Design and implement systems to ensure billing is valid and accurate (i.e. not paying for things we shouldn't)
 - iv. Improve commercial and environmental outcomes

- v. Deliver carbon and emissions reporting
 - vi. Design and implement reporting and analysis tools and track benefits realisation
 - vii. Support utility decisions in council projects and programs.
7. Need 1.9% savings for the project to break even, compared to 3.9% estimated already and Salisbury's 7% actual ongoing.
 8. Councils have provided in-principle support for this project.
 9. This project is expected to have a low level impact on existing roles.
 10. We are meeting to consult with staff and seek their feedback on the project proposal.
 11. We will incorporate feedback into the project business case.
 12. CEOs will likely sign a formal Agreement in October 2019.

Finance and Audit Committee Work Program and Meeting Schedule for 2020

| | |
|----------------------------|---|
| Originating Officer | Manager Corporate Governance - Kate McKenzie |
| Corporate Manager | Manager Corporate Governance - Kate McKenzie |
| General Manager | General Manager Corporate Services - Sorana Dinmore |
| Report Reference | FAC191210R04 |

REPORT OBJECTIVE

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

EXECUTIVE SUMMARY

The FAC Terms of Reference requires that the Committee meet at least quarterly at a time and place determined by the Committee, provided that all meetings are open to the public at the City of Marion building (Clauses 4.12). A schedule of meetings is to be determined by the Committee Members (clause 4.14).

A work program and meeting schedule for 2020 satisfying the requirements set out in the Terms of Reference has been compiled in **Appendix 1** for the Committee's consideration. The items included on the program are indicative only as items may be added, changed or moved during the year depending on areas of identified risk. As can be seen, the program addresses areas of responsibility as defined within the Committee's Terms of Reference, as well as providing opportunity for the improvement of the Committee's operations.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Notes the proposed work program for 2020 identified at Appendix 1 to the report.**
- 2. Adopts the following schedule of meetings for 2020:**

- **Tuesday 25 February 2020 (2 - 5 pm)**
- **Tuesday, 19 May 2020 (2 - 5 pm)**
- **Tuesday 18 August 2020 (4 pm to 6 pm plus followed by joint workshop with Council from 6.30 pm onwards)**
- **Tuesday, 13 October 2020 (2 - 5 pm)**
- **Tuesday, 8 December 2020 (2 - 5 pm)**

Attachment

| # | Attachment | Type |
|---|-------------------------------------|----------|
| 1 | 2020 Meeting schedule and work plan | PDF File |

| SCHEDULE OF MEETINGS 2020 | | | |
|----------------------------------|------------------|--|-----------------------|
| Day | Date | Time | Venue |
| Tuesday | 25 February 2020 | 2 pm – 5pm | Administration Centre |
| Tuesday | 19 May 2020 | 2 pm – 5pm | Administration Centre |
| Tuesday | 18 August 2020 | 4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council) | Administration Centre |
| Tuesday | 13 October 2020 | 2 pm – 5pm | Administration Centre |
| Tuesday | 8 December 2020 | 2 pm – 5pm | Administration Centre |

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2019

TUESDAY, 25 February 2020

| Topic | Action |
|--|---------------------------|
| Elected Member Report | Communication Report |
| Draft Annual Business Plan and Budget 2020/21 and Draft Long Term Financial Plan | 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 |
| Section 48 Prudential Report – Soccer in the South | Recommendation to Council |

TUESDAY, 19 May 2020

| Topic | Action |
|--|----------------------|
| Elected Member Report | Communication Report |
| Draft Annual Business Plan and Budget 2020/21 (after public consultation) & Draft Long Term Financial Plan | Review and Feedback |
| External Audit Engagement Letter for the year ending June 2020 | Review and Feedback |
| Internal Audit Program – Reviews and Monitoring | Review and Feedback |
| Service Review Program - Scopes, Reviews and Monitoring | Review and Feedback |
| Annual Report on Business Continuity | Review and Feedback |
| Annual Corporate Risk Profile | Review and Feedback |

TUESDAY, 18 August 2020 (Joint Workshop with Council)

| Topic | Action |
|---|--------------------------------|
| Elected Member Report | Communication Report |
| Meeting with Internal auditors in camera | Seeking feedback from Auditors |
| Annual Review of HSE Program | Review and Feedback |
| Annual Insurance and Claims | |
| Asset Valuations | Review and Feedback |
| Review Internal Audit Plan for 2020/21 | 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) | TBA |

TUESDAY, 13 October 2020

| Topic | Action |
|---|--------------------------------------|
| Elected Member Report | Communication Report |
| FAC Annual Report to Council 2019/20 | Review and Recommendation to Council |
| Independence of Council's Auditor for the year end 30 June 2020 | Review and Recommendation to Council |
| Audited Annual Financial Statements for the year end 30 June 2020 | Review and Recommendation to Council |
| Investment Performance 2019/20 | Noting |
| Debtors Report | Noting |
| Meeting with external auditors in camera | Seeking feedback from Auditors |
| Internal Audit Program – Scopes, Reviews and Monitoring | Review and Feedback |
| Fraud and Corruption Annual Review | Review and Feedback |
| Service Review Program - Scopes, Reviews and Monitoring | Review and Feedback |

Tuesday, 8 December 2020

| Topic | Action |
|---|----------------------|
| Elected Member Report | Communication Report |
| Internal Audit Program – Scopes, Reviews and Monitoring | Review and Feedback |
| Service Review Program - Scopes, Reviews and Monitoring | Review and Feedback |
| Work Program and Meeting Schedule 2021 | Review and Feedback |
| Ombudsman SA Annual Report 2019/20 | Review and Feedback |
| Framework and Key Assumptions for preparation of 2021/22 ABP and LTTP | Review and Feedback |

Risk Management Framework and Policy Review

| | |
|----------------------------|---|
| Originating Officer | Risk Coordinator - Karen Peake |
| Corporate Manager | Manager Corporate Governance - Kate McKenzie |
| General Manager | General Manager Corporate Services - Sorana Dinmore |
| Report Reference | FAC191210R05 |

REPORT OBJECTIVE

The objective of this report is for the Finance and Audit Committee (FAC) to review the revised Risk Management Policy and Framework and make a recommendation to Council that the Policy & Framework is adopted.

EXECUTIVE SUMMARY

The current Risk Management Policy and Framework were endorsed by Council in January 2016 and in accordance with the Council's Policy Framework are due for review.

The 2019 review of the Risk Management Policy and Framework commenced in June and has resulted in changes from:

- Incorporating the changes from ISO 31000 'Risk Management Guidelines' which were revised in 2018. The main change is the addition of opportunity management.
- The Internal Risk Maturity Assessment with the Senior Leadership Team (SLT)
- Stakeholder engagement via SLT session on risk appetite and risk matrix criteria to inform a revised 'Risk Criteria and Matrix'
- Joint Elected Member & FAC Forum assessment of draft appetite statements

As a final phase to this review, feedback is sought from the FAC to be incorporated into the Risk Management Policy (Appendix 1) and the Risk Management Framework (Appendix 2), prior to their submission to Council for adoption.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Recommends to Council that the Risk Management Policy & Risk Management Framework be adopted subject to the amendments and inclusions suggested by the Committee.**

DISCUSSION

Review of ISO3100 Risk Management Guidelines

The ISO31000 Risk Management Guidelines were revised and updated in 2018. The amendments to the Guidelines include:

- increased leadership and commitment of key stakeholders;
- emphasis on organisational integration;
- understanding of the organisation and its context;
- articulation of risk commitment through policy & objective;
- assigning governance through roles, responsibilities, accountabilities and resources;
- establishing communication and consultation;

- evaluating and continual improvement;
- creating and protecting value;
- emphasising the iterative and cyclic nature of risk management;
- simplification - 8 definitions, previously 28.

These principles are key to the entire Risk Management suite of documentation, predominantly the policy and framework, however also extending to the tools and templates used to support risk management across the business.

The review against ISO 31000:2018 has resulted in the policy and framework changes summarised below:

Risk Management Policy:

- Inclusion of a Risk Appetite Statement
- Inclusion of updates relating to the revised ISO 31000 (2018) Risk Management Guidelines
- Removal of references to the Business Excellence Framework

Risk Management Framework:

- Inclusion of a Risk Appetite Statement
- Inclusion of updates relating to the revised ISO 31000 (2018) Risk Management Guidelines
- Appendix 1 - updated list of Risk Definitions
- Appendix 2 - revised Consequence Criteria to update definitions within Health, Safety & Environment and Reputation & Public Administration (as highlighted)
- Appendix 2 - revised Likelihood Criteria with additional occurrence definition based on frequency (ie: years)
- Appendix 2 - revised Risk Matrix to reflect a likelihood of 'Almost Certain' & a consequence of 'Minor' to result in a risk rating of 'MEDIUM' - instead of previous risk rating of 'HIGH'

Stakeholder engagement via SLT workshops

Workshops were held with the Senior Leader Team (SLT) to seek feedback on the risk management process as well as draw key insight for drafting the initial risk appetite statements and update the consequence and likelihood matrices eg: revision of the Environmental classification to now include Health and Safety, provision of more relevant media impacts under Reputation and Public Administration and extension of descriptions on the Likelihood Criteria matrix to include a reference to annual frequencies.

Joint Elected Member and FAC Forum

Risk data generated throughout the risk review was drafted into a series of risk appetite statements covering:

1. Strategic Priorities
2. People/WHs
3. Customer Experience
4. Financial
5. Business Continuity & Organisational

At the Elected Member Forum on the 20th August 2019, the Elected Members and the FAC provided the following feedback:

1. Council has no appetite for risk assessed as extreme, however has a high risk appetite associated with innovation, partnerships and the pursuit of opportunities.
2. There is medium to high level of appetite for risk that may impact on the CoM's position as an employer of choice however, a low appetite for adversely affecting workplace safety and well-being.
3. There is medium appetite for risk associated with community engagement and activities that adversely affect the City of Marion's reputation, however, low appetite for trivial complaints with expectations of high levels of service delivery.

4. There is medium appetite for decisions that have a negative impact on Council's long term financial sustainability with a low appetite for processes that are non-compliant or ineffective.
5. There is low to medium appetite for risk associated with continuation of services and response to emergencies that affect our community with an expectation of effective controls and compliance activities.

This feedback was further reviewed to inform the creation of the following Risk Appetite Statement which was supported by Council at the Elected Member Forum held on 12 November 2019:

'The City of Marion is committed to the achievement of its strategic objectives and 'improving our residents quality of life; continuously, smartly and efficiently'. It acknowledges that it must take and accept risk to gain benefit. In so doing, it also accepts that failures and setbacks may occur. The Council therefore has a risk appetite which is HIGH for pursuing opportunities to become more innovative in the delivery of our services and creating partnerships which benefit our community through increased active participation in our services and facilities.'

The City of Marion expects that its people conduct themselves with integrity, respectfully strive for achievement and aim for continuous delivery of services. It has a MEDIUM risk appetite for activities that may impact on our role as a significant contributor within the community and a LOW risk appetite for legislative non-compliance or practices and behaviours that could reasonably be expected to harm the organisation, its people or the environment.'

Further context is provided within the Risk Management Policy and Framework which includes the Risk Criteria and Matrix.

These documents formalise the City of Marion's (CoM) commitment to the integration of risk management across all Council operations and will also inform the continual improvement of risk management at CoM through the development of a strategic Risk Management Plan 2020 – 23.

Attachment

| # | Attachment | Type |
|---|---|----------|
| 1 | Appendix 1 Risk Policy & Framework Review_Risk Management Policy | PDF File |
| 2 | Appendix 2 Risk Policy & Framework Review_Risk Management Framework | PDF File |

1. RATIONALE

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

As risk is inherent in all aspects of the Council's activities, this Policy supports the maximisation of all viable opportunities whilst promoting a structured and consistent approach to minimising risk exposure.

Risk management is an integral contributor to good governance practices and fosters effective decision making to achieve the Council's Vision and strategic themes and objectives with a focus on:

- continuously improving our residents' quality of life and enhancing outcomes for the community
- improved productivity and efficiencies
- minimising business interruptions.

2. POLICY STATEMENT

'The City of Marion is committed to the achievement of its strategic objectives and 'improving our residents quality of life; continuously, smartly and efficiently'. It acknowledges that it must take and accept risk to gain benefit. In so doing, it also accepts that failures and setbacks may occur. The Council therefore has a risk appetite which is HIGH for pursuing opportunities to become more innovative in the delivery of our services and creating partnerships which benefit our community through increased active participation in our services and facilities.

The City of Marion expects that its people conduct themselves with integrity, respectfully strive for achievement and aim for continuous delivery of services. It has a MEDIUM risk appetite for activities that may impact on our role as a significant contributor within the community and a LOW risk appetite for legislative non-compliance or practices and behaviours that could reasonably be expected to harm the organisation, its people or the environment.'

Further context is provided within the Risk Management Framework which includes the Risk Criteria and Matrix.

3. OBJECTIVES

To achieve Council's risk management objectives, the City of Marion Risk Management Framework ('the Framework') has been established in accordance with the International Standard ISO 31000:2018 Risk Management Guidelines.

The aim of the Framework is to provide guidance for maximising opportunities whilst minimising risks that may impact on the achievement of Council's objectives.

Risk Management Policy

This is addressed through:

- Embedding a risk culture and high level of risk awareness across the organisation to support the achievement of strategically aligned outcomes.
- Implementing consistent risk management processes to manage risk and opportunities throughout CoM's organisational systems and functions including planning, resource allocation priorities, internal audit and control processes, in line with risk management standards including AS/NZS ISO 31000:2009 Risk Management Principles
- Enabling the consistent and systematic application of our risk management approach within all Council operations.
- Guiding a risk management approach to strategic, operational and project decision making, to support proactive management strategies that mitigate against events occurring and ensure robust contingency plans to lessen the impact of events if they were to materialise..
- Implementing a Business Continuity Management (BCM) Policy and Framework to minimise the impact of business disruptions on the Council's critical community services.
- Protecting public funds, assets and the integrity, security and reputation of the CoM by implementing a Fraud Policy and Framework which will prevent, identify, minimise and control fraudulent and/or corrupt activity.
- Providing adequate response to emergencies on behalf of the CoM residents and the community by implementing a Community Emergency Management Plan outlining our commitment to our community.

4. POLICY SCOPE AND IMPLEMENTATION

This Risk Management Policy applies to all operations and functions of the Council including strategic, operational and project based.

5. DEFINITIONS

Risk – The effect of uncertainty on objectives. It can be positive, negative or both and can address, create or result in opportunities and threats.

Risk Appetite – The amount and type of risk that an organisation is willing to pursue or retain

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

Risk Management Framework – The structure and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation

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

Risk Tolerance – A readiness to bear the risk after risk treatment(s) in order to achieve its objectives.

Risk Management Policy

6. ROLES AND RESPONSIBILITIES

Council has the overall responsibility for risk, setting the organisation's risk appetite and risk tolerance levels, in addition to oversight of the organisation's systems for managing risk including approving and reviewing the City of Marion's Risk Management Policy and Framework.

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

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

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

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

7. REFERENCES

City of Marion Risk Management Framework

City of Marion Business Continuity Management Policy and Framework

City of Marion Fraud Policy and Framework

City of Marion Finance & Audit Committee Terms of Reference

ISO 31000:2018 Risk Management - Guidelines

8. REVIEW AND EVALUATION

Reviewed every four years, in accordance with the Corporate Policy Framework and authorised by Council.



Risk Management Framework

City of Marion

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Document Control

| | |
|-----------------|-----------|
| Document Owner: | Risk Unit |
| Version: | 8.0 |
| Adopted by: | Council |
| Issue Date: | XXX 2020 |
| Review Date: | XXX 2024 |

INTRODUCTION

The City of Marion (Council) is committed to a risk management framework that provides both good governance practices and effective decision-making, enabling the achievement of the Council's Vision and strategic themes, focusing on continuously improving our residents' quality of life and the community's best interests.

Risk is defined as the effect of uncertainty on objectives. It can be positive, negative or both and can address, create or result in opportunities and threats.

Risk is inherent in all our activities at both corporate and community levels, and in the delivery of all our services, programs, projects, processes and decisions.

This document sets out a framework for risk management across the City of Marion and is aligned to ISO 31000:2018 Risk Management Guidelines in providing an approach that is structured and consistent, that creates and protects value, manages risk and opportunity, enables the achievement of objectives and the improvement of performance.

The Risk Management Framework (the Framework) should be read in conjunction with the [Risk Management Policy](#).

OUR APPROACH TO RISK MANAGEMENT

Policy Statement - Risk Appetite

The City of Marion is committed to the achievement of its strategic objectives and 'improving our residents quality of life; continuously, smartly and efficiently'. It acknowledges that it must take and accept risk to gain benefit. In so doing, it also accepts that failures and setbacks may occur. The Council therefore has a risk appetite, which is HIGH for pursuing opportunities to become more innovative in the delivery of our services and creating partnerships, which benefit our community through increased active participation in our services and facilities.

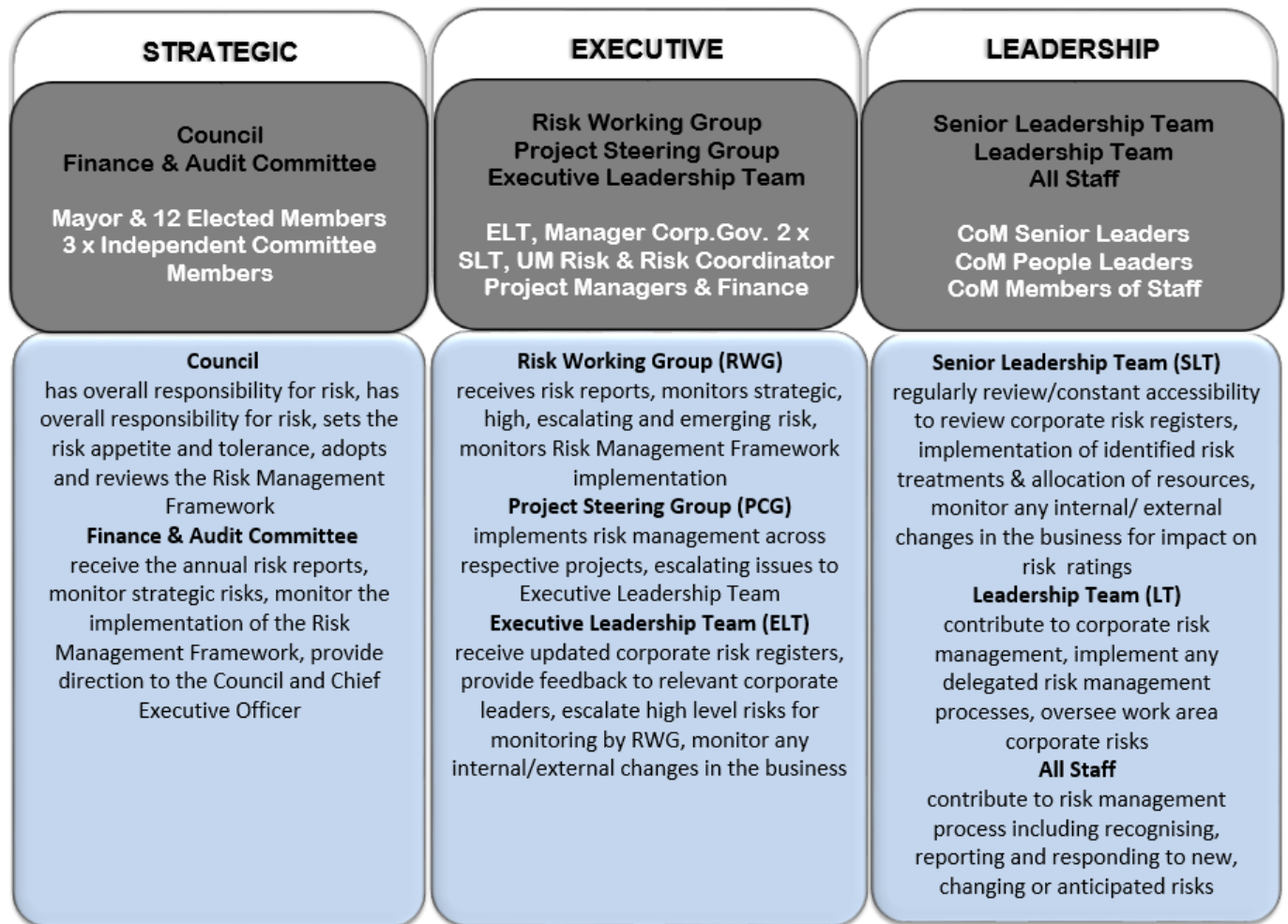
The City of Marion expects that its people conduct themselves with integrity, respectfully strive for achievement and aim for continuous delivery of services. It has a MEDIUM risk appetite for activities that may impact on our role as a significant contributor within the community and a LOW risk appetite for legislative non-compliance or practices and behaviours that could reasonably be expected to harm the organisation, its people or the environment.

Further context is provided within the Framework including Risk Definitions (Appendix 1) and the Risk Criteria and Matrix (Appendix 2).

Roles and Responsibilities

Whilst the Risk Management Policy details high-level risk management responsibilities, the overview of the organisational risk management roles and responsibilities is provided in Diagram 1 with further detail following. Broader details on the responsibilities for the respective entity or position type can be obtained from relevant Terms of Reference or Position Descriptions.

Diagram 1: Roles and Responsibilities



Council

Council is responsible for adopting and reviewing the City of Marion Risk Management Policy and Framework. This provides a risk management process across the City of Marion that reflects the risk appetite and tolerance level set by Council whilst seeking opportunities for our Community. The effectiveness of the risk management program is monitored through the review of reports, quarterly by the Executive Leadership Team and annually via the Finance & Audit Committee.

Finance & Audit Committee

As part of its advisory and assurance role to Council, the Finance & Audit Committee reviews the corporate risk profile annually, monitors the risk exposure of Council, risk management processes and management information systems. The Committee provides guidance, support and advice to Council on the reports received, including its opinion on whether the risk management program is effective and aligned to Council's risk appetite and tolerance levels. For further information, refer to the Finance & Audit Committee Terms of Reference.

Chief Executive Officer

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

With overall accountability for the risk management program, the Chief Executive Officer provides leadership and resourcing with appropriate delegations in place for an effective risk management program to enable decision making at the appropriate level, as well as timely reporting of risk issues to keep Council well informed.

Risk Working Group

With membership including the Executive Leadership Team, the Risk Working Group oversees the risk management program on a quarterly basis. It monitors and assesses the ongoing corporate, high, escalating and emerging risks to ensure control effectiveness and that appropriate mitigation and management strategies are in place. For further information, refer to the Risk Working Group Terms of Reference.

Project Steering Group

With membership including the Executive Leadership Team, the Project Steering Group has oversight and decision making responsibilities for key strategic projects. This incorporates the direction of works to be undertaken and the appropriate consideration of all business critical issues during key phases of the project..

Executive Leadership Team

As individual risk owners across their portfolios, General Managers and the Chief Executive Officer, oversee corporate risks and have high level oversight of operational (work area) risks. They escalate risks for monitoring by the Risk Working Group as necessary. The Executive Leadership Team, demonstrate and encourage risk management behaviours, displaying commitment to the integration of risk management into the operational activities and corporate culture.

Senior Leadership Team

As individual operational (work area) risk owners, managers oversee operational risk and implement the risk management process across the span of their responsibility. This includes determining risk management accountability at an operational level and, where appropriate, delegate risk ownership to a Leadership Team level.

Leadership Team

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

Project Managers/Coordinators

Implement the risk management process for respective projects as outlined in the Project Management Framework and escalate risks and issues through the project management reporting structure.

ICT Unit

Manage ICT risk and vulnerabilities through the ICT Vulnerability Management Procedure, which is designed to govern the management of information security risks as documented in the Information Security Management System and defined within the Council's Cyber Security Governance Framework

Risk Unit

Council has a Risk Management Team with dedicated resources to provide advice, guidance and support. The risk management program is based on continuous improvement and includes implementation and oversight of the framework, a variety of training document resources, coordinated risk reporting and the provision of insurance services.

Local Government Risk Services act as broker to Council in the provision of the Local Government Association's insurance schemes with membership being contingent on proactively managing risk exposures, which is verified through a biennial risk evaluation process, including benchmarking against other Councils.

All Staff

Contribute to the risk management process, including recognising, reporting and responding to risks that are new, escalating/changing or emerging/anticipated risks.

Risk Management Tools and Resources

Widely used generic resource tools can aid risk identification and may include SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis and PESTLE (Political, Environmental, Social, Technological, Legal and Economic) analysis templates. Relevant information generated during work planning processes may minimise the need for separate information analysis or act as a starting point for further discussion and/or risk review.

The Risk Unit provides, and continually improves, guiding information and tailored resources for use by Council when undertaking risk management activities and for recording and reporting purposes. Risk resources available to support Risk Management include:

- Appendix 1 - Risk Definitions
- Appendix 2 - Risk Criteria and Matrix
- Tool 1 - Corporate/Operational Risk Register
- Tool 2 - Risk Assessment & Treatment Plan
- Tool 3 - Risk Assessment for Events Held on Council Land
- Tool 4 - Risk Assessment for Procurement/Contract Management

Staff training is identified and documented in the corporate Training Needs Analysis (TNA) and is recognised, along with consistent risk management support, as being a key focus area for building risk management capability to improve decision making outcomes across Council.

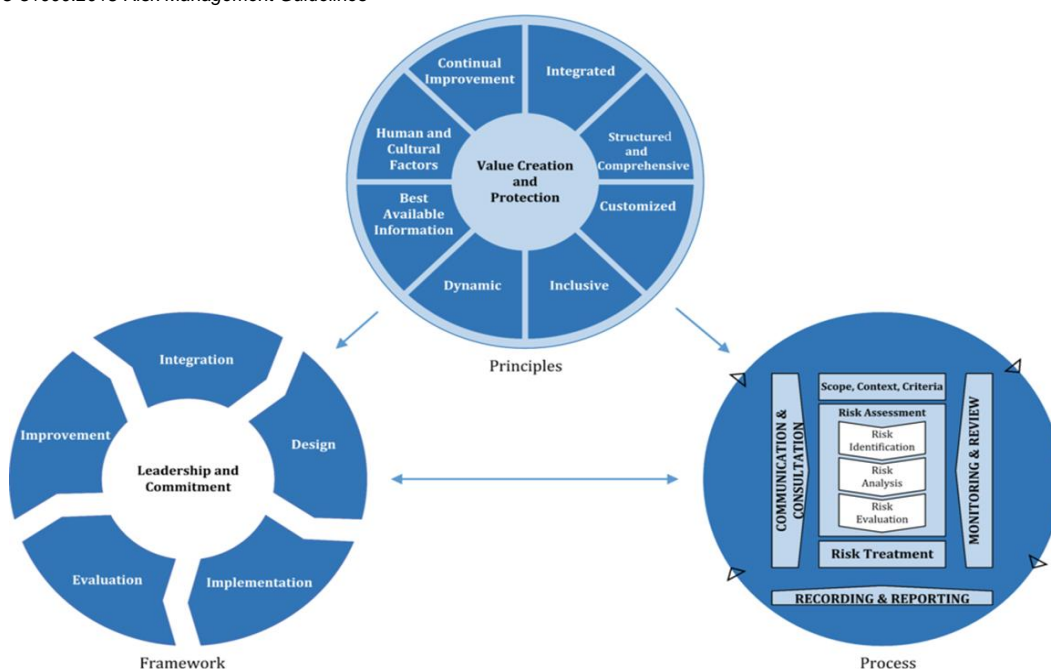
RISK MANAGEMENT – INTEGRATION ACROSS OPERATIONS

Integration of the fundamental risk principles into all activities across Council provides for a standardised approach and generates feedback to enable shared learnings and continual improvement to the management of our risk exposure

ISO 31000:2018 endorses an integrated risk management approach with overarching principles, a guiding framework and a structured and consistent risk management process (Diagram 2).

Diagram 2: Integration of Risk Management

Source: ISO 31000:2018 Risk Management Guidelines



This approach has been embedded into Council's operational activities across a wide range of work areas, functions and processes, including:

- Strategic and Operational Decisions
- Strategic and Annual Business Planning
- Financial Management and Fraud Control
- Contract / Contractor Management
- Asset Management & Service Standards
- Health Safety & Environmental Management
- Business Continuity and Emergency Management
- Project Management
- ICT Infrastructure & Cyber Security Programs
- Effective Human Resource Management
- Climate Change & Natural Disasters

As a key risk management tool, the Corporate Risk Register, along with its supporting operational registers, allows the Council to gauge corporate risk exposure at any time. To manage this exposure to within accepted tolerances, the register includes details of further treatments, mitigating actions and contingency plans, with progress to completion actively monitored by the Risk Unit, Executive Leadership Team and the Risk Working Group.

Further integration and continual improvement is provided by the iterative, cyclical process of assurance and feedback, which allow for the inclusion of human and cultural factors and the introduction of the best available information for incorporation into the decision making process.

Assurance Program

The risk management program supports a comprehensive assurance program (internal audit) provided by independent service providers. A risk-based approach identifies priorities to check effectiveness of key controls for high risk processes. More information can be found in the Governance Framework.

Feedback Processes

Feedback mechanisms such as audit and inspection reports, complaints, hazards and incidents provide valuable information to Council about sources of risk and/or details of those having been realised. Continual review of individual feedback mechanisms integrates into the risk management processes, to enhance our response(s) and improve prioritisation of corrective actions.

The benefits of implementing an integrated risk management include:

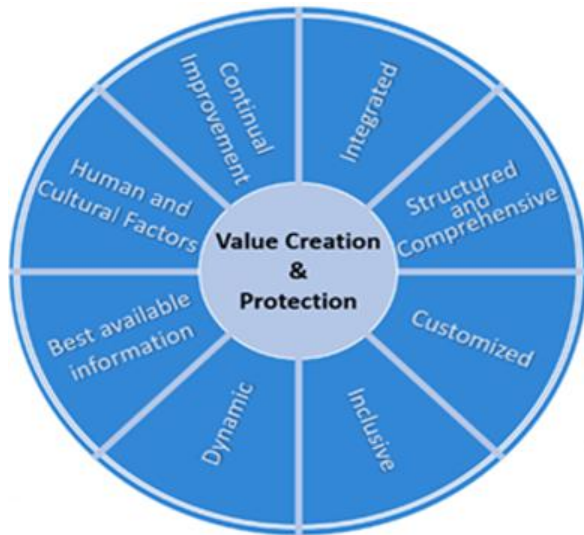
- minimised losses
- increased likelihood of achieving objectives
- improved learning and resilience
- improved financial reporting and compliance
- improved governance and stakeholder confidence
- effective use and allocation of risk management resources
- improved controls and operational effectiveness & efficiencies
- enhanced health & safety performance, loss prevention and incident management
- encourages proactive management
- improved identification of opportunities and threats

RISK MANAGEMENT – PRINCIPLES

As outlined in ISO 31000: 2018, the purpose of risk management is the creation and protection of value, improving performance, encouraging innovation and supporting the achievement of objectives.

The principles (Diagram 3) provide guidance on effective and efficient risk management, communicating its value and explaining its intention and purpose. The principles are the foundation for managing risk and should be considered when establishing risk management processes in order to best manage the effects of uncertainty on objectives.

Diagram 3: Risk Management Principles



- integrated, part of all organisational activities
- structured, systematic, and timely
- customised to explicitly address uncertainties
- inclusive and transparent
- dynamic, iterative and responsive to change
- best information available
- human and cultural factors emphasised
- continuously improved through learning

Source: ISO 31000:2018 Risk Management Guidelines

RISK MANAGEMENT – FRAMEWORK

The purpose of the Framework is to achieve integration of Council's risk management across its significant activities and functions.

A consistent and good practice approach to risk management, which is aligned to ISO 31000:2018 and its framework components as outlined in Diagram 4, creates value through improved decision making.

Diagram 4: Risk Management Framework



- Leadership & commitment from Executive Leadership Team
- Integration across all Council business
- Design to suit our context
- Implementation of risk programs
- Evaluation of data and programs
- Improvement, continually

Source: ISO 31000:2018 Risk Management Guidelines

Leadership and Commitment

A demonstrated leadership commitment establishes the risk management approach appropriate to the context of the organisation, assigning authority, responsibility and accountability. This provides alignment with corporate objectives, strategies and culture, and communicates the value of risk management to the organisation and its stakeholders.

Integration

Governance guides the organisation, with the essential external and internal relationships, rules, processes and practices needed to achieve sustainable performance and long-term viability. Integration is a dynamic and iterative process, with everyone sharing responsibility for the management of risk.

Design

Our framework is designed to understand our external and internal context, to show continual commitment to risk management, to assign roles and responsibilities, with allocation of the required resources, in addition to establishing effective communication and consultation processes.

Implementation

To successfully implement our Risk Management Framework, clear roles and responsibilities have been incorporated, to enable effective planning and modification in relation to any new or subsequent uncertainty, to adequately capture and reflect the changing context of the organisation.

Evaluation

In order to evaluate effectiveness, the Risk Management Framework is periodically measured against its purpose and expected behaviours, to ensure it remains suitable for achieving the objectives of Council.

Improvement

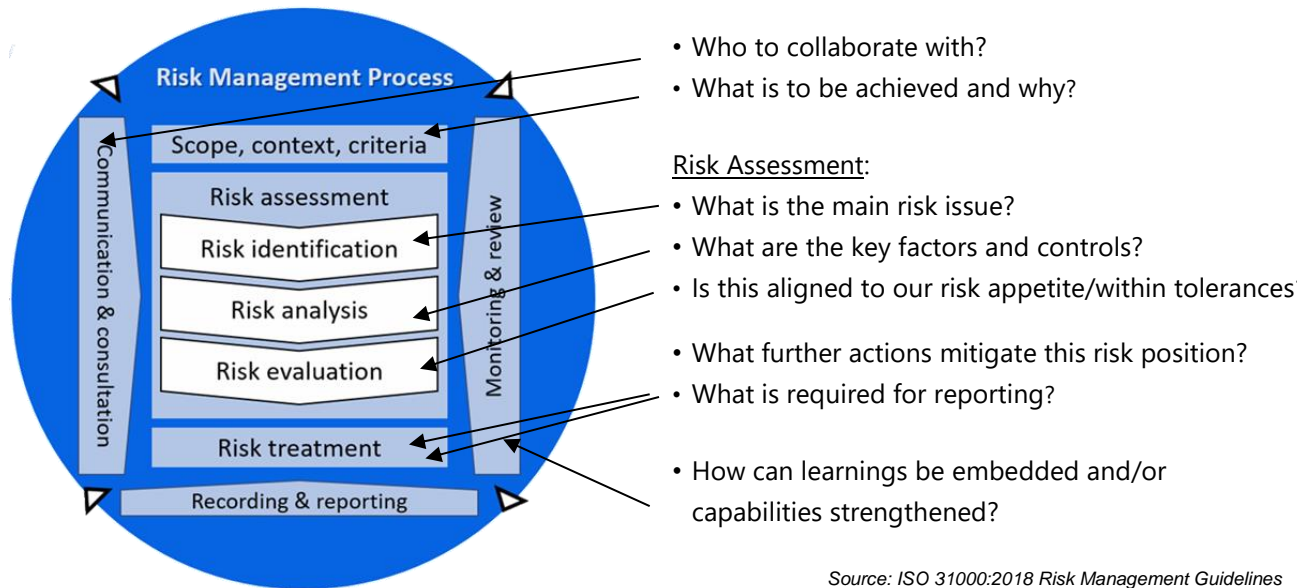
Continual monitoring of the Framework for suitability, adequacy and effectiveness is undertaken to allow for the identification of any gaps or opportunities, which may be further developed in response to the changing external and internal context.

RISK MANAGEMENT – PROCESS

The risk management process is an integral part of management and decision-making, customised to achieve objectives and integrated into the structure, operations and processes of the organisation. With reference to external and internal contexts and the variable nature of human behaviour and culture.

To keep this approach simple, the risk management process described in ISO 31000:2018 outlines an iterative, cyclical and dynamic flow (Diagram 5, which includes the addition of simple illustrative questions).

Diagram 5: Risk Management Process



Communication & Consultation

Communication and consultation are important elements throughout the risk management process. Participation and feedback from relevant stakeholders will ensure that their expertise, knowledge and perceptions contribute in understanding the risk context, the basis on which decisions are made and the reasons why particular actions are required. Those who are accountable for implementing the risk treatments/mitigating activities arising from risk assessments will benefit from these communication(s) for the management of identified actions.

Scope Context Criteria

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

Elected Members are consulted on changes to the Framework and set the Council's risk appetite and tolerance. This contributes to the development of the risk criteria (Appendix 2) which is tailored to the organisational context.

Risk Assessment

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

Risk Identification

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

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

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

Risk Analysis

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

Identifying Existing Controls

This step involves considering the controls already in place that modify the risk (some examples include policies, procedures, training, technical and legal measures, contracts, partnerships, continuity plans, governance practices etc). After the existing controls have been documented, their overall effectiveness is rated against the Control Effectiveness criteria on the second page of the Risk Criteria and Matrix (Appendix 2).

Identifying Existing Controls

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

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

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

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

The Risk Criteria and Matrix (Appendix 3) contains the consequence (ratings are 'insignificant' to 'severe') and likelihood (ratings are 'rare' to 'almost certain') criteria. The Risk Assessment Matrix combines the range of consequence and likelihood ratings to determine the Level of Risk. The four levels of risk are Low, Moderate, High and Extreme.

Inherent Risk

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

At the end of this step we should know:

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

- The inherent risk ratings for each risk, for reference by the auditors conducting the Council's assurance program

Risk Evaluation

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

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

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

The Level of Risk rating will be considered, along with the overall Control Effectiveness rating to determine required actions. Reference will be made to the 'Risk Evaluation - Required Actions for the Level of Risk' criteria table on the second page of the Risk Criteria and Matrix (Appendix 3).

Risk Treatment

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

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

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

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

The objective is to ensure that a mitigation strategy is implemented so that the risk is reduced to a tolerable level in a cost effective and timely manner.

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

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

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

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

Monitoring & Review

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

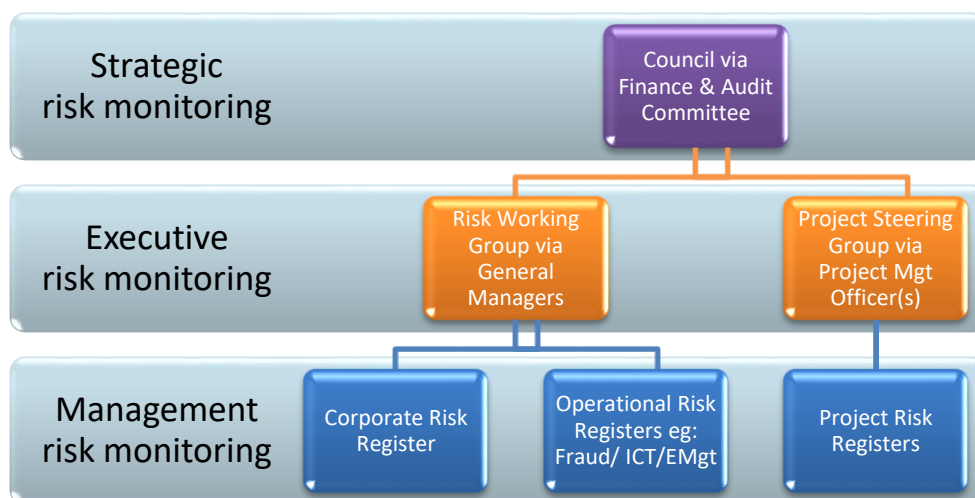
As such, Risk Owners have full access to the Corporate Risk Register to enable timely and relevant updates, with quarterly reviews undertaken by the Risk Unit, respective Senior Leadership Team and Executive Leadership Team members and the Risk Working Group. The Finance and Audit Committee and Council receive corporate risk reporting annually and quarterly, respectively, including an annual corporate risk profile and an overview of activities within the risk management program.

Project risks are monitored on a regular basis by the respective project manager/coordinator, in line with the Project Management Framework with issues reported or escalated through the recognised project reporting structure.

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

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

Diagram 6: Hierarchy of Monitoring & Review



RELATED DOCUMENTS, REFERENCES & APPENDICES

- Risk Management Policy
- Project Management Framework
- ICT Vulnerability Management Procedure
- ISO 31000:2018 Risk Management Guidelines
- Appendix 1: Risk Definitions
- Appendix 2: Risk Criteria & Matrix

Risk Management Framework - Appendix 1: Risk Definitions

| Term | Meaning (*as per AS/NZS ISO 31000:2009 Risk Management) |
|-----------------------------|--|
| Consequence | *Outcome of an event affecting objectives Note 1: A consequence can be certain or uncertain and can have a positive or negative direct or indirect effect on objectives Note 2: Consequences can be expressed qualitatively or quantitatively. Note 3: Any consequences can escalate through cascading and cumulative effects |
| Contingency Plan | The implementation of a risk contingency or provision that will reduce the inherent rating of a risk by diminishing the impact if the risk were to materialise |
| Control | *Measure that maintains and/or modifies risk Note 1: Controls include, but are not limited to, any process, policy, device, practice or other conditions and/or actions which maintain and/or modify risk Note 2: Controls may not always exert the intended or assumed modifying effect |
| Current Risk | Risk rating after taking into consideration the existing controls |
| Event | *Occurrence or change of a particular set of circumstances Note 1: An event can be one or more occurrences, and can have several causes and several consequences Note 2: An event can also be something that is expected which does not happen, or something that is not expected which does happen. Note 3: An event can be a risk source. |
| Forecast Risk | Risk remaining after further identified risk treatments to be actioned Note 1: Forecast risk can contain unidentified risk Note 2: Forecast risk can also be known as 'residual or retained risk' |
| Inherent Risk | Overall risk rating prior to consideration of existing controls |
| Level of Risk (Risk Rating) | Magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood |
| Likelihood | *Chance of something happening Note 1: In risk management terminology the word 'likelihood' is used to refer to the chance of something happening, whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically. Note 2: The English term 'likelihood' does not have a direct equivalent in some languages; instead the equivalent of the term 'probability' is often used. However, in English, 'probability' is often narrowly interpreted as a mathematical term. Therefore in risk management terminology, 'likelihood' is used with the intent that it should have the same broad interpretation as the term 'probability' has in many languages other than English. |
| Mitigation Strategy | The implementation of risk mitigation by applying risk controls with the ability to reduce the rating of a risk by lessening the likelihood of the risk occurring |
| Risk | *The effect of uncertainty on objectives. It can be positive, negative or both and can address, create or result in opportunities and threats. Note 1: An effect is a deviation from the expected. It can be positive, negative or both and can address, create or result in opportunities and threats. Note 2: Objectives can have different aspects and categories, and can be applied at different levels, Note 3: Risk is usually expressed in terms of risk sources, potential events, their consequences and their likelihood.* |
| Risk Appetite | The amount and type of risk that an organisation is willing to pursue or retain. |
| Risk Assessment Matrix | The tool for rating risks by utilising the criteria for likelihood and consequences |
| Risk Attitude | Organisation's approach to assess and eventually pursue, retain, take or turn away from risk |
| Risk Criteria | Terms of reference by which the significance of the risk is evaluated (likelihood, consequence) |
| Risk Identification | *The process of finding, recognizing and describing risks Note 1: Risk identification involves the identification of risk sources, events, their causes and their potential consequences. Note 2: Risk identification can involve historical data, theoretical analysis, informed and expert opinions and stakeholder's needs. |
| Risk Management | * coordinated activities to direct and control an organisation with regard to risk |
| Risk Owner | The person or entity with the accountability and authority to manage a risk |
| Risk Rating | See 'Level of Risk' |
| Risk Register | A list of identified risks detailing the risk owner, risk ratings, controls and further actions |
| Risk Retention | Acceptance of the burden of loss, or benefit of gain, from a particular risk Note 1: Risk retention includes the acceptance of risks that have not been identified Note 2: The level of risk retained may depend on the risk criteria |
| Risk Source | *Element which alone or in combination has the potential to give rise to risk |
| Risk Tolerance | Risk is analysed in the context of CoM's objectives, but ultimately, in accordance with Council's risk tolerance level. The risk tolerance level represents Council's appetite for accepting risk. |
| Stakeholders | *Person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity. |

Risk Management Framework - Appendix 2: Risk Criteria and Matrix

Consequence Criteria

| | People (Safety moved to Environment) | Social/Cultural | Financial* | Health, Safety & Environment | Business Continuity /Organisational | Reputation & Public Administration |
|---------------|--|--|--|--|--|---|
| Insignificant | <ul style="list-style-type: none"> No impact on wellbeing*. Minor local workforce disruption. Loss of continuity of staff knowledge. | <ul style="list-style-type: none"> Resident (household) experiences minor wellbeing* impact, disempowered, inconvenience or disadvantage. Low-income earners/Household impact <\$50. | <ul style="list-style-type: none"> CoM – Financial impact, loss and/or penalty up to \$10,000. *Project – up to 5% of original project budget.+ | <ul style="list-style-type: none"> Physical or other injury requiring First Aid. Isolated adverse environmental impact that is short term and/or reversible. | <ul style="list-style-type: none"> Insignificant impact on Council's ability to achieve strategic outcomes. Minor impact on local Business Unit plan. *Project – Nil impact on achievement of key project objectives or project duration extended up to 10% of original project timeframe. | <ul style="list-style-type: none"> A slight but manageable increase in the number of adverse resident/stakeholder complaints. Sporadic, low levels of negative commentary on an isolated media and/or social media platform for 1-3 days |
| Minor | <ul style="list-style-type: none"> Minor temporary impact on wellbeing*. Local and temporary poor morale. Temporary loss of some staff of an individual Unit's workforce. Loss of staff continuity requiring recruitment. | <ul style="list-style-type: none"> A group of residents within a suburb or identified cultural or community group experiences ongoing minor wellbeing* impact or are disempowered, inconvenienced or disadvantaged. Household financial impact <\$200. | <ul style="list-style-type: none"> CoM – Financial impact, loss and/or penalty between \$10,000 - \$100,000 *Project – between 5-10% of original project budget.+ | <ul style="list-style-type: none"> Physical or other injury resulting in medical treatment. Isolated instances of environmental damage requiring minor effort to reverse / remediate. | <ul style="list-style-type: none"> Minor impact on a small number of Business Unit plans. Some impact on strategic initiatives but only minor aspects impacted. Overall strategic intent still achievable. *Project – Some impact on isolated key project objectives. Additional minor effort required to ensure all objectives are met. *Project duration extended by 10-20% of original project timeframe. | <ul style="list-style-type: none"> An increase in the number of resident/stakeholder complaints requiring direct effort to resolve / attend to. Regular, low levels of negative coverage on multiple media and/or social media platforms for 1-7 days Elected Member dissatisfied, complaint. |
| Moderate | <ul style="list-style-type: none"> Significant/medium term wellbeing* impact or a whole CoM worksite affected. Widespread morale issues. Temporary loss of staff across a number of Units. Loss of key staff with specific knowledge and skills. Impact on recruitment capacity as an Employer of Choice. | <ul style="list-style-type: none"> A number of neighbourhoods (up to 25% of residents) or cultural groups experience wellbeing* impact are disempowered, inconvenienced or disadvantaged. Household financial impact <\$1,000. | <ul style="list-style-type: none"> CoM – Financial impact, loss and/or penalty between \$100,001 - \$1M. *Project – between 10-20% of original project budget.+ | <ul style="list-style-type: none"> Physical or other injury resulting in medical treatment / brief hospitalisation (Lost Time Injury of 1 day). Isolated but significant instances of environmental damage / implications requiring concentrated effort to reverse / remediate. | <ul style="list-style-type: none"> Some key components of the strategic plan could not be achieved as a result of risk event. Additional funding / resources required to rectify. *Project – Impacts numerous key project objectives. Considerable effort required including some change in project scope to achieve required outcomes. *Project duration extended by 21-35% of original project timeframe. | <ul style="list-style-type: none"> A high volume of resident / stakeholder complaints. Heightened regularity of medium level negative media on multiple media and/or social media platforms for up to two weeks Majority of Elected Members dissatisfied, Council motion affecting CEO/Administration Ombudsman or Office of Public Integrity. Complaint from partner organisation resolved within portfolio. |
| Major | <ul style="list-style-type: none"> Long term wellbeing* impact or more than one CoM worksite affected. Entrenched severe morale problems. Inability to recruit with necessary skills. High employee turnover. | <ul style="list-style-type: none"> Up to 50% of residents are disadvantaged, inconvenienced, disempowered or may experience wellbeing* harm. Cultural group or community offended, unable to practice recognised traditions. Household financial impact <\$10,000. | <ul style="list-style-type: none"> CoM – Financial impact, loss and / or penalty between \$1M and \$4M. *Project – between 20-35% of original project budget.+ | <ul style="list-style-type: none"> Serious injury requiring medical treatment / hospitalisation (Lost Time Injury of 2 days or more) or re-admission / extensive rehabilitation. Severe and/or widespread environmental damage and / or loss of environmental aspect. Extensive effort and support required to reverse / remediate. Danger of continuing environmental damage / losses. | <ul style="list-style-type: none"> Council unable to deliver on numerous key strategic initiatives without additional funding / resources. Major review of strategic plan required. *Project – Significant portion of key project objectives impacted. Major changes to project scope and work necessary to achieve required outcomes. *Project duration extended by 36-50% of original project timeframe. | <ul style="list-style-type: none"> Publicised adverse resident comments and/or complaints. An ongoing significant and regular campaign of negative media on multiple media and/or social media platforms. Forced resignation of General Manager/s. Ombudsman or Office of Public Integrity involvement. Relationship with partner organization harmed, requiring CEO involvement. |
| Severe | <ul style="list-style-type: none"> Wellbeing* of majority of workforce affected. Loss of a majority of the workforce. Inability to replace critical services. | <ul style="list-style-type: none"> Majority of CoM residents are disadvantaged, inconvenienced, disempowered or may experience wellbeing* harm. Household financial impact >\$10,000. | <ul style="list-style-type: none"> CoM – Financial impact, loss and / or penalty in excess of \$4M or higher impact on sustainability. *Project - >35% of original project budget.+ | <ul style="list-style-type: none"> Death or critical injury. Major widespread loss of environmental aspect and progressive irrecoverable environmental damage. | <ul style="list-style-type: none"> Majority of initiatives and / or key initiative within the Council's strategic plan unattainable. *Project – Failure of project to meet all required objectives. *Project duration extended by >50% of original project timeframe. | <ul style="list-style-type: none"> Widely publicised adverse resident / stakeholder comments and / or complaints. An ongoing high level and sustained campaign of negative media on multiple media and/or social media platforms Forced resignation of CEO / Mayor. Council stood down. Minister intervention required. Relationship with partner organisation harmed affecting the achievement of a strategic project/objective. |

*Wellbeing – defined here as physical, mental and spiritual health and wellbeing
* Projects will adopt the higher of the CoM or Project ratings

Likelihood Criteria

| Rating | Likelihood of Occurrence * For Projects – Likelihood of occurrence during the Project period only |
|----------------|--|
| Rare | The event will only occur in exceptional circumstances/Probability close to 0/ <every 10 years |
| Unlikely | The event is unlikely to occur./Probability 1 - < 25%/ every 5-10 years |
| Possible | The event may possibly occur./Probability 25 - < 50%/ every 5 years |
| Likely | The event is likely to occur./ Probability 50- <75%/ approx once a year |
| Almost Certain | The event is occurring now or is almost certain to occur. /Probability >75% / more than once a year |

Risk Assessment Matrix

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

Control Effectiveness

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

Risk Evaluation – Required Actions based on Level of Risk Rating (text re-ordered)

| | |
|--------------|---|
| Extreme Risk | Risk Treatment: - a detailed plan and time line to be implemented Action Level: to be assigned to Senior Leadership Team (SLT) member to monitor progress in consultation with the Risk Unit and relevant Genral Manager. Reported to: Finance & Audit Committee and Risk Working Group. Control effectiveness: closely monitored at work area level on ongoing basis, in consultation with Risk Unit. |
| High Risk | Risk Treatment: - to be implemented by risk owner in consultation with Risk Unit. Action Level: - relevant General Manager to liaise with risk owner and report action plan/proposed progress to the Risk Unit for inclusion in Risk Working Group quarterly corporate risk update. Reported to: Finance & Audit Committee via quarterly risk update. Control effectiveness: to be closely monitored at work area level on an ongoing basis. |
| Medium Risk | Risk Treatment: - to be assigned if controls are not 'Effective'. Action Level: Risk owner assigned at Unit Manager or Senior Leader level. Reported to: reported to relevant General Manager. Control effectiveness: monitored & reviewed quarterly |
| Low Risk | Risk Treatment: - Managed by Risk Owner/Unit Manager at work area level . Action Level: review risk in line with Business Planning/Work Area management Reported to: Risk Working Group within quarterly corporate risk report (table summary) Control effectiveness: monitored & reviewed periodically |

Framework and Key Assumptions for the preparation of the 2020/21 ABP and LTFP

| | |
|----------------------------|---|
| Originating Officer | Unit Manager Statutory Finance and Payroll - David Harman |
| Corporate Manager | Manager Finance - Ray Barnwell |
| General Manager | General Manager Corporate Services - Sorana Dinmore |
| Report Reference | FAC191210R06 |

REPORT OBJECTIVE

The purpose of this report is to present to the Finance & Audit Committee (FAC) for its consideration and feedback:

- The proposed framework in setting the Annual Business Plan 2020/21 (ABP) & Long Term Financial Plan (LTFP) including a review of financial parameters and key budget assumptions
- The associated risks with the proposed framework and key budget assumptions

Prior to the preparation of the next iteration of Council's LTFP and ABP 2020/21 as part of the Annual Business Planning process which has recently commenced, the FAC'S feedback is sought on the proposed framework and key assumptions.

RECOMMENDATION

That the Finance & Audit Committee:

- 1. Provide feedback on the framework, key assumptions and associated risks in setting the Annual Business Plan for 2020/21 and the Long Term Financial Plan**
- 2. Provide feedback on the Environmental Scan (Attachment 3) as an input into the Draft ABP 2020/21 and draft LTFP.**

DISCUSSION

The Annual Business Planning process has recently been initiated for the development of the 2020-21 Annual Business Plan (ABP) and annual review of Council's Long Term Financial Plan (LTFP). The table in Attachment 1 outlines the key steps and indicative time frames in the planning and budgeting process. It also highlights the critical decision points for Council through the process (highlighted in the blue shaded areas) and the opportunities for FAC feedback (highlighted in the green shaded areas).

The first iteration of Council's 2020/21 LTFP has been drafted, and includes adjustments to incorporate changes arising from First Budget Review 2019/20. The key movement relates to re-timing of the \$15m Mitchell Park Sports & Community Centre project and its associated borrowings (\$10m) into 2020/21 and 2021/22 in line with forecast construction time frames. The re-timing of these borrowings has shifted the repayments out a number of years and eased the pressure on Council's funding (cash) position. This has allowed the opportunity for a further reduction in the proposed rate increase to be considered - detailed in the assumptions and framework section.

As part of the Annual Business Planning process and prior to the preparation of the next iteration of Council's LTFP and ABP 2020/21, the Finance & Audit Committee's feedback is sought on the proposed framework and key assumptions.

The proposed framework for 2020/21 is based on the framework included in Council's 2019-2020 ABP and LTFP as detailed below:

Framework:

- **Support the achievement of the City of Marion's Strategic Directions**
Comments: No Change Proposed
- **Address issues arising and opportunities identified from internal audit reviews, service reviews and business excellence assessments.**
Comments: No Change Proposed
- **Maintain, on average, a break-even or better funding (cash) position over the Long Term Financial Plan.**
Comments: No Change Proposed
- **Continue to improve the maintenance of assets in accordance with Council's Asset Management Plans, with a priority on maintenance before renewal, and renewal before new when it is cost effective to do so.**
Comments: No Change Proposed
- **Review existing services and assets to ensure they meet prioritised community needs.**
Comments: No Change Proposed
- **Council only approve new Major Projects where it has the identified funding capacity to do so.**
Comments: No Change Proposed
- **Maintain Council's position for an average residential rate which remains among the lower rating in metropolitan councils.**
Comments: No Change Proposed

Key Assumptions

In developing the Draft LTFP and Draft ABP 2020/21, the following key assumptions and variables are proposed to be applied:

Service Levels - Where changes to service delivery is prioritised and approved by Council subject to financial capacity, these changes will be incorporated into the Budget / Long Term Financial Plan. Where no other endorsement exists, service delivery levels will be maintained at current levels.

Indexation - The 2020/21 budget will be based off historical actuals adjusted where appropriate by the current Adelaide CPI (1.9% - Sept 2019). Indexation beyond 2020-21 will be set at 2.5% increase per annum in line with the Reserve Bank's target inflation rate of 2–3 per cent, on average over time, with the following exceptions:

- **Rates** - an increase of 1.6% (TBC) plus growth which is currently forecast at 1.0%. Rate modelling options will need to consider balancing the real cost of service provision and service demand from the community with the financial impact this may have on Marion ratepayers and their capacity to pay.

Comment: Council has over the past 5 years been in a position to decrease the rate increase applied, down from (4.9% - 2015/16, 2.5% - 2016/17, 2.2% - 2017/18 to 1.8% in 2018/19 and 2019/20). Council have requested two options for consideration in 2020/21 - Option 1 is for 1.6% ongoing, and Option 2 is for 1.6% decreasing annually to 1.0% over seven years.

Against the prior year LTFP which had a rate increase of 1.8% ongoing, Option 1 results in a decrease in rate revenue over the term of the LTFP of \$10m, where Option 2 decreases rate revenue over the term of the LTFP by \$24.2m. Based on the first draft of the LTFP, the impact of these changes has no major impacts on Council's key financial indicators (detail available at Attachment 2) however this will need to be assessed as the 2020/21 ABP and LTFP are developed. The forecast reduction in future revenue may impact Council's ability to fund future additional projects and programs.

- **Employee Costs** - A 2.3% increase per annum will be applied to Employee operating costs with consideration given to the revised timetable relating to the change in the Superannuation Guarantee. The Superannuation Guarantee increases recommence on 1 July 2021 - with five annual increases of 0.5% each, being incorporated into the LTFP.

***Comment:** This was increased last year from 2.0% to 2.3% due to the March Adelaide CPI being 2.3% and the Salary Enterprise Agreement (EA) being set for 2.0% or CPI whichever is higher. The Wages EA has been adopted for 2018/19 through to 2020/21 with a 2.5% or CPI increase.*

The corporate KPI relating to Total Employee Costs has a Core target of "less than or equal to 3% increase in actual employee costs" and a Stretch target of "less than or equal to 2%". With the current assumption and EA's, the projected increase exceeds the stretch target but falls within the core target.

The committee's feedback is specifically sought on this assumption with regards to whether or not this should match the stretch target with a continued focus on finding efficiencies in service delivery.

- **Interest expenses** - are directly related to Council borrowings and cash flows.

***Comment:** Forecast interest rates are based on current rates with an added margin giving consideration for future potential rate increases.*

- **Interest revenue** - is directly related to Council investments and cash flows and is carefully monitored in line with interest rate movements.
- **Non Recurrent Costs/ Revenues** - An adjustments schedule is maintained to account for any future variations in operating activities (e.g. an adjustment is made for election expenses to reflect that they only occur once every four years).
- **Capital Grants, subsidies and monetary contributions** - reflect tied monies received in relation to the purchase/construction of new assets and are budgeted in accordance with information known at the time of preparing this document.
- **Contributed Assets** - from developers (includes roads, footpaths, drains etc. provided by developer or new subdivisions occurring in the Council area) will be budgeted in accordance with information known at the time of preparing this document.

Risks in the preparation of the ABP&B and LTFP

There are a number of potential risks that Council should be aware of and consider when assessing the Framework and Key Assumptions:

1. **Rates** - Should rate capping be introduced, it may prove challenging in the long term and could hinder the provision of new services that the community may require. Council will need to continue to investigate and develop strategies to reduce the reliance on such rate increases, balancing this with the real cost of service provision and service demand from the community.

2. **Employee Costs** - Dependant on the outcome of future Enterprise Agreements:
 - A new outside workforce agreement has come into effect (EA number 10, expiring 30 June 2021) and is for 2.5% for the 3 years with a CPI safety net.
 - A new inside workforce agreement has come into effect (EA number 9, expiring 30 June 2022) and is for 2.0% for the 3 years, also with a CPI safety net.

The Corporate KPI for employee cost increase has a target of 3.0%, with a stretch of 2.0%. Capping employee costs at 2.3% places reliance on being able to realise efficiency gains in staffing levels in years where CPI exceeds this figure. This increase may also not be sustainable should service levels increase and associated increases in staffing levels be required. Any increases over 2.3% in the early years of the LTFP have a compounding effect which could have a significant impact.

3. **Competing priorities and community expectations** - There are currently a number of large unfunded aspirational strategic projects identified for further investigation across the City that require partnership funding to be able to proceed. It is crucial that aspirational strategic projects are prudently assessed with appropriate due diligence and in a disciplined manner to ensure Council's long-term financial sustainability is preserved.
4. **Capital Renewal requirements** - currently identified in Council's adopted AMP's for existing assets have been assessed against the LTFP, which currently indicates sufficient funding in total, however timing of funds and works for different asset classes does need further alignment. There are some classes of assets that are currently not wholly incorporated into Council's AMP's and this information is actively being sought to further assess and, if required, fully incorporate into the LTFP.

Environmental Scan

An environmental scan is undertaken periodically as part of the Annual Business Planning process to identify and analyse critical issues and opportunities through application of the PESTLER framework (Political, Economic, Social, Technological, Environmental, Legal and Relationships). The findings may have potential to impact on council's project and program delivery, business-as-usual activity, and reputational risk in the sector. A detailed review is provided in Attachment 3.

The scan findings were reviewed in December 2019 and a number of risks and opportunities were identified which are being considered through the development of the 2020/21 Annual Business Plan, including:

- Continued growth and development within the Tonsley Innovation District, particularly construction at Tonsley residential village with 850 homes proposed for the area
- East-west connectivity improvements through Sturt Road in conjunction with the Darlington, Tonsley and Flinders Link Project
- Waste management with the uncertainty around recyclables due to the ongoing issues within the sector
- Unknown implications that may arise out of Asset Management Plans and potential financial implications to council
- Climate Change priority actions which need to be implemented to further embed climate risk governance
- Future impacts resulting from potential boundary realignment as a result of ongoing talks within the sector
- Resourcing capacity to deliver on projects within Council's Business Plan 2019-2023
- A continued focus on reduced rates by Elected Members
- Potential financial implications that may arise from the Disability Access and Inclusion Plan (to be completed in October 2020)

The Finance & Audit Committee's feedback is sought on any issues or considerations that the committee considers should be included.

The environmental scan will continue to inform a range of areas including Council's suite of strategic plans, public policies, operational plans, and the Risk Working Group.

Targeted Savings

As in prior years there will continue to be a strong focus on identifying on-going savings during the preparation of the ABP 2020/21. It should be noted that identified savings/surpluses in both operating and capital expenditure of \$3.270m were achieved and recently reported to Council as part of the First Budget Review following the completion of the 2018/19 audited financial statements. Council services will continue to be reviewed during the preparation of the ABP 2020/21 and any areas where further efficiency and effectiveness savings are identified through Business Service Reviews will be incorporated into the development of the ABP 2020/21 and the LTFP.

Conclusion:

Feedback is sought from the Finance and Audit Committee in regards to the Framework, Key Assumptions, Risks and Environmental Scan in the preparation of the draft ABP 2020/21 and LTFP.

Attachment

| # | Attachment | Type |
|---|---|----------|
| 1 | Attachment 1 - Planning and Budgeting Process 2020-21 | PDF File |
| 2 | Attachment 2 - Rate Modelling Analysis | PDF File |
| 3 | Attachment 3 - Comprehensive Environmental Scan | PDF File |

2020 - 21 Planning and Budgeting Process

| Stage | Focus | Timing |
|-------|---|----------------------------------|
| 1 | Staff analysis of planning inputs – committed projects/programs, labour budgets, new initiatives, review of WAPs. | October- January |
| 2 | <p>High level draft budget model development:</p> <ul style="list-style-type: none"> Elected Members' input in setting tolerance/ key assumptions, parameters for management Elected Members' consideration of current unfunded initiatives, new priority initiatives and staff new initiatives Draft Budget Model developed based on parameters set | 19 November- January |
| 3 | Finance & Audit Committee - Feedback on the proposed framework, assumptions and associated risks in setting the Annual Business Plan for 2020/21 and the Long Term Financial Plan | 10 December |
| 4 | <ul style="list-style-type: none"> LTFP aligned with set parameters, Council resolutions and prioritised new activities High Level draft Budget/LTFP model presented to Elected Members | <p>January</p> <p>18 January</p> |
| 5 | Finance & Audit Committee – Update provided on Development Draft Annual Business Plan & LTFP, Framework and Assumptions – FAC feedback sought | 25 February |
| 6 | Draft Annual Business Plan /LTFP Framework and Assumptions endorsed and adopted | March |
| 7 | <ul style="list-style-type: none"> Elected Member Forum – Rating data, rates discussion, 2020/21 priority projects list modelling, Draft Annual Business Plan and Comprehensive Draft Budget | March |
| 8 | <p>Set Tentative Rates</p> <p>Set draft priority projects list for consultation</p> | March-April |
| 9 | Draft Annual Business Plan endorsed and adopted for Community Consultation | April |
| 10 | Community Consultation period (Min. 21 Days) | April - May |
| 11 | Community Consultation Feedback to Council | 26 May |

Appendix 2

| | | |
|----|--|------------|
| 12 | Final rates discussion Final priority projects discussions | May - June |
| 13 | Finance & Audit Committee – Update on Community Consultation Feedback | 19 May |
| 14 | Final Draft Annual Business Plan and LTFP endorsed by Council for Adoption | 9 June |
| 15 | Annual Business Plan / LTFP adopted | 23 June |

Impacts of Rate Modelling Options on LTFP

Attachment 2

| | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | LTFP average | Comment |
|---------------------------------|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------------|--|
| Operating Surplus Ratio | | | | | | | | | | | | | |
| | Previously Adopted LTFP (Rate increase 1.8% ongoing) | 8.43% | 8.02% | 8.00% | 8.92% | 9.02% | 9.01% | 8.61% | 9.36% | 9.54% | 9.71% | 8.86% | Operating Surplus Ratio is within target (0-10%) for all options |
| | Option 1 (Rate increase 1.6% ongoing) | 8.28% | 7.72% | 7.55% | 8.32% | 8.28% | 8.11% | 7.56% | 8.17% | 8.20% | 8.24% | 8.04% | |
| | Option 2 (1.6% reducing in 0.1% increments until it reaches 1.0%) | 8.28% | 7.64% | 7.32% | 7.87% | 7.53% | 6.98% | 5.97% | 6.13% | 5.71% | 5.29% | 6.87% | |
| Asset Renewal Funding Ratio | | | | | | | | | | | | | |
| | Previously Adopted LTFP (Rate increase 1.8% ongoing) | 91.34% | 91.75% | 108.59% | 96.57% | 84.50% | 82.86% | 80.61% | 78.91% | 77.10% | 75.61% | 86.78% | Asset Renewal Funding Ratio is not impacted as no change in expenditure |
| | Option 1 (Rate increase 1.6% ongoing) | 91.34% | 91.75% | 108.59% | 96.57% | 84.50% | 82.86% | 80.61% | 78.91% | 77.10% | 75.61% | 86.78% | |
| | Option 2 (1.6% reducing in 0.1% increments until it reaches 1.0%) | 91.34% | 91.75% | 108.59% | 96.57% | 84.50% | 82.86% | 80.61% | 78.91% | 77.10% | 75.61% | 86.78% | |
| Net Financial Liabilities Ratio | | | | | | | | | | | | | |
| | Previously Adopted LTFP (Rate increase 1.8% ongoing) | -18.45% | -12.34% | -11.04% | -13.84% | 18.64% | -23.30% | -28.44% | -34.43% | -40.76% | -47.45% | -21.14% | Net Financial Liabilities Ratio remains within target (under 50%) for all options - a negative ratio indicates more financial assets than liabilities |
| | Option 1 (Rate increase 1.6% ongoing) | -18.31% | -11.89% | -10.13% | -12.34% | -16.43% | -20.57% | -24.42% | -29.33% | -34.48% | -39.89% | -21.78% | |
| | Option 2 (1.6% reducing in 0.1% increments until it reaches 1.0%) | -18.31% | -11.82% | -9.84% | -11.59% | -14.95% | -18.02% | -20.37% | -23.39% | -26.25% | -28.99% | -18.35% | |
| Debt Servicing Ratio | | | | | | | | | | | | | |
| | Previously Adopted LTFP (Rate increase 1.8% ongoing) | 1.70% | 1.40% | 2.30% | 2.60% | 1.90% | 1.90% | 1.80% | 1.80% | 1.70% | 1.30% | 1.84% | Debt Servicing Ratio stays within target (0-5%) for all options |
| | Option 1 (Rate increase 1.6% ongoing) | 1.70% | 1.40% | 2.30% | 2.60% | 1.90% | 1.90% | 1.90% | 1.80% | 1.70% | 1.30% | 1.85% | |
| | Option 2 (1.6% reducing in 0.1% increments until it reaches 1.0%) | 1.70% | 1.40% | 2.30% | 2.60% | 1.90% | 1.90% | 1.90% | 1.80% | 1.80% | 1.40% | 1.87% | |
| | | | | | | | | | | | | | |
| Funding Surplus | | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | |
| | Previously Adopted LTFP (Rate increase 1.8% ongoing) | 462 | 600 | 0 | 265 | 3,287 | 3,741 | 3,914 | 5,315 | 6,166 | 7,420 | 3,117 | Maintains a breakeven or better cash funding position over the LTFP |
| | Option 1 (Rate increase 1.6% ongoing) | 308 | 282 | (489) | (404) | 2,427 | 2,681 | 2,644 | 3,825 | 4,444 | 5,455 | 2,117 | 2022/23 and 2023/24 have minor cash funding deficits (\$489k and \$404k), but on average maintains a breakeven or better cash funding position over the LTFP |
| | Option 2 (1.6% reducing in 0.1% increments until it reaches 1.0%) | 308 | 203 | (733) | (904) | 1,573 | 1,370 | 766 | 1,354 | 1,355 | 1,720 | 701 | 2022/23 and 2023/24 have minor cash funding deficits (\$733k and \$904k), but on average maintains a breakeven or better cash funding position over the LTFP |

| City of Marion Environmental Scan | | | | | | | Attachment 3 | |
|---|---|---|------------------------|------------------------|-----------------------|---------|--|--|
| PESTLER (Political, Economic, Social, Technological, Legal, Environmental and Relationships) | Key Issues | Detail | Short term: 12 months | Medium term: 2-4 years | Long term: 5-10 years | Ongoing | Mitigating Actions taken by COM (where applicable) | |
| Macro forces | | | Criticality for action | | | | COM Actions | |
| Political (led by Government/ Policy or Council) | Recent Federal Election- Liberal | Potential change to funding and key policy changes in new budget | ✓ | | | | Reduction in CFPP fund to ensure that ratepayers are not impacted by further increases | |
| | State productivity commission Independent Inquiry (LGA reforms) | • LG spending • Council conduct • Transparency • LGA reforms | ✓ | ✓ | | | Remaining proactive in the face of change | |
| | NDIS roll out | NDIS funding changes from provider to individual from 2020 will impact current service delivery in the community and cultural services team | ✓ | | | ✓ | KPMG report undertaken by Community Connections to assess impact | |
| | HACC Funding changes | From July 2019 the City of Marion will no longer receive State Government funding to support those aged under 65 with a disability and HACC | ✓ | | | ✓ | KPMG report undertaken by Community Connections to assess impact | |
| | City Deal | On 12 December 2018 the Australian and South Australian Governments signed a Memorandum of Understanding, agreeing to develop a City Deal for Adelaide. The City Deal will be developed in partnership with local governments, communities and the private sector to support long term growth of Adelaide as a vibrant, innovative city that drives the economy forward. It will focus on fostering, attracting and retaining a skilled workforce and establishing a framework for all three levels of Government to work together to achieve the city's goals of growing a population and a growing economy. | | | | ✓ | To remain aware of opportunities for Local Government involvement | |
| | Keeping rates low | Balancing the expectations of keeping rates low against increasing service delivery and infrastructure responsibilities and unavoidable cost increases | ✓ | ✓ | ✓ | ✓ | | |
| | 30 Year plan for Greater Adelaide | Need to plan now to cater for projected population growth, COM is projected to grow 15% over the next 15 years. | ✓ | ✓ | ✓ | ✓ | High number of strategic projects outlined in the 4YBP 2019-2023. Congestion and parking expected to be high on residents concern as the population grows | |
| | Waste Levy | Unannounced solid waste levy from \$100 to \$140 was not anticipated by councils across SA when announced late in the budgetary process by the State Government., The impact to Marion in 19/20 was \$404,000 Future impacts are financial risk- impact on our liveable theme and risk to programs and projects that enhance community liveability. Growing impact on recyclables and their disposal EPA reforms- changes proposed to the way waste is collected at landfills and the EPA's approach to requiring financial assurances for stockpiles. Forum 25 Sep 2019 | ✓ | ✓ | | | | |
| | Potential merge discussions | Discussion circulating in the media around an electoral boundary merger with Holdfast Bay. | ✓ | | | | | |
| | Local Government reform | Discussion paper released on 5 August 2019 'Reforming Local Government in South Australian Discussion Paper' https://www.dpti.sa.gov.au/local_govt/local_government_reform State Productivity Commission established, paper released and highlights the following: high labour costs, materials, capital costs and depreciation costs State Government action would likely contribute to addressing critical information gaps & ensure the adoption of standardised approaches. Sector wide benchmarking, sector wide performance management system. | ✓ | ✓ | | ✓ | | |

| City of Marion Environmental Scan | | | | | | | Attachment 3 |
|---|--|--|-----------------------|------------------------|-----------------------|---------|--|
| PESTLER (Political, Economic, Social, Technological, Legal, Environmental and Relationships) | Key Issues | Detail | Short term: 12 months | Medium term: 2-4 years | Long term: 5-10 years | Ongoing | Mitigating Actions taken by COM (where applicable) |
| Economic | Economic outlook | 4/6/1- Interest rates at a low of 1.25% Economists outlining an exceptionally weak economy as the catalyst for low interest rates, wages growth has slumped, retail spending has declined, savings depleted and housing boom is over with negative equity a growing trend interstate. Housing market value growth of 0.8% in SA Global economy pressures | ✓ | ✓ | | ✓ | 4YBP project- Activate the Edwardstown & Melrose Park Precinct plan is intended to contribute to the economic vitality of the region. |
| | Housing sector- building approvals | Slowing housing economy- building approvals have fallen nationwide. (RP data June 2019) | ✓ | ✓ | | ✓ | |
| | Static job growth | Statistics for COM show that there is a static number of jobs (Remplan June 2019) | ✓ | | | | |
| | GST business decline | Number of GST businesses recording a slight increase | ✓ | | | | |
| | Retail growth | Vacancies in our retail centres (less so at Westfield) | ✓ | | | | |
| | Westfield Marion expansion | Development application approved by DPTI for expansion | ✓ | ✓ | | | Opportunity to revisit zoning around Marion Shopping Centre 4YBP 2019-2023- Deliver the Oaklands Precinct project to provide improved public amenity and connectivity Linkages with the City transport plan in the 4YBP -Development of the City Transport Plan to enable ease of movement for people of all ages and abilities within and through the city |
| | Economic development | A focus on activating economic development in Edwardstown and the need for employment generating business growth | ✓ | ✓ | | | 4YBP project- Activate the Edwardstown & Melrose Park Precinct plan |
| | Retail Turnover | Retail turnover worst in 5 years- Deloitte Access economics July 2019 | ✓ | | | | N/A |
| | SA Economy-global rating | Independent global ratings agency Moody's & Fitch has re-affirmed confidence in SA's economy and maintained the state's Aa1 stable rating (second highest in the nation) recognising economic and jobs growth- underpinned by the \$90 billion naval shipbuilding program and \$11.9 billion infrastructure pipeline over the next 4 years (Source Premier.sa.gov.au 29/9/19) | | | | | |
| | Investment hotspot- Marion ranked high | newdaily.com reported that the COM is in the Top 10 investment property hotspots October 2019 | | | | | An email shared by the Mayor to ELT regarding this. Cr Gard feels there is an opportunity to intensify marketing of our suburbs similar to how Tourism SA promotes the state beyond borders. A motion may be put forward as suggested by Cr Gard. 8/10/2019 |
| Social | | | | | | | |
| | Concerning Public health | Higher than metropolitan average of people with physically chronic conditions, mental health problems and psychological distress particularly in northern and central Marion Updated Population health profile provided by SA Health https://comconnect.marion.sa.gov.au/sites/Corporate/StrategicPlanningFunction/ProgramsandProjects/Health/PHIDU%20Marion%20health%20profile%20Aug%2019.pdf?Web=1 | ✓ | ✓ | ✓ | ✓ | Reporting to Council annually, informing grant funding applications Major projects in the 4YBP including Mitchell Park, Cove Sports & Community Facility Improvements, Southern Soccer Facility, New BMX, Morphettville Park Sports and Community may have a positive influence on the public health data |
| | Local Government reputation | Media has reported a number of incidence's related to poor conduct within the sector impacting significantly on the reputation of the sector and trust within the community. | ✓ | | | | Governance to arrange a workshop |
| | Increase in Crimes across the state | SA Police have reported a 12% increase in crime across the state. 4/6/19 <i>The Advertiser</i> | ✓ | | | ✓ | Tracking crime statistics as a community indicator to inform council. Next trend to be assessed in 2020 |
| | 1% population growth per annum | potential for increasing demands on services populationid | ✓ | ✓ | ✓ | ✓ | Significant investment at a State and Local Government level in infrastructure and new facilities within COM. Community needs analysis will also identify key areas of focus. |
| | A third of the community live alone | Risks of social isolation | ✓ | ✓ | | | Third community bus has been deployed to encourage participation in community activities 4YBP 2019-2023 |
| | Disengaged Youth | 7% of youth aged 15 to 24 are disengaged with education and employment <i>PopulationID</i> | ✓ | | | | Opportunities for organisations (external organisations) to apply for grants that can address gaps in this segment of our community |
| | Expectation of keeping rates low | Implications on Long Term Financial Plan and projects and potential for unexpected policies to come through (i.e waste levy increases, on charges from State Government) | ✓ | ✓ | ✓ | ✓ | |
| | SEIFA Index | The SEIFA index for Marion is 1001. Tonsley & Mitchell Park areas have the lowest areas of disadvantage of 902.2 and 858.0 respectively (2016 ABS data). SEIFA Index is used to allocate funding or services by ranking areas by their need. | | | | ✓ | 4YBP project- Mitchell Park sports and community centre |
| | Future workforce | The Local Government Workforce and Future Skills report proposes that the LG sector will experience a skills shortage as the inability of councils to compete with the private sector on remuneration, lack of suitably qualified or experienced candidates available locally, high demand across the labour market and remoteness of location will make it difficult to attract and retain workers. (LGA) | ✓ | | | | Collaborative working group established with City of Charles Sturt to explore further opportunities |
| Technological | Cyber Security | Targeted attacks are increasing across industries | ✓ | ✓ | | | |
| | Digital Divide | 79.4% have internet access, slightly above Greater Adelaide statistics. | | | | ✓ | Digital Literacy courses are offered through libraries to enhance digital capacity. |

| City of Marion Environmental Scan | | | | | | | Attachment 3 | |
|---|---|--|--------------------------|---------------------------|--------------------------|---------|---|--|
| PESTLER (Political, Economic, Social, Technological, Legal, Environmental and Relationships) | Key Issues | Detail | Short term: 12 months | Medium term: 2-4 years | Long term: 5-10 years | Ongoing | Mitigating Actions taken by COM (where applicable) | |
| Legal (must be complied with) | Public Interest Act (replacing Whistleblowers Policy) | Removes barriers that prevent people who work in the public sector from speaking up about serious problems | | | | ✓ | Ongoing review | |
| Environmental | Climate Risk | Councils that fail to mitigate, manage and disclose climate risks in their governance and decision making will expose themselves to legal liabilities, including potentially breaching fiduciary duties. With climate risks now occupying the minds of mainstream investors, those not addressing climate risks will increasingly struggle to access affordable finance and insurance. | ✓ | ✓ | ✓ | ✓ | Short term priority actions need to be implemented to further embed climate change considerations into risk governance | |
| | Waste Management | China Sword- recyclables not being taken by China China's revised waste import policy raised standards for the contamination of imported products to 0.5% contamination and cost to rise per tonne from July 1 2018. Increased media coverage may impact public opinion on the need for sustainable solutions | ✓ | ✓ | | | Waste Levy June 2019 imposed by State Government, funding drawn from CFPP to ensure ratepayers were not impacted through higher rate increases. Ongoing significant costs to council. | |
| | Corporate Social Responsibility | http://citiesprogramme.org/wp-content/uploads/2017/01/local-government-guide-to-fostering-corporate-social-responsibility-final-170116.pdf | | | | | ongoing management by Governance | |
| | Urban heat concerns | Mentioned in the tree management framework, however as there are no consistent measures on tree canopy coverage councils are in discussions as to how to measure the tree canopy targets outlined in the 30 year Greater Adelaide Plan. | ✓ | ✓ | ✓ | ✓ | Resilient South program. | |
| | Coastal Climate change | Climate change coastal adaptation plan Blue carbon Strategy- announced by | | | | | Coastal climate change adaptation plan has been added to the corporate risk register as a key control to manage climate change related risks | |
| | Nature based tourism | Glenthorne Farm \$2.5 million funding announced by Govt to provide recreational and open space infrastructure 5/6/19 The State Government vision includes picnic areas, heritage buildings, walking and cycling trails and 200 hectares of native vegetation to create an urban forest | ✓ | ✓ | | | City of Marion to continue to advocate for maximum opportunities in this region | |
| | New technologies | hydropanel technologies have been trialled in NSW (LGFocus Vol.35, no.6 2019) | ✓ | ✓ | | | Environmental Sustainability team to explore a range of suitable technologies to enhance efficiencies in our buildings | |
| | | Autonomous vehicle trials being pursued by State Government (City of Playford) July 2019 | ✓ | ✓ | | | | |
| Relationships | Relationships with State Government and Local MP's | Reference to CoM's relationship with sporting and community clubs, at times delicate due to perceived preferences/changes in management- Reputational risk. Potential impact to the City of Marion brand & potential bias in grant applications | ✓ | ✓ | ✓ | ✓ | Regular contact maintained | |

| City of Marion Environmental Scan | | | | | Attachment 3 | | |
|---|--|--|------------------------|------------------------|-----------------------|---------|--|
| PESTLER (Political, Economic, Social, Technological, Legal, Environmental and Relationships) | Key Issues | Detail | Short term: 12 months | Medium term: 2-4 years | Long term: 5-10 years | Ongoing | Mitigating Actions taken by COM (where applicable) |
| Micro forces | | | Criticality for action | | | | COM Actions |
| Financial Sustainability | Focus on driving innovation and continuous improvement | Most revenue comes from rates with compromised financial capacity of ratepayers in economic climate and decreasing grant opportunities Increases in State Government fees and levies impact on the cost of delivering services | ✓ | | | | Strategic procurement- opportunities to enhance cost sharing Service reviews to identify efficiencies |
| | Collaborative partnership model with other councils | Will give rise to opportunities and risks | ✓ | ✓ | ✓ | ✓ | |
| | Maximising revenue opportunities | 88% of revenue is generated through rates alone. Opportunities to seek further partnership opportunities | ✓ | ✓ | ✓ | ✓ | Optimising existing assets including the Marion outdoor pool may boost patronage. Further opportunities to expand the Oaklands Water initiative |
| | Grants | Need to ensure that our strategic project timing aligns with election cycles where large grants can be accessed for projects | ✓ | | | ✓ | Discussion with ELT on Dec 9 to discuss |
| Asset Reliability & Sustainability | Ageing assets and infrastructure | Understanding which assets can be repurposed, reused or disposed of in order to enhance other assets to better meet community needs | ✓ | ✓ | | | 4YBP- City property Strategic Asset Management Plan KPI- Asset Renewal Funding Ratio greater than or equal to 80% |
| | Coastal Path | Unforeseen safety & financial implications related with the Coastal pathway | ✓ | ✓ | | | 26/11/19 Council has agreed to a repair timetable while committing \$2.4 million towards re-opening three sections- and seeking matching funding from the state and/or Federal Governments. A long terms plan was also foreshadowed to replace the entire walkway. |
| | Asset Management | A need for more data to inform any action, more granular detail/quality data/ further identification of liabilities needed Outcomes of plans have unknown implications to council | ✓ | ✓ | | | City property/assets and civil to hold a workshop to collaboratively review the risk |
| Service provision | Governance | Public interest disclosure Act into effect July 1 2019 | ✓ | | | | Mandatory training issued for staff |
| | Climate Risk | Processes, policies and monitoring of climate risk is not embedded within the organisation | ✓ | ✓ | | | |
| Workforce | Capacity to deliver on projects in the 4YBP | The FAC 280519 raised concerns about the high number of projects and capacity to deliver, pressures on staff to manage high workloads. Risk working group identified 'e-planning' and resourcing issues in supporting our commitments to the 4 Year business plan and transformation agenda. | ✓ | ✓ | | | KPI- Delivery of Councils capital works program Greater than or equal to 80% delivery of council's planned capital works program (90% stretch) |
| | LTI monitoring | can we sustain momentum/appropriate support? Need to consider reinvigorating approach to remain relevant | ✓ | | | | Governance- Risk team to identify approach |
| | Staff changes | Key staff changes- intellectual capital lost | ✓ | | | | |
| | Change Management | High number of technology based changes that are considered radical changes in change management principles, appropriate roll out strategies are crucial. Integration towards the new Planning Code will also have an impact on work carried out within the Development and Regulatory Services team | ✓ | ✓ | | ✓ | |
| Volunteering | Volunteering landscape trends | 19.4% of residents in Marion participate in some form of voluntary work. Increasing community interest in volunteerism is providing a varied skill base but higher expectations. Longer working hours are reducing the capacity for long-term volunteering and increasing the desire for more flexible periodic and short-term volunteering opportunities. Increase demand for volunteering as a pathway to employment | ✓ | ✓ | | | Continue to promote volunteering opportunities. The roll out of the Volunteer Strategy in the 4YBP 2019-2023 will help to attract, engage and retain younger and ageing volunteers |

Service Review Program and Recommendations - Progress Update

| | |
|----------------------------|--|
| Originating Officer | Performance & Innovation Leader - Cass Gannon |
| Corporate Manager | Manager Innovation and Strategy - Fiona Harvey |
| General Manager | General Manager City Development - Ilia Houridis |
| Report Reference | FAC191210R08 |

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 20 November 2019

Executive Summary

At the 25 June 2019 meeting of General Council, Council adopted the Service Review Program for FY2019/20.

The Service Review program is progressing as planned, with the review of nine services (a combination of City of Marion and cross council reviews) to be undertaken. Tracking of the progress of all reviews can be viewed in Table 1.

The first stage of the cross council service review methodology involves conducting a desktop analysis. The review is subsequently 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 nine proposed.

Table 1: Service Review Program FY2019/20 - Progress Update

| Service Review Title | No. of Services | Current Status | Comments |
|--|-----------------|----------------|--|
| Standalone Service Reviews | | | |
| Neighbourhood/Community Centres | 1 | Not commenced | Scope presented (FAC190820). Planning sessions held, service review commencing early December 2019 |
| Cross Council Service Reviews | | | |
| Capital Construction and Maintenance | 5 | Commenced | Scope presented (FAC190820). Desktop review underway, expected to be finalised February 2020 |
| Open Space Recreation and Planning | 1 | Not commenced | Desktop review expected to commence in February 2020 |
| Utilities Management (previously referred to as Water and Electricity Bill Validation) | 1 | Complete | Implementation has commenced – final report being presented at this meeting, via separate report |
| Fleet Maintenance | 1 | Not commenced | Expected to be finalised in March 2020 |
| Total | 9 | | |

Since the last report to the Finance and Audit Committee, (FAC191008) and as of 20 November 2019, the implementation of recommendations from service reviews has progressed and highlights since the last report include:

- The Asset Management Strategy has been adopted by Council.
- Open Space Phase 2 implementation is progressing, level one playground inspector, asset inspector, asset repair crew and a reactive truck have been established and are all working to their set program.
- A Records Management Training Program is currently being developed.
- A shared ICT Program Manager has been deployed across the Cities of Marion, Charles Sturt and Port Adelaide Enfield to coordinate project planning.
- The benefits realised review for Community Safety Inspectorate has been completed.
- Meetings continue with Kurna Yerta Aboriginal Corporation (KYAC) representatives to progress the Living Kurna Cultural Centre model, a progress report will be presented to Council in January 2020.

More detail on the progress of the implementation of recommendations from the Service Review Programs are outlined in Appendix 1.

RECOMMENDATION

That the Finance and Audit Committee:

1. Notes and provides comment on the:

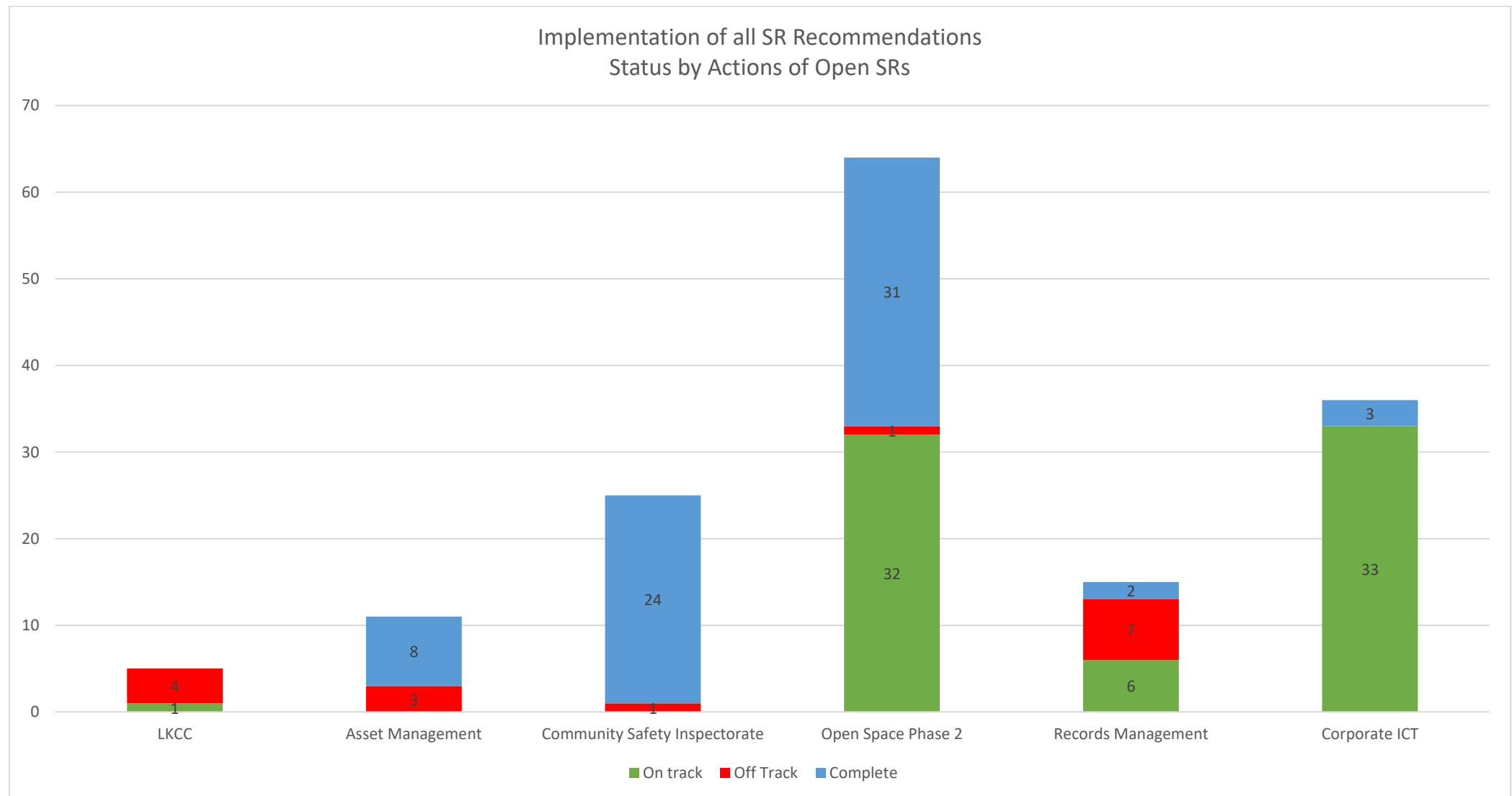
- Overall status of the Service Review Program for FY2019/20 (Table 1)
- Implementation progress of the Service Review Program recommendations (Appendix 1)

Attachment

| # | Attachment | Type |
|---|---|----------|
| 1 | FAC191210 - Service Review Program and Recommendations - Progress Update - Appendix 1 | PDF File |

All Open Service Review Recommendations - Progress Update (Appendix 1)

(Status as at 20/11/2019 based on tracking against original completion dates)



Open Service Reviews - Recommendations - Progress Update

(Status as at 20/11/2019 based on tracking against original completion dates)

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



| Division | Department | Service Review | Date Reported to FAC | Original Full Implementation Date | # of Recommendations | # of Actions | # On Track Actions | # Off Track Actions | # Actions Complete | % of Actions Complete | Comments |
|------------------|-------------------------------------|-------------------------------|----------------------|-----------------------------------|----------------------|--------------|--------------------|---------------------|--------------------|-----------------------|--|
| City Development | City Activation | Living Kurna Cultural Centre | May-16 | Dec-17, Dec-21 | 5 | 5 | 1 | 4 | | 0% | Meetings with Kurna Yerta Aboriginal Corporation (KYAC) representatives are progressing. Representatives from both parties have met with Indigenous Land and Sea Corporation and Indigenous Business Australia to discuss potential funding models and future involvement of these organisations with the process. KYAC are progressing with their overall strategic planning with Warriparinga as a consideration. A progress report will be brought back to Council in January 2020. |
| | Innovation and Strategy | Asset Management | Aug-17 | Jun-18 | 4 | 11 | | 3 | 8 | 73% | Highlights of progress include: - Cleansing activities continuing. - Asset Management Strategy adopted by General Council. - Project to review Asset Management Plans progressing. - Preparation of Data Standards Documentation progressing. - Activity level process mapping progressing. |
| | Development and Regulatory Services | Community Safety Inspectorate | May-18 | Jul-19 | 7 | 25 | | 1 | 24 | 96% | Highlights of progress include: - Mobile devices have been acquired. The ICT Department are configuring these, including continuing to develop an app prior to releasing the devices to staff. - The benefits realised review post year 1 has been undertaken, with findings being presented to leaders end of November 2019. |
| Division Total | | | | | 16 | 41 | 1 | 8 | 32 | 78% | |
| City Services | Engineering and Field Services | Open Space Phase 2 | Aug-18 | Jun-22 | 20 | 64 | 32 | 1 | 31 | 48% | Major highlights of progress include: - Level one playground inspector, asset inspector, asset repair crew and a reactive truck have been set up and are all working to their set program. The |

Open Service Reviews - Recommendations - Progress Update

(Status as at 20/11/2019 based on tracking against original completion dates)

Page 98

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



| Division | Department | Service Review | Date Reported to FAC | Original Full Implementation Date | # of Recommendations | # of Actions | # On Track Actions | # Off Track Actions | # Actions Complete | % of Actions Complete | Comments |
|--------------------|----------------------|--------------------|----------------------|-----------------------------------|----------------------|--------------|--------------------|---------------------|--------------------|-----------------------|---|
| | | | | | | | | | | | output from the teams is being monitored to ensure KPI's are met. The one off track item relates to tree planting supplies sourcing and is 90% complete. |
| | Division Total | | | | 20 | 64 | 32 | 1 | 31 | 48% | |
| Corporate Services | Corporate Governance | Records Management | Aug-18 | Dec-19 | 15 | 15 | 5 | 6 | 4 | 27% | Highlights of progress include: - The new Records Management Team Leader has been recruited and commenced mid-August 2019. - Strategic Records Management Framework draft has been submitted for review. - Records Management Team 2 year business plan draft has been submitted for review. - Records Management training program currently being developed. |
| | ICT | Corporate ICT | Aug-19 | June-21 | 15 | 36 | 33 | | 3 | 8% | Highlights of progress include: - A shared ICT Program Manager has been deployed across the Cities of Marion, Charles Sturt and Port Adelaide Enfield to coordinate project planning and delivery, to ensure delivery against application strategy objectives. - Reduction in lease fees for servers has been pursued. |
| | Division Total | | | | 30 | 51 | 38 | 6 | 7 | 14% | |

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

Open Service Reviews - Recommendations - Progress Update

(Status as at 20/11/2019 based on tracking against original completion dates)

Completed Service Reviews (Fully Implemented) (March 2016 – November 2019)

| Department | Service Review | Date Reported to FAC | Original Complete Date | Actual Complete Date |
|-------------------------------------|--|----------------------|------------------------|----------------------|
| Community Connections | Libraries | 28-Feb-2017 | 31-Mar-2017 | 10-Oct-2017 |
| Human Resources | Recruitment | 15-Dec-2016 | 31-Dec-2017 | 29-May-2018 |
| City Property | Marion Outdoor Swim Centre | 15-Dec-2016 | 31-Oct-2017 | 02-Oct-2018 |
| Corporate Governance | Council Reporting and EM Support | 15-Dec-2016 | 31-Aug-2017 | 02-Oct-2018 |
| Engineering and Field Services | Management of Recycling Depot and Stores | 30-May-2017 | 29-Dec-2017 | 02-Oct-2018 |
| Finance and Contracts | Public Place Litter | 12-Dec-2017 | 30-Jun-2018 | 02-Oct-2018 |
| Engineering and Field Services | Drainage | 30-May-2017 | 30-Jun-2018 | 11-Dec-2018 |
| Engineering and Field Services | Roads | 15-Aug-2017 | 29-Jun-2018 | 11-Dec-2018 |
| Engineering and Field Services | Hard Waste and Dumped Rubbish | 08-Mar-2016 | 01-Jul-2019 | 26-Feb-2019 |
| City Property | Maintenance of Council Facilities | 10-Oct-2017 | 30-Nov-2018 | 28-May-2019 |
| Community Connections | Marion Celebrates | 30-May-2017 | 30-Mar-2019 | 28-May-2019 |
| Development and Regulatory Services | Parking Management and Regulation | 30-May-2017 | 31-Dec-2018 | 28-May-2019 |
| Engineering and Field Services | Open Space Phase 1 | 12-Dec-2017 | 30-Jun-2022 | 28-May-2019 |
| Customer Experience | Customer Service | 27-Feb-2018 | 31-Mar-2020 | 20-Aug-2019 |

Internal Audit Program 2019/20 scoping documents

| | |
|----------------------------|---|
| Originating Officer | Manager Corporate Governance - Kate McKenzie |
| Corporate Manager | Manager Corporate Governance - Kate McKenzie |
| General Manager | General Manager Corporate Services - Sorana Dinmore |
| Report Reference | FAC191210R09 |

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with three (3) internal audit scoping documents for the 2019/20 program.

EXECUTIVE SUMMARY

With the 2018/19 Internal Audit Plan now complete, the 2019/20 program has commenced, with the following projects scoped for FAC review;

- Payroll (**Appendix 1**) (In Progress)

This project is the first collaborative project with the City of Charles Sturt (CCS). The objective of the project is to assess the risks and controls associated with payroll and remuneration processes and consider the service delivery/systems options that may lead to enhanced performance to meet current business needs and better practice. The scope was circulated to the FAC via email so the review could commence in late November 2019. Field work is currently under way, with a report due to the FAC in February 2019.

- Metrics that Matter (**Appendix 2**) (Scoping)

The objective of this review will include a project health check of the Business Intelligence reporting solution project 'metrics that matter' to assess the governance structures, project team roles and responsibilities and project status reporting. The audit will also consider the project outputs and the relevance of identified metrics in the context of better practice across of range of sectors. This review is due to start in December 2019.

- IT Governance (**Appendix 3**) (Scoping)

The objective of this internal audit will be to review the current state of the IT Governance processes and compare the current state to business needs and better practice. This review is due to commence in January 2020.

RECOMMENDATION

That the Finance and Audit Committee:

1. Notes this report
2. Endorses the scopes for the following internal audits noting the feedback provided by the Committee:
 - Payroll (**Appendix 1**)
 - Metrics that Matter (**Appendix 2**)
 - IT Governance (**Appendix 3**)

Attachment

| # | Attachment | Type |
|---|--|----------|
| 1 | Payroll and Remuneration Internal Audit_Scope - appendix 1 | PDF File |
| 2 | CoM20_Metrics that Matter Internal Audit_Scope_FINALDRAFT - Appendix 2 | PDF File |
| 3 | CoM20_ITG Internal Audit_Scope_FINALDRAFT - Appendix 3 | PDF File |



City of Marion

Internal audit project scope:

Payroll and remuneration

(Collaborative project with the City of Charles Sturt)

16 October 2019



DRAFT

Internal Audit Program 2019/20: Payroll and remuneration

In accordance with the 2019/20 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on the CoM's payroll and remuneration is to be performed. This project will be a collaborative project with the City of Charles Sturt (CCS). The objective, scope and approach are outlined below.

Objective

The objective of this internal audit project is to assess the risks and controls associated with the CoM's payroll and remuneration processes and consider the service delivery/system options that may lead to enhanced performance to meet current business needs and better practice.

Scope of services

The scope of this internal audit is to assess the CoM's payroll and remuneration, including:

- Follow up of previous payroll Internal Audit findings (CoM - May 2016 Payroll Internal Audit Report and CCS – September 2017 Payroll Internal Audit Report), considering opportunities to share knowledge to address historical audit issues/pain points)
- Consider current processes with a LEAN lens (considering opportunities to share better practice between councils)
- Consider the adequacy of current payroll and human resource management reporting, and identify opportunities to further develop reporting aligned to business needs and better practice
- Once improvement areas/pain points (as above) are identified, provide high level consideration of the extent to which service delivery/system options could address them.

Approach

The approach for the payroll and remuneration internal audit project will include:

- Consideration of existing policies, procedures, processes and other relevant documentation relating to payroll and remuneration
- Interviews with key staff to obtain an understanding of payroll and remuneration processes and systems
- Examining the implementation of recommendations from previous payroll internal audit reports into current payroll and remuneration processes
- Performing walkthroughs and focused sample testing, where appropriate, to validate our understanding and check the design and operating effectiveness of key controls and analysing the payroll and remuneration processes with a LEAN lens
- Analysis of the service delivery model options available to CoM and CCS to address improvement areas/pain points identified
- A joint workshop will be held with CoM and CCS stakeholders to validate risk findings, performance improvement opportunities and collaboration opportunities
- Drafting and finalisation of an internal audit report (one joint audit report covering both CoM and CCS) outlining internal audit findings, recommendations and any performance improvement or collaborative opportunities.



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Stakeholders

The following CoM stakeholders will be consulted as part of the internal audit project regarding payroll and remuneration.

| Personnel | Position title |
|----------------|-------------------------------|
| Ray Barnwell | Manager, Finance |
| David Harman | Unit Manager, Payroll |
| Kate McKenzie | Manager, Corporate Governance |
| Claire In | Senior Payroll Officer |
| Rachel Read | Unit Manager, Human Resources |
| Karen Brewster | Business Analyst |

Resources and Budget

The team members and proposed budget for the CoM portion of the payroll and remuneration internal audit project are listed in the following table:

| Name | Position | Hourly rate (excl. GST) | Est. hours | Sub-total (excl. GST) |
|--------------------------|----------------------------|-------------------------|------------|-----------------------|
| Eric Beere | Partner | \$350 | 5 | \$1,750 |
| Kar Lim | Director (IT Architecture) | \$350 | 8 | \$2,800 |
| Heather Martens | Associate Director | \$255 | 15 | \$3,825 |
| Harrison Hughes | Assistant Manager | \$150 | 38 | \$5,700 |
| Calvin Graham | Senior Consultant | \$150 | 38 | \$5,700 |
| Total (excl. GST) | | | | \$19,425 |

Timing

The proposed timing for the payroll and remuneration internal audit project is for the project to commence in late October 2019 with a draft report completed for consideration by 30 November 2019, for delivery to the CoM Finance and Audit Committee scheduled for December 2019.



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Approvals

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

CoM Internal Audit Project Sponsor: KPMG Internal Audit Partner:

Name: *Name: Eric Beere*

Signed: *Signed:*

Date: *Date:*

Disclaimers

Inherent limitations

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

No warranty of completeness, accuracy or reliability can be given in relation to the statements and representations made by, and the information and documentation provided by, City of Marion's Management and personnel. We shall seek to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update the report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with City of Marion. The internal audit findings expressed in the report will be formed on the above basis.

Third party reliance

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



City of Marion

Internal audit project scope: **Metrics that Matter**

November 2019

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Internal Audit Program 2019/20: Metrics that Matter

In accordance with the 2019/20 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on the CoM's Metrics that Matter project is to be performed. The objective, scope and approach are outlined below.

Objective

This objective of this internal audit will include a project health check of the Business Intelligence reporting solution project 'Metrics that Matter' to assess the governance structures, project team roles and responsibilities and project status reporting mechanisms. The audit will also consider the project outputs and the relevance of identified metrics in the context of better practice across a range of sectors.

Scope of services

To address the overall objective, the scope of this internal audit will include consideration of the following:

- General governance structures, including staff roles and responsibilities and status reporting relevant to the Metrics that Matter project.
- Review of the current project outputs, including identified KPIs and metrics in the context of better practice and ability to assist with making business decisions.
- Identifying example corporate metrics for the project's consideration, based on leading practice across the Local Government, commercial and government sectors.
- Review of supporting data governance considerations as relevant to business intelligence reporting, including how data management/ownership is managed across the organisation.

Approach

The approach for this internal audit project will include:

- Consideration of existing policies, procedures, processes and other relevant documentation relating to the Metrics that Matters project.
- Interviews with key stakeholders to obtain an understanding of:
 - General governance structures, data governance, identified metrics, and roles and responsibilities related to the Metrics that Matter Project.
 - Views on potential metrics, including the ability to help inform business decisions.
- Leveraging our experiences with other Local Governments and comparable sectors to identify example KPIs for the project's consideration.
- Considering data governance and integrity and whether gathered data is accurate or appropriate.
- Exit meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations.
- Drafting and finalisation of an internal audit report outlining internal audit findings, recommendations and any performance improvement opportunities.



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Stakeholders

The following CoM stakeholders will be consulted as part of the internal audit project regarding Metrics that Matter.

| Personnel | Position title |
|------------------|------------------------------------|
| Kate McKenzie | Manager Corporate Governance |
| Sorana Dinmore | General Manager Corporate Services |
| Fiona Harvey | Manager Innovation and Strategy |
| Cassandra Gannon | Performance and Innovation Leader |

Resources and Budget

The team members and proposed budget for the Metrics that Matter internal audit project are listed in the following table:

| Name | Position | Hourly rate (excl. GST) | Est. hours | Sub-total (excl. GST) |
|--------------------------|--------------------------------------|-------------------------|------------|-----------------------|
| Eric Beere | Partner | \$355 | 5.0 | \$1,775 |
| Toni Jones | Partner (Local Govt Specialist) | \$355 | 2.5 | \$888 |
| Sunny Sharma | Associate Director (Data Governance) | \$260 | 10.0 | \$2,600 |
| Heather Martens | Associate Director | \$260 | 30.0 | \$7,800 |
| Scott Jeffree | Consultant | \$110 | 75.0 | \$8,250 |
| Total (excl. GST) | | | | \$21,313 |

Timing

The proposed timing for the Metrics that Matter internal audit project is for the project to commence in late December 2019 with a draft report completed for consideration by early March 2019, for delivery to the CoM Finance and Audit Committee scheduled for March 2020.

We are in agreement with the scope document for the internal audit project focussing on CoM's Metrics that Matter project.

CoM Internal Audit Project Sponsor: KPMG Internal Audit Partner:

Name: Eric Beere

Signed: _____ Signed: _____

Date: _____ Date: _____

Disclaimers

Inherent limitations

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

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Third party reliance

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



City of Marion

Internal audit project scope: IT Governance

November 2019

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Internal Audit Program 2019/20: IT Governance

In accordance with the 2019/20 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on the CoM's IT governance is to be performed. The objective, scope and approach are outlined below.

Background

Technology is increasingly becoming part of an organisation's fabric and cannot operate in isolation from the business if it is to achieve successful business solutions. Inadequate stakeholder management and interface between IT and the business can result in misaligned, inconsistent and unmet expectations. Successful IT governance requires a balanced and holistic view across strategic alignment, risk management, value delivery, resource management, and performance measurement.

Objective

The overall objective of this internal audit will be to review the current state of the CoM IT governance processes and compare the current state to business needs and better practice.

Scope of services

The scope of the IT Governance Internal Audit will include:

- **IT Governance Structure and Framework:** Review of the current governance structure of the IT function, including relevant roles, responsibilities and associated policies and procedures.
- **IT Strategy:** Review the CoM IT Strategy to consider the alignment to the organisational strategy, business objectives and needs and better practice.
- **Admin access rights:** Assess current practices over user account access, privacy principles and monitoring.

- **Third party procurement/engagement methodologies:** Assess current processes and controls used for the procurement and engagement of third party IT vendors, including documentation and authorisation requirements of IT contracts, contract variations and extensions.
- **Change Management:** Consideration of current practices over change management procedures, including group policy changes, updates and system changes.

Approach

The approach for the IT governance internal audit project will include:

- Conduct stakeholder interviews with:
 - Each of the identified IT stakeholders to gain an understanding of IT governance arrangements, strategy, IT roles and responsibilities, IT policies and procedures, IT procurement, management of third-party IT arrangements and management of technology risks
 - Identified business stakeholders to gain an understanding of the alignment of IT to the CoM business goals and processes, IT governance and communication paths between business and IT, effectiveness of IT function in timely resolution of requests and issues, and business awareness of IT policies and procedures.
- KPMG will request relevant documents associated with the management and governance of the IT function, and conduct a desktop review, highlighting key themes for follow up.
- Key themes will be followed up through additional stakeholder meetings to clarify our understanding.



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- Areas for improvement will be identified and agreed with stakeholders and draft report prepared for management feedback and comment.

Stakeholders

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

| Personnel | Position title |
|------------------|--|
| Kate McKenzie | Manager Corporate Governance |
| Sorana Dinmore | General Manager Corporate Services |
| Phil Mattingly | Unit Manager ICT |
| John Gosbell | Unit Manager ICT Business Applications |
| Fiona Harvey | Manager Innovation and Strategy |
| Jamie Dunnicliff | Strategic Procurement Lead |

Resources and Budget

The team members and proposed budget for the IT governance internal audit project are listed in the following table:

| Name | Position | Hourly rate (excl. GST) | Est. hours | Sub-total (excl. GST) |
|--------------------------|-----------------------|-------------------------|------------|-----------------------|
| Eric Beere | Partner | \$355 | 6.0 | \$2,130 |
| Janet Burdon | IT Associate Director | \$260 | 17.5 | \$4,550 |
| Heather Martens | Associate Director | \$260 | 15.0 | \$3,900 |
| Scott Minion | IT Manager | \$160 | 37.5 | \$6,000 |
| Scott Jeffree | Consultant | \$110 | 75.0 | \$8,250 |
| Total (excl. GST) | | | | \$24,830 |

Timing

The proposed timing for the IT governance internal audit project is for the project to commence in January 2020 with a draft report completed for consideration by 28 February 2019, for delivery to the CoM Finance and Audit Committee scheduled for March 2020.

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

CoM Internal Audit Project Sponsor: KPMG Internal Audit Partner:

Name: Eric Beere

Signed: _____ Signed: _____

Date: _____ Date: _____

Disclaimers

Inherent limitations

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

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Third party reliance

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

REPORTS FOR NOTING

Ombudsman Report 2018/19

| | |
|----------------------------|---|
| Originating Officer | Governance Officer - Victoria Moritz |
| Corporate Manager | Manager Corporate Governance - Kate McKenzie |
| General Manager | General Manager Corporate Services - Sorana Dinmore |
| Report Reference | FAC191210R10 |

REPORT OBJECTIVE

To provide information on complaints received by the City of Marion community to the South Australian Ombudsman (the Ombudsman) during the 2018/19 financial year.

EXECUTIVE SUMMARY

Each year, after the Ombudsman SA has released their Annual Report, a report is formulated to the Finance and Audit Committee (The Committee) that reports on all complaints made about the City of Marion to the Ombudsman's office in that financial year. The report also notes how each of the complaints have been managed.

In 2018/19, The Ombudsman's office received a total of 36 complaints relating to the City of Marion.

In addition to complaints to the Ombudsman's office above, two (2) requests were received direct to the City of Marion, to conduct an internal review of a decision in accordance with the City of Marion Complaints and Grievance Policy. These are referred to and known as 'section 270 Reviews' as the right is provided via this clause of the Local Government Act 1999.

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

RECOMMENDATION

That the Finance and Audit Committee:

1. **Note this report and the information contained within Appendix 1, 2 and 3.**

GENERAL ANALYSIS

ANALYSIS:

In 2018/19 the Ombudsman's office received 968 complaints regarding local government and closed out a total of 990 complaints. Of these complaints, 36 related to the City of Marion. **Appendix 1** shows a comparison of complaints made over the past three financial years. Last financial year, 26 complaints were received and hence this represents a 40% increase in complaints from the previous year.

Appendix 2 provides a summary of the complaints and noting that:

- Nineteen (19) complainants were referred back to the City of Marion.

- Twelve (12) complaints were refused to be investigated by the Ombudsman,
- Three (3) resolved by alternate remedy with another agency,
- One (1) complaint was withdrawn
- One (1) complainant could not be contacted and did not proceed

The phrase “referrals back to the Agency” used within documents produced by the Ombudsman’s Office indicate that the complainant has been advised to liaise with Council in the first instance. In some instances, this contact may be the first time that Council has heard of the complaint (they may have called anonymously) or there may be a record of the complaint. In some cases, the complainant may not have contacted Council again, even after the request of the Ombudsman’s office to do so. In the Ombudsman Annual Report it is noted that a total of 484 complaints (from 968) were referred back to the Council’s which is 50% of the total complaints received.

From the 36 complaints received this year, 19 complaints referred back to Council as follows:

- Building and development - 8
- Unreasonable expiations - 2
- Failure to adequately address complaints about neighbouring businesses - 2
- Unreasonable noise complaints - 2
- Nuisance backyard burning - 1
- Failure to notify a resident of works - 1
- Failure to investigation complaint about sport facility - 1
- Unreasonable outcome of review - 1
- Removal of tree - 1

12 complaints were declined to be investigated:

- Dog registration fee - 2
- parking expiation - 4
- claim/liability for damages - 2
- delay in resolving complaints - 1
- Council meeting conduct - 1
- Unreasonable investigation of complaint about sport facility - 1
- Neighbouring business - 1

5 Complaints were either resolved by an alternate agency, withdrawn or did not proceed.

Appendix 3 provides an extra from the Ombudsman's Annual Report that provides the full statistics of complaints from all Councils across SA. This data is useful to benchmark the City of Marion.

S270 Reports (internal reviews of a council)

In addition to complaints to the Ombudsman's office above, two (2) requests were received direct to the City of Marion to conduct an internal review decision in accordance with Council's Complaints and Grievance Policy. Both complainants also contacted the Ombudsman's office concurrently however were referred back to Council. These complaints were:

- One (1) Tree Removal (July 2018)

This complaint related to the removal of a tree on a residential block which was causing damage to the property. The review did not proceed and the matter was resolved internally. The tree was removed.

- One (1) Development Matter (October 2018)

This complaint was in relation to a development matter regarding a driveway crossover. The review did not proceed and the matter was resolved internally.

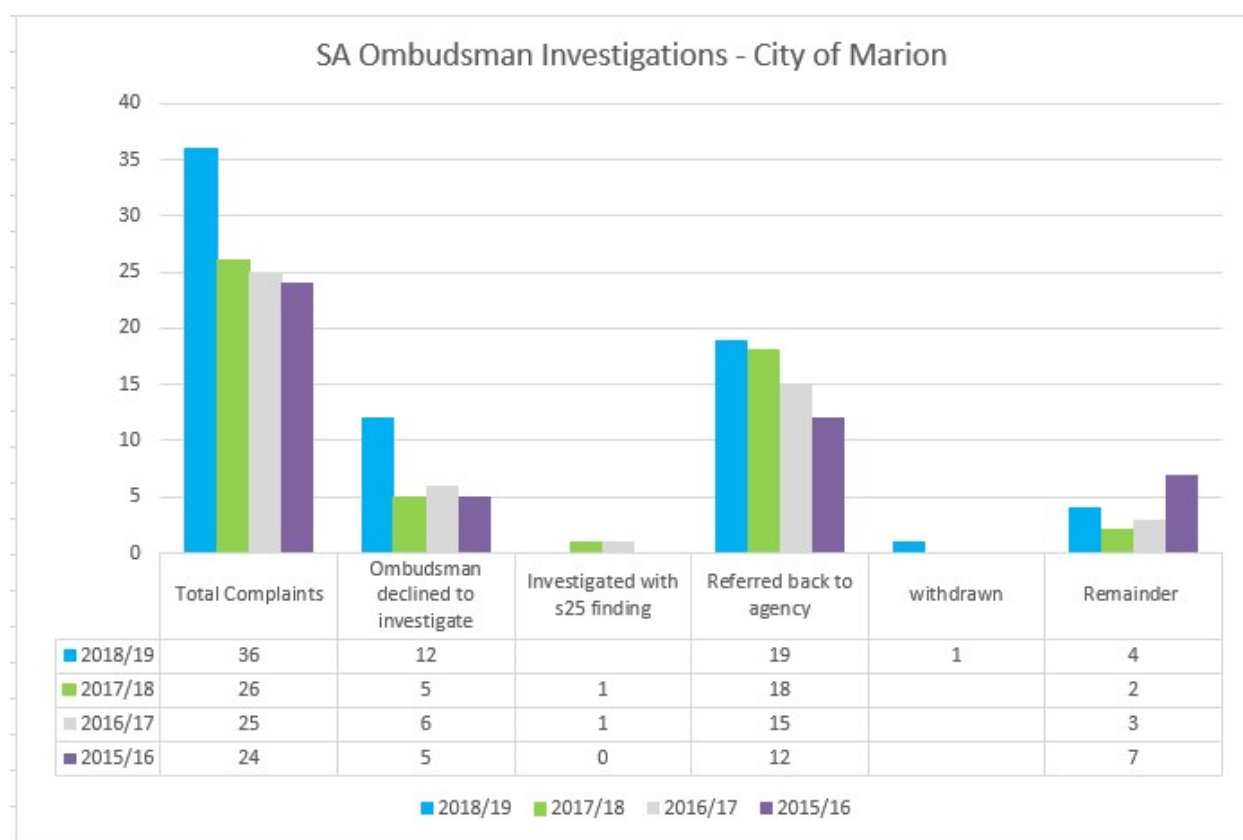
CONCLUSION:

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

Attachment

| # | Attachment | Type |
|---|-------------------------------|----------|
| 1 | Ombudsman Report - Appendix 1 | PDF File |
| 2 | Ombudsman Report - Appendix 2 | PDF File |
| 3 | Ombudsman Report - Appendix 3 | PDF File |

Comparison of complaints made over the past financial years



Nineteen (19) complaints were referred back to the City of Marion

| | Number of complaints | Outcome |
|---|----------------------|---|
| Development / Building | 8 | <p>Three complaints were from one complainant and relate to the same development application which has now been approved. Delays were caused by the applicant not providing sufficient information.</p> <p>One was in relation to failure to act on complaints regarding a neighbour's retaining wall. Council acted on numerous complaints concerning the structural adequacy of the neighbour's retaining wall. The wall has been certified as structurally adequate and the matter is now closed.</p> <p>One relates to a complaint regarding development on an adjacent allotment where the complainant was not satisfied the upper level windows incorporated sufficient privacy measures. A review of the development identified it was in accordance with the approved plans.</p> <p>One relates to a development application for an allotment which also included unauthorised filling. Land use application is currently under assessment by Council.</p> <p>One relates to a complaint regarding delays in the process. Delays were caused by the applicant not providing sufficient information and seeking for a form of development at odds with Council's Development Plan. The application has since been approved.</p> <p>One relates to an adjacent development application issued by a private certifier. The dwelling is currently under construction.</p> |
| Unreasonable expiation notice | 2 | <p>Both were investigated. One instance found the disability permit was not current and no new permit had been issued. Permit was not issued in complainant's name. The Expiation of Offences Act does not provide for the City of Marion to Withdraw the expiation.</p> <p>The other complaint was reviewed and not waived. It was paid by the customer.</p> |
| Failure to adequately address complaint about neighbouring business | 2 | Both Complaints are in relation to the 'Puddle Jumpers Site'. Council has committed to ongoing monitoring of the situation and has communicated with both complainants. A development application has also been lodged for a change of 'existing land use'. |
| Unreasonable investigation of noise complaint | 2 | <p>One was in regards to a rooster complaint. The complainant did not initially return the noise diary. This has since been returned and CSI are investigating.</p> <p>The other complaint was investigated and determined not an offence under Local Nuisance and Litter Control.</p> |
| Unreasonable investigation of complaint regarding neighbour | 1 | This complaint relates to nuisance backyard burning. A section 270 review was completed in 2015 however the complainant has requested a new review be completed as the Local Nuisance and Litter Act has been introduced since. A section 270 review is in progress. The complainant been provided a preliminary report and requested an extension until mid-December 2019 to respond. |

| | | |
|---|---|--|
| Failure to notify resident on work undertaken | 1 | The Council does not have any internal records of this complaint. |
| *Unreasonable investigation of complaint regarding use of sporting facilities | 1 | *Complaint regarding lighting noise and on street parking at the Clovelly Park Memorial Community Centre. Council responded to correspondence from the complainant. It was determined there was no offence under the Local Nuisance and Litter control Act re Noise, however relevant club were asked to be mindful of local residents. The parking is sufficient and residents are encouraged to report illegal parking. Louvres were installed on the light towers to alleviate 'light spill'. Council has received no further complaints. |
| Unreasonable outcome of review | 1 | Relates to investigation of a retaining wall. It was found there did not appear to be a breach of the Development Act 1993 and it was constructed in accordance with the approved plans. |
| Removal of trees | 1 | The resident had requested for a tree to be removed which Council had declined. The matter was referred to the Ombudsman who referred the matter back to Council and a section 270 review was requested. Initial investigation occurred and although the tree was healthy, it was potentially causing property damage due to its location and hence the tree was removed and the complaint resolved |

Twelve (12) complaints were declined to be investigated

| | Number of complaints | Outcome |
|---------------------------------------|----------------------|---|
| Dog Registration Fees | 2 | The City of Marion was unaware of these complaints regarding unreasonable demand to pay highest fee to register dog and unreasonable increase in dog registration fee. |
| Parking Expiation | 4 | The City of Marion was unaware of three of the complaints that were made to the Ombudsman. According to Council records, one expiation was reviewed and not waived and paid in full by the customer. |
| Claim / liability for damaged vehicle | 2 | One claim was in relation to unreasonable refusal of claim for damage to vehicle. The claim was denied by the LGAMLS under Section 42 of the Civil Liability Act. The other claim was in relation to unreasonable refusal of liability for damage to vehicle. The claim was made against Council after the claimant's vehicle was scratched by an abandoned 'Road Work Ahead' sign that was not Council's but that of an unknown 3rd party working in the area. Council denied the claim requesting evidence be provided outlining Council's negligence. |
| Delay in resolving complaint | 1 | On -going complaint about noise from a neighbouring property/charity. Complaint was investigated and no further action required. |

| | | |
|--|---|--|
| Meeting Conduct | 1 | This was an anonymous complaint and declined to be investigated because of it was Trivial, Frivolous, Vexatious, Not Made in Good Faith (s17(2)) |
| *Unreasonable investigation of complain regarding use of Sporting Facility | 1 | *Same complaint as above. |
| Neighbouring Business | 1 | This complaint relates to the 'Puddle Jumpers Site'. Council has committed to ongoing monitoring of the situation and has communicated with both complainants. A development application has also been lodged for a change of 'existing land use'. |

Five (5) complaints were either resolved by an alternate agency, withdrawn or did not proceed

| | Number of complaints | Outcome |
|--|----------------------|------------------------------------|
| Unreasonable Expiation | 2 | Alternate Remedy with another body |
| Failure to respond to review | 1 | Complainant could not be contacted |
| Unreasonable fee for late payment of rates | 1 | Withdrawn by Complainant |
| Inappropriate Development Approved | 1 | Alternate Remedy with another Body |

Appendix 3 – extract from Ombudsman SA Annual Report

Summary tables
1 July 2018 - 30 June 2019

Complaints: received and completed

| Local council | Received | % | Received / 10,000 popn | Completed | % | Population 30 June 2018 | Completed / 10,000 popn |
|---------------------------------------|----------|------|------------------------|-----------|-----|-------------------------|-------------------------|
| Adelaide Hills Council | 37 | 4.0 | 9.3 | 37 | 3.5 | 39 794 | 9.3 |
| Adelaide Plains Council | 10 | 1.0 | 11.0 | 10 | 1.0 | 9 059 | 11.0 |
| Alexandrina Council | 22 | 2.0 | 8.1 | 21 | 2.0 | 27 037 | 7.7 |
| Berri Barmera Council | 7 | 1.0 | 6.4 | 7 | 0.5 | 10 853 | 6.4 |
| Campbelltown City Council | 21 | 2.0 | 4.1 | 20 | 2.0 | 51 469 | 3.9 |
| City of Adelaide | 67 | 7.0 | 27.0 | 68 | 7.0 | 24 794 | 27.4 |
| City of Burnside | 24 | 2.5 | 5.3 | 25 | 2.5 | 45 706 | 5.4 |
| City of Charles Sturt | 58 | 6.0 | 4.9 | 51 | 5.0 | 117 382 | 4.3 |
| City of Holdfast Bay | 17 | 2.0 | 4.6 | 17 | 1.5 | 37 032 | 13.8 |
| City of Marion | 36 | 3.5 | 3.9 | 34 | 3.5 | 92 308 | 3.7 |
| City of Mitcham | 20 | 2.0 | 3.0 | 20 | 2.0 | 67 253 | 3.0 |
| City of Mount Gambier | 11 | 1.0 | 4.0 | 12 | 1.0 | 27 176 | 4.4 |
| City of Norwood, Payneham & St Peters | 15 | 1.5 | 4.1 | 14 | 1.5 | 36 750 | 5.2 |
| City of Onkaparinga | 85 | 9.0 | 5.0 | 94 | 9.5 | 171 489 | 5.5 |
| City of Playford | 31 | 3.25 | 3.3 | 33 | 3.5 | 93 426 | 3.5 |
| City of Port Adelaide Enfield | 73 | 7.5 | 5.8 | 71 | 7.5 | 126 120 | 5.6 |
| City of Port Lincoln | 3 | 0.5 | 2.1 | 4 | 0.5 | 14 626 | 2.7 |
| City of Prospect | 15 | 1.5 | 7.1 | 13 | 1.5 | 21 259 | 6.1 |
| City of Salisbury | 34 | 3.5 | 2.4 | 34 | 3.5 | 142 555 | 2.4 |
| City of Tea Tree Gully | 40 | 4.0 | 4.0 | 41 | 4.0 | 99 694 | 4.1 |
| City of Unley | 19 | 1.5 | 4.9 | 19 | 2.0 | 39 145 | 4.8 |
| City of Victor Harbor | 8 | 1.0 | 5.2 | 12 | 1.0 | 15 248 | 7.9 |
| City of West Torrens | 42 | 4.5 | 7.0 | 42 | 4.0 | 60 105 | 7.0 |
| Clare & Gilbert Valleys Council | 5 | 0.5 | 5.3 | 6 | 0.5 | 9 379 | 6.4 |

| Local council | Received | % | Received / 10,000 popn | Completed | % | Population 30 June 2018 | Completed / 10,000 popn |
|--|----------|------|------------------------|-----------|------|-------------------------|-------------------------|
| Coorong District Council | 4 | 0.5 | 7.3 | 4 | 0.5 | 5 463 | 7.3 |
| Copper Coast Council | 10 | 1.0 | 6.7 | 10 | 1.0 | 14 872 | 6.7 |
| Corporation of the City of Whyalla | 11 | 1.0 | 5.1 | 12 | 1.0 | 21 766 | 5.5 |
| Corporation of the Town of Walkerville | 7 | 0.5 | 8.8 | 7 | 0.5 | 7 944 | 8.8 |
| District Council of Cleve | 2 | 0.25 | 11.1 | 3 | 0.5 | 1 799 | 16.7 |
| District Council of Coober Pedy | 14 | 1.5 | 75.9 | 16 | 1.5 | 1 845 | 86.7 |
| District Council of Elliston | 4 | 0.5 | 39.3 | 4 | 0.5 | 1 019 | 39.3 |
| District Council of Franklin Harbor | 1 | 0.25 | 7.6 | 1 | 0.25 | 1 315 | 7.6 |
| District Council of Grant | 5 | 0.5 | 5.9 | 4 | 0.5 | 8 511 | 4.7 |
| District Council of Lower Eyre Peninsula | 8 | 1.0 | 9.4 | 9 | 1.0 | 5 761 | 15.6 |
| District Council of Loxton Waikerie | 9 | 1.0 | 7.7 | 8 | 1.0 | 11 726 | 6.8 |
| District Council of Mount Remarkable | 2 | 0.25 | 6.9 | 3 | 0.5 | 2 910 | 10.3 |
| District Council of Orroroo/Carrieton | 3 | 0.5 | 11.7 | 3 | 0.5 | 854 | 35.1 |
| District Council of Peterborough | 10 | 1.0 | 7.1 | 10 | 1.0 | 1 700 | 58.8 |
| District Council of Renmark Paringa | 2 | 0.25 | 2.0 | 2 | 0.25 | 9 869 | 2.0 |
| District Council of Robe | 1 | 0.25 | 6.9 | 6 | 0.5 | 1 444 | 9.3 |
| District Council of Streaky Bay | 1 | 0.25 | 4.5 | 1 | 0.25 | 2 214 | 4.5 |
| District Council of Tumby Bay | 10 | 1.0 | 37.2 | 10 | 1.0 | 2 688 | 37.2 |
| District Council of Yankalilla | 5 | 0.5 | 9.1 | 6 | 0.5 | 5 478 | 11.0 |
| Kangaroo Island Council | 16 | 1.5 | 32.4 | 16 | 1.5 | 4 933 | 32.4 |
| Light Regional Council | 10 | 1.0 | 6.5 | 10 | 1.0 | 15 339 | 3.5 |
| Mid Murray Council | 16 | 1.5 | 17.8 | 17 | 2.0 | 8 983 | 18.9 |
| Mount Barker District Council | 19 | 2.0 | 5.3 | 19 | 2.0 | 35 545 | 5.4 |
| Naracoorte Lucindale Council | 2 | 0.25 | 2.3 | 2 | 0.25 | 8 533 | 2.3 |
| Northern Areas Council | 6 | 0.5 | 13.0 | 6 | 0.5 | 4 603 | 13.0 |
| Port Augusta City Council | 8 | 1.0 | 5.7 | 8 | 0.5 | 14 102 | 5.7 |
| Port Pirie Regional Council | 7 | 0.5 | 4.0 | 7 | 0.5 | 17 630 | 4.0 |
| Regional Council of Goyder | 6 | 0.5 | 14.3 | 7 | 0.5 | 4 206 | 16.6 |
| Roxby Council | 4 | 0.5 | 10.0 | 4 | 0.5 | 4 014 | 10.0 |

| Local council | Received | % | Received / 10,000 popn | Completed | % | Population 30 June 2018 | Completed / 10,000 popn |
|----------------------------------|------------|-------------|------------------------------|------------|-------------|----------------------------|-------------------------------|
| Rural City of Murray Bridge | 12 | 1.0 | 5.4 | 12 | 1.0 | 22 165 | 5.4 |
| Southern Mallee District Council | 2 | 0.25 | 9.6 | 2 | 0.25 | 2 094 | 9.6 |
| Tatiara District Council | 1 | 0.25 | 1.5 | 1 | 0.25 | 6 794 | 1.5 |
| The Barossa Council | 12 | 1.0 | 4.8 | 11 | 1.0 | 24 808 | 4.4 |
| The Flinders Ranges Council | 2 | 0.25 | 11.8 | 2 | 0.25 | 1 693 | 11.8 |
| Town of Gawler | 10 | 1.0 | 4.2 | 13 | 1.5 | 24 018 | 5.4 |
| Wakefield Regional Council | 5 | 0.5 | 7.3 | 5 | 0.5 | 6 814 | 7.3 |
| Wattle Range Council | 4 | 0.5 | 3.3 | 4 | 0.5 | 12 031 | 3.3 |
| Wudinna District Council | 1 | 0.25 | 7.7 | 1 | 0.25 | 1 294 | 7.7 |
| Yorke Peninsula Council | 16 | 1.5 | 14.1 | 19 | 2.0 | 11 328 | 16.8 |
| TOTAL | 968 | 100% | | 990 | 100% | | |

Climate Risk and Governance Assessment

| | |
|----------------------------|--|
| Originating Officer | Environmental Sustainability Manager - Ann Gibbons |
| Corporate Manager | Manager Innovation and Strategy - Fiona Harvey |
| General Manager | General Manager City Development - Ilia Houridis |
| Report Reference | FAC191210R11 |

REPORT OBJECTIVE

The purpose of this report is to provide an update on a Climate Risk Governance Assessment recently completed by the City of Marion, propose a number of short-term priority actions, and to discuss next steps. The Governance Assessment was identified as a priority in a report on 'Climate Risk for Councils' considered at the February 2019 Finance and Audit Committee meeting (FAC190226R05).

EXECUTIVE SUMMARY

The City of Marion was one of four South Australian Councils to complete a pilot climate change adaptation governance assessment along with the City of Onkaparinga, Adelaide Hills Council and the District Council of Mt Barker.

The assessment was completed by consultants Climate Planning and Seed Consulting during April and May 2019 and included an online staff survey, a review of publicly available corporate documents, and face-to-face meetings with management and key operational staff.

The results of the assessment were presented in a joint staff workshop with the City of Onkaparinga in August 2019 and the final assessment report was considered by the Infrastructure Strategy and Committee on 5 November 2019 (ISC191105R03). The assessment found that climate change has been considered in all of the ten key governance indicators placing the City of Marion as the leader in Australia, compared to the 200 councils that have been assessed to date.

A number of short-term priority actions have been identified to further embed climate change considerations in Council's governance arrangements. Longer-term actions will be identified over the coming months in consultation with relevant teams within Council and with our regional local government partners.

An Elected Member briefing and workshop is being planned for early in 2020. It is proposed that this event be held jointly with other southern Adelaide councils that have also completed the assessment to enable shared learning and collaboration.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Notes this update on the Climate Risk and Governance Project;**
- 2. Supports the following priority City of Marion actions to be included in the regional response planning:**
 - Inclusion of climate change risk in Asset Management Plans as they are reviewed and updated;**
 - Review of the Climate Change Policy to include consideration of an emissions reduction target for Council;**

- **Greater recognition of climate change in Council's emergency management planning documents, systems and processes;**
- **Advocacy to the South Australian Government for greater recognition of climate change in planning policy.**

GENERAL ANALYSIS

Valuing Nature:

It is a key priority in the City of Marion Strategic Plan 2019 - 2029 to "plan for and respond to extreme weather events through our services and urban form, managing infrastructure issues associated with flooding and stormwater".

Risk Management:

Councils are now facing unprecedented legal liabilities and financial risks if they fail to address obligations arising from climate change.

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

DISCUSSION

Councils that fail to mitigate, manage and disclose climate risks in their governance and decision making will expose themselves to legal liabilities, including potentially breaching fiduciary duties. With climate risks now occupying the minds of mainstream investors, those not addressing climate risks will increasingly struggle to access affordable finance and insurance.

To better understand and prepare for these risks, consultants Climate Planning and Seed Consulting were engaged by the City of Marion, the City of Onkaparinga, Adelaide Hills Council and the District Council of Mt Barker to undertake a climate risk and governance assessment of their respective council operations using Climate Planning's "Informed.CityTM" climate risk governance assessment process. The assessment is not intended to measure 'on-ground' climate action but rather to identify documented climate risk governance arrangements in order to establish if there are gaps that may expose councils to legal or financial liability. It has been completed by 200 councils in eastern seaboard states, however these are the first South Australian councils to complete the assessment.

This project forms part of Council's response to climate change being delivered via the regional Resilient South program with partners the Cities of Onkaparinga, Holdfast Bay and Mitcham. Adelaide Hills and Mt Barker are part of the Resilient Hills and Coasts regional approach to climate change. A summary of this pilot is provided in Attachment 1. The remaining six councils in the two regions are looking to complete the assessment during 2019/20.

1. Summary of Climate Risk Governance Assessment

The **first stage** of the assessment involved a review of a range of publicly available corporate and strategic documents to explore how climate change is being considered against the ten quantitative governance indicators.

The document review found that the City of Marion has considerable inclusion of climate change in its formal governance documents. A highlight of the review was recognition of the City of Marion's leading approach to corporate risk governance and, in particular, the public disclosure of the corporate risk register via the Finance and Audit Committee.

The **second stage** of the assessment involved an online survey to gain insights of staff members' understanding of climate change impacts, their department's capacity to adapt, and their perceived barriers and enablers to improved consideration of climate change in Council decision-making. 120 staff members from across all council departments responded to the survey conducted during April 2019.

Key findings from the Marion staff survey include:

- 85% of respondents have some level of understanding of climate impacts and adaptation
- 59% believe that climate change is impacting on Council's operations and procedures now
- 58% identified limited assigned funding as a barrier hindering Council's ability to plan for climate change
- 61% believe that statutory planning support is very helpful in adapting to climate change impacts
- 31% of respondents believe that the City of Marion is prepared for responding to climate change impacts while 35% believe Council is NOT prepared at all.
- 43% recognised that effective risk management practices would better enable the City of Marion to plan for climate change

The **third stage** of the assessment involved face-to-face interviews to better understand the issues, barriers and enablers for embedding consideration of climate change in decision-making for the City of Marion. On Tuesday 30 April 2019, 39 staff from across the organisation, including all of the Senior Leadership Team, were interviewed in small groups based on relevant themes (e.g. finance and procurement, strategy and land use planning, etc.).

The interviews found that staff could readily identify key physical climate risks to the various organisational functions along with clear corporate strategic drivers for decision making. A consistent understanding of climate change risks from officer to senior executive level was also identified.

As the assessment found that climate change is being considered in all of the ten key governance indicators (refer to Attachment 2), the City of Marion is placed as a leader in Australia compared with the 200 councils that have been assessed. That said, there remain significant gaps associated with asset, financial and emergency management that require further attention.

In August 2019 around 80 staff from the Cities of Marion and Onkaparinga came together for a debrief on the climate risk and governance assessment, share success stories, and identify action opportunities. Since then a number of work areas have proactively sought to incorporate consideration of climate risk into their documents, systems and processes in response to the assessment findings eg climate risk analysis included in the recently adopted Asset Management Strategy, and the asset management plans which are currently in review.

The 'Climate Change Adaptation Governance Assessment Report for the City of Marion' is provided in Attachment 2.

2. Next Steps

The assessment recommendations are being reviewed and a planned approach to implementation is being prepared. For the City of Marion to have an improved climate change adaptation governance score and a better understanding of the issues, a detailed climate change risk assessment of Council's operations and assets will be required. Understanding the changing climate risk exposure and its effect on asset useful life and depreciation, is a priority. The report also recommends that a greenhouse gas emissions reduction target is set by Council, and suggests 'carbon neutral by 2050' as a minimum, which was recently discussed at the 29 October Elected Member Forum as part of discussions concerning climate initiatives.

The following actions are identified as short-term priorities for the City of Marion, some of which are already progressing:

- Inclusion of climate change risk in Asset Management Plans as they are reviewed and updated;
- Review the City of Marion Climate Change Policy to include consideration of an emissions reduction target for Council (next review due in 2020);
- Include greater recognition of climate change in Council's emergency management planning;
- Advocate to the South Australian Government for greater recognition of climate change in planning policy.

Medium and longer-term actions will be identified over the coming months in consultation with key work areas and with our regional local government partners.

To strengthen our regional climate response in southern Adelaide, a joint briefing and workshop for Elected Members from the City of Marion and other southern Adelaide councils that have completed the assessment is planned for sometime in 2020. This session will provide more in-depth information on the financial, legal and insurance risks of climate change for local government and an lifespan opportunity for peer learning and collaboration.

Attachment

| # | Attachment | Type |
|---|---|----------|
| 1 | Climate Risk Governance Assessment - Summary report | PDF File |
| 2 | Climate Change Adaptation Governance Assessment Report for Marion - July 2019 | PDF File |

Climate Risk Governance Assessment

South Australian Pilot of the Informed.City Tool

September 2019

Background

There is growing recognition of the need for councils to manage their exposure to climate related legal and financial risks. In response, four partner councils from Resilient South and Resilient Hills & Coasts – Adelaide Hills, Mt Barker, Marion and Onkaparinga – participated in the first South Australian pilot of Climate Planning's Informed.City™ climate risk governance assessment process.

On Monday 19 August 2019, the pilot Councils came together across two workshops to hear results and jointly identify next steps.

This document provides a short summary of results and next steps. More detailed results can be accessed in the reports provided to each participating council.

Methodology

The assessment is not intended to measure 'on-ground' climate action but rather to identify documented climate risk governance arrangements in order to establish if there are gaps that may expose councils to legal or financial liability. Assessments drew upon information gathered via:

- Desktop review of publicly available council documents
- Online survey with council staff
- In-depth group interviews with council staff

Councils were assessed against ten quantitative and seven qualitative key performance indicators, and specific recommendations were provided to each Council about how to lift performance against each indicator. Should a Council elect to advance even further, the appendices of the council reports provide further advice.

Councils can choose to repeat the assessment bi-annually to monitor progress and build accountability and transparency over time.

Results Snapshot

All four Councils were ranked among the top performing in Australia. Marion Council was ranked number one, Onkaparinga in the top five, and Adelaide Hills and Mount Barker were in the tenth percentile for small Councils.

Consultant, Donovan Burton, noted that the consistently high performance of the cohort was in large part due to the Regional Climate Partnerships. These partnerships enabled sharing of information, tools and resources, peer to peer learning, consistency and joint development of best practice approaches.

The assessments indicated that while there are sound foundations for effective climate risk governance, notable gaps leave partner councils exposed to legal and financial liabilities. Councils can address these gaps to a reasonable level by systematically and incrementally following the recommendations laid out in their report.

Next Steps

Some key opportunities were raised – both in the assessment reports and in the workshops – for participating Councils to improve their climate risk governance immediately. Highlights are listed below, but each Council can undertake a more detailed review of their assessment report.

Meanwhile, there has been substantial interest from other Councils to undertake the assessment. As more South Australian councils undertake the assessment, more opportunities to share successful approaches will be highlighted, supporting a community of practice approach.

Individual Council opportunities

- Councils must undertake a comprehensive review of their **Strategic Plan, Infrastructure and Asset Management Plan** and **Long-term Financial Plan** within two years of each general election. This provides an ideal opportunity to embed climate risk governance into these strategic documents. The Assessment Reports provide specific advice on how to lift performance in each of these (Indicators 1, 2 & 4), as well as specific advice on how to advance further.
- **Asset Management** came up strongly in the workshop ideas and as a performance gap in the assessment for all councils. Understanding the changing climate risk exposure and its effect on useful lifespan and depreciation models, is a priority.
- Establish a **Climate Risk Committee or Working Group** (similar to WHS committee) – or task an existing committee or working group – to review the report recommendations and workshop ideas, and systematically take all reasonable actions across the responsible areas within council.
- Add 'Climate Risk' as a heading to **Council Report** template (or add to guidance under 'Risk').
- Engage in the LGA's **Council Ready** program to embed climate risk governance in emergency management (Indicator 6), including adopting the **Council Emergency Management Model Policy**.
- Consider **publicly disclosing high-level climate risks**, in a Corporate Risk Report
- **Brief Elected Members** on climate risks for Councils.

Regional and sector-wide opportunities

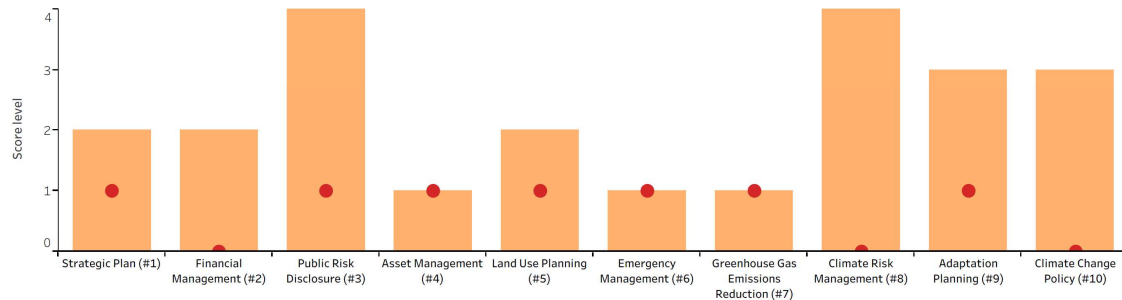
- **Sharing information, knowledge, tools and case studies** came up strongly in the staff survey as a preferred support mechanism.
 - DEW has funded a one-year trial of a **Central Coordination function** across the Regional Climate Partnerships, with one of its main aims being to improve knowledge sharing.
- Continue to engage in and resource the **Regional Climate Partnerships**, a proven effective model for sharing knowledge, tools and approaches, building staff capability, and maintaining momentum of change within Council business.
 - Advocacy to State Government to commit to extending these partnerships with Local Government has commenced.
- A future **knowledge sharing and showcasing event**, for all Councils seeking to improve their climate risk governance.
 - This has been mooted by Resilient South and Resilient Hills & Coasts.
- Ask LGA to draft a **Council Climate Risk Model Policy**.
 - See Kingsborough Council for a model.
- Ask LGA to provide an **Open Data Policy** or legal advice on public disclosure of Corporate Risk Registers and Hazard Mapping
 - Aspects of this have been initiated with the LGA.
- Advocate to State Government for **climate risks to be considered in planning system**, and for hazard maps in overlays to be current and comprehensive.
 - Some Regions and Councils have advocated on the Planning Reforms, and Central Coordinator advocacy on hazard mapping has commenced.
- Consider establishing a Southern **Climate Innovation Hub**.

Summary of Council Performance Against Quantitative Indicators

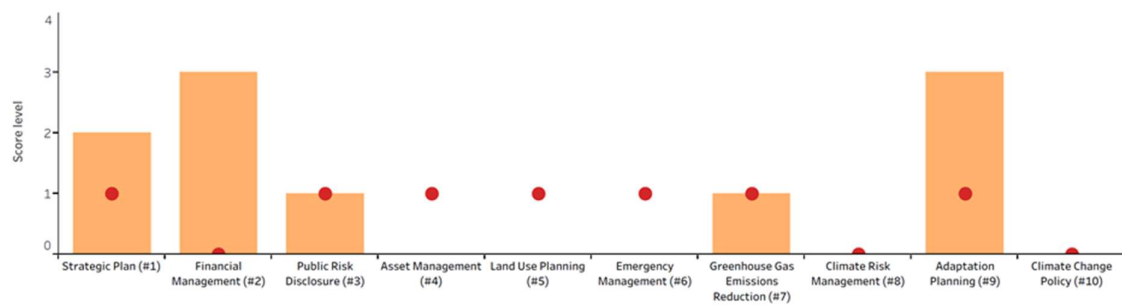
Orange bars are Council score, red dots are the average for all Informed.City Councils (200+)

0 = None, 1 = Basic, 2 = Intermediate, 3 = High, 4 = Advanced

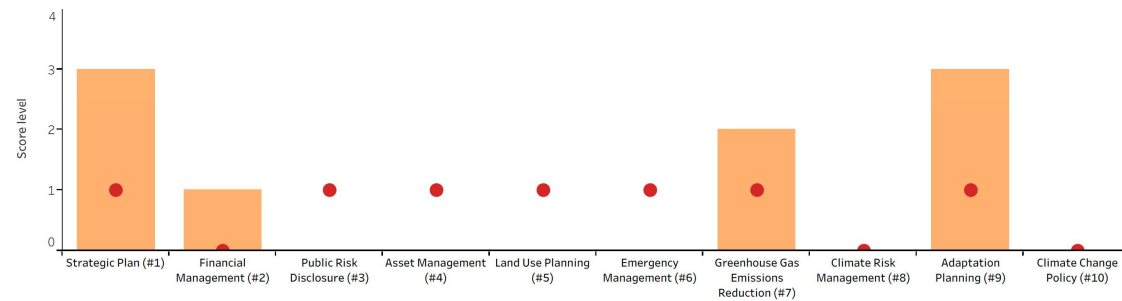
City of Marion



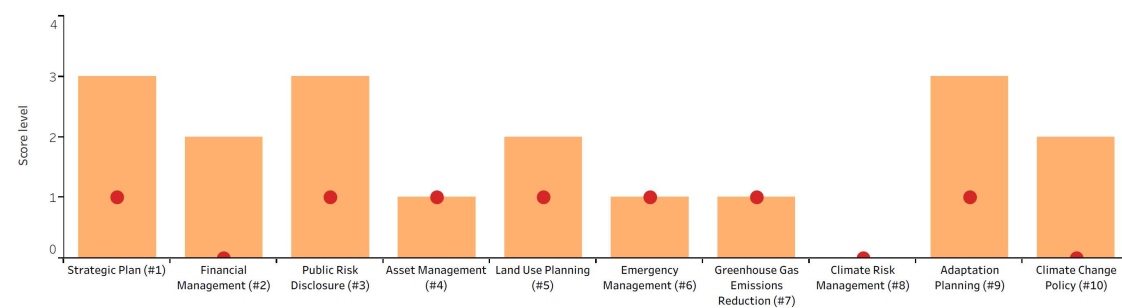
South Australian Council 1



South Australian Council 2



South Australian Council 3



Summary of Survey Findings

As part of the assessment, 301 staff across Adelaide Hills, Marion, Mount Barker and Onkaparinga Councils participated in an online survey. The survey sought to understand each Council's understanding of climate change impacts, and their capacity to adapt. Key findings, averaged across the four surveyed Councils, are listed below. Council-specific results are available in the reports.

Interesting points

- 5% say their department uses climate change risk assessments to **inform decision-making**.
- 37% believe climate change is an **important** issue that needs attention **now**.
- Over 50% believe climate change is impacting Council's operations and procedures **now**.
- One third believe their Council is **fairly** prepared for responding to climate change impacts.
- One third get their information on climate impacts from someone in Council.
- 21% of staff have climate change adaptation training.

Top 3 enablers contributing to Councils' ability to plan for climate change

- Good understanding of climate change (69% of staff nominated this)
- Senior management support (67%)
- Understanding the costs/benefits of climate adaptation actions (61%)

Top 3 barriers hindering Councils' ability to plan for climate change

- Limited assigned funding (62%)
- Uncertainty of the role of local government (51%)
- Confusing/changing policy at different levels of government (46%)

Top 3 types of information that would help me incorporate climate change into my job

- Knowing what to actually do (68%)
- The anticipated impacts for my department (56%)
- Understanding what other Councils are doing (51%)

Top 3 preferences of support for adapting to climate change impacts

- Specific ongoing resource allocation for climate adaptation projects (75% of staff ranked this 'very helpful')
- Provision of consistent, high quality information, knowledge and tools (74%)
- Case studies in effective adaptation planning, strategies and implementation (69%)

Internal Audit Program - Implementation of Recommendations

| | |
|----------------------------|---|
| Originating Officer | Governance Officer - Angela Porter |
| Corporate Manager | Manager Corporate Governance - Kate McKenzie |
| General Manager | General Manager Corporate Services - Sorana Dinmore |
| Report Reference | FAC191210R12 |

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 8 October 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 1 | PDF File |

Overall Summary

| Project | Findings | On Track | Overdue | Completed | Not Commenced | General Comments |
|---|----------|----------|---------|-------------------------|---------------|--|
| Capital Works Program 2015/16 | | | | Complete (August '19) | | |
| Corporate Performance Reporting 2016/17 | | | | Complete (December '19) | | |
| 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 31 December 2019. |
| Policy Review (2016/17) | | | | Complete (August '18) | | |
| Property Portfolio Management (2016/17) | | | | Complete (November '19) | | |
| 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. Two items are 66% complete, one item is 50% complete and not on track. Completion of one item expected in Q3. |
| Regulatory Fines and Enforcements (2017/18) | | | | Complete (July '19) | | |
| Development Assessment (Planning) (2017/18) | | | | Complete (June '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. |
| Customer Experience | 8 | 6 | | 2 | | 6 items are on track with 1 item pending completion of the Metrics that Matter project. Extension granted with revised due date of June 2020. 2 items have been completed in entirety. |
| Cyber Security 2019 | 6 | 5 | | 1 | | 5 items are on track with some parts that have not yet commenced. 1 item has been completed in entirety. |
| Tendering 2019 | 5 | | | 4 | 1 | 4 items have been completed, 1 item has not yet commenced. |
| BCP and Emergency Management | 2 | 2 | 2 | | | Both items have commenced and are on track. An extension has been granted until March 2020. |

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) |
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| 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 | Not on Track | 50% | This is being investigated through the Metrics that Matter project. | Completed | 100% | This action will be addressed via the Digital Transformation 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) |
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| 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 | Original Target Date 31/12/2018 Revised Due Date 30/06/2019 | 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 | Not on Track | 30% | Overall Cyber Security processes and contractual clauses have been provided by IT Cyber Security experts (CQ Partners). Procurement are reviewing the information for proposal of implementation. Recommendations to be submitted to ELT for approval and implementation. Extension requested until 31/12/2019. |

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 Revised Due Date 30/09/2019 | Not on Track | 95% | Contracts are in the process of finalising the EOI for the Handyman / minor maintenance panel. 3 companies will be selected to form the panel As part of the process, it has been decided that further panels will be established with contractors for painting and Minor Building works | Completed | 100% | Handy Man / Minor Maintenance contracts have been finalised with 3 companies It is proposed for further panels to be established with contractors for painting and Minor Building work |

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) |
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| 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 | 50% | Contract management education and documentation is currently in progress. Attendance at team meetings has commenced to formalise the procurement service offering of support to contract management, including implementation of KPI's, SLA's and Deliverables within contracts, as well as support in managing the supplier interaction, including Procurement attendance at 'kick off' meetings etc. Documentation and self help library currently in progress, as a shared process across CCS, COM and PAE. Completion expected by 31/12/19. | Not on Track | 66% | As part of the overall Procurement Education program, the use of SharePoint will be a key focus point. This will be rolled out in the new year. |

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| 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 | 50% | It is of the view from Strategic Procurement Lead that the current procedure is adequate to manage this risk. At present, contract owners do not adequately provide evidence of the contract management undertaken. The Strategic Procurement Lead will commence attendance at the relevant Team Meetings, to re-educate staff of their obligations under this procedure. Noting that risk assessments are not regularly undertaken for procurement processes at present, introduction of these will further strengthen the understanding of the risks associated. A pilot of a Tender Initiation Form is currently underway to further support these processes and elements of overall procurement and contract management. | Not on Track | 66% | Spot audits to commence in December to review Contract Management activities. This will also form part of the education program. |
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| 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 | Not on Track | 50% | It is still of the view that a formalised contract management system should be implemented as part of the wider IT strategy and form part of a formalised implementation of an enterprise system. At present the excel spreadsheet can be utilised to understand contracts available. | Not on Track | 50% | Discussions have commenced to implement an interim, Excel based (and user friendly) register. This will be implemented in Q3. |
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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) |
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| 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 | 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 | | 31/12/2019 | Not Commenced | 0% | Awaiting outcomes of Business Fitness Systems Review | Not Commenced | 0% | Awaiting outcomes of Business Fitness Systems Review |

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| invoice against other Government agencies. | | options available and implementation costs for automatic invoice validation. | | | | | | | | |
| 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 | | 31/12/2019 | Not Commenced | 0% | Awaiting outcomes of Business Fitness Systems Review | Not Commenced | 0% | Awaiting outcomes of Business Fitness Systems Review |

Customer Experience

| 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>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"> - customer expectations - 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. <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"> - undertake a survey or focus groups of customer satisfaction with the current KPI's - compare reviewed KPI time frames with other councils or similar service organisations to determine what better practice is expected by customers. | 1.2 | 2. Review the customer satisfaction outcomes identified from the tool and recommend changes to KPI's. | | 30/09/2019 | On Track | 50% | We have had a key person resign from the team. New starter has been recruited and will commence on the 11th November. This item will be completed by end of year | Completed | 100% | With the Customer Satisfaction data that we have we have recommended and implemented KPI changes across Customer Service. Whilst we have implemented this action the Customer Experience team will continue to extend the reach of customer satisfaction surveys, and the review of KPI's as an ongoing basis through their customer experience plan |
| | 1.3 | 3. Implement changes to the KPI's as identified in step 2 above. | | 31/12/2019 | Not Commenced | 0% | Will commence once 1.2 is complete. | On Track | 60% | We are implementing changes to KPI's with the data that we have. |

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| <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 | 0% | | On Track | 30% | <p>The Metrics that Matter project has not yet completed. This action is reliant on this project completing. This will not be met by due date, and will need to be extended by 6 months.</p> |
| <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). Any customer journey maps created by the CoM should identify:</p> <ul style="list-style-type: none"> •any pain points for the customer •areas which are taking too long for the customer •any other relevant issues faced by the customer. <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.</p> <p>As part of this project, the CoM will develop 'Customer Journey Mapping' champions across the departments to develop continuous</p> | | 31/12/2019 | On Track | 20% | 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 | On Track | 30% | <p>The framework of the toolkit will be delivered. We will have the tools in place by the end of the year.</p> |

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| | | improvement opportunities. | | | | | | | | |
| 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. | 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 | | |
| It is recommended that the CoM provide customer facing employees with:•customer experience training as part of initial onboarding•customer experience refresher training on an annual basis.It is also recommended that the CoM tailor their refresher customer experience training for current staff to be relevant to the customers they deal with. For example, the CoM could create customer personas which detail what is relevant to each customer group, as different things are important to customers depending on their needs and expectations. This information could also be obtained from a CRM. | PIO2.1 | <p>Management will investigate Customer Experience training to focus on language skills for a positive first response, including:•How to handle aggressive customers•How to 'wrap up' an interaction.Management will include formal customer experience training within the induction process (as outlined in PIO 1).Training/(s) identified will be added to the training matrices by 31 December 2019, for implementation (as a refresher course) by 30 June 2020.</p> | | 31/12/2019 | On Track | 70% | <p>All tasks are now complete except for:.</p> <p>How to Wrap up an interaction</p> <p>We have proposals from Tanya Perry and will look at formalising course content and roll out to relevant staff by the end of Q4.</p> | On Track | 70% | <p>Our Customer Experience Business Partner is currently rolling out the final action in group coaching sessions. She is focusing on</p> <ul style="list-style-type: none"> - Call Control - How to close a call - Customer Service basics |

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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 | 0% | This item is due at the end of 2019. | Not Commenced | 0% | Have sought various volunteers to undertake this work and will be completed early in the new year. |
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Cyber Security 2019

| 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>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:</p> <p>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:</p> <ul style="list-style-type: none"> • 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 | PIO1.1 | Nil | | | Nil | Nil | Nil | | | |

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| consistent format, using consistent versioning. | | | | | | | | | | |
| 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. | 1.1 | Engage HR to develop Management position descriptions as per recommendation and develop communication plan. | | 31/03/2020 | Not Commenced | | Meeting with HR to be scheduled to review PD wording for inclusion | On Track | 30% | Meeting has been scheduled with Service Delivery and Infrastructure , Unit Manager ICT to review wording for inclusion. |
| 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. | 1.2 | Implement and embed a change management plan for cyber security awareness and continue to align where appropriate to ISO27001:2013. | | 30/06/2020 | On Track | 50% | Cyber Security Assurance Framework and Operating Manual are managed by an annual review in the Cyber Security Assurance Program and listed as an annual activity. A gaps analysis has been carried out against ISO27001 with appropriate items included to increase alignment. | On track | 51% | Learning & Development awaiting further progress from vendor Kineo to resolve product issues. No other progress this month. |

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| 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. | 1.3 | Work to update documents into a consistent CoM format. | | 30/06/2020 | On Track | 50% | Both Cyber Security Assurance Framework and Operating Manual are being updated to align with the ICT Policies and updated to a consistent format with versioning. | On Track | 50% | Started updates to Operating Manual |
| 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. | PIO2.1 | | | | Nil | Nil | Nil | | | |
| 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. | PIO2.2 | | | | On Track | 20% | Scoping the requirements to including this as a standing item in the Cyber Security program to seek budget. | | | |
| 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. | 2.1 | Review Pulse Survey appropriateness for cyber security questions, further develop security awareness program questions. | | 31/03/2020 | On Track | 10% | The Pulse Survey is not the correct vehicle to include Cyber Security awareness. ICT will engage with HR and consider other means to review the program. | On Track | 15% | Some aspects tested in Kineo...awaiting product issue. |

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| 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. | 2.2 | Review effectiveness of cyber security awareness program with the view to adjust frequency of phishing scans as required. | | 30/06/2020 | On Track | 10% | HR will engage with ICT to plan the review of the ICT security awareness program | On Track | 15% | Phishing exercises to be carried out annually. Budget to be approved. X-Council program to be considered, meeting early Dec to discuss. |
| 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). | PIO3.1 (2017) | 0 | | | Nil | Nil | Nil | | | |
| 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. | PIO3.2 (2017) | | | | Nil | Nil | Nil | | | |
| 3. A formal cyber risk assessment has not been performed over all critical assets across the business, including both tangible and intangible assets. | PIO3.3 (2017) | | | | On Track | | Meeting set up with ICT to undertake the risk assessment | | | |

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| 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. | PIO3.1 (2019) | | | | Nil | Nil | Nil | On Track | | Meeting set up with ICT & Procurement to develop a process |
| 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). | PIO3.2 (2019) | | | | Nil | Nil | Nil | | | |
| 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 | PIO3.3 (2019) | | | | Nil | Nil | Nil | On Track | 50% | ICT have further developed the ICT Vulnerabilities Register in CoMConnect to roll up significant ICT and Business Risks to the Corporate Risk Register making the ICT Risk register redundant. Risk to confirm this is |

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| reported to Executive, so that it can be tracked and managed centrally. | | | | | | | | | | acceptable given appropriate parties (Risk, ICTSC etc) can view the items.. |
| <p>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:</p> <p>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.</p> | 3.1 | Implementa Data Governance Framework to classify CoM's information and define appropriate resources to manage this function to communicate requirement for information sharing. | | 31/03/2020 | On Track | 10% | The Data Governance Framework Document has been developed and endorsed by ICT Steering Committee. ICT Structure being reviewed and role definition for accountability of this function will form a part of the review. | On Track | 10% | No further update at this point. Currently reviewing the Data Governance Framework. |
| 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. | 3.3 | Review and include ICT assets in risk assessment process. | | 30/06/2020 | On Track | Nil | Meeting set up with ICT to undertake the risk assessment | On Track | 70% | UM Risk has met with CQR to review the vulnerabilities register and the processes to roll up to the Corporate Risk Register. The ICT Vulnerabilities Procedure is being reviewed by Risk and will be cross-referenced in the Risk Policy/Framework Review. |

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| 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. | 3.4 | Contracts to include cyber security clauses into standard contracts. | | 31/12/2019 | On Track | 25% | Overall Cyber Security processes and contractual clauses have been provided by IT Cyber Security experts (CQ Partners). Procurement are reviewing the information for proposal of implementation. Recommendations to be submitted to ELT for approval and implementation by current due date | On Track | 25% | The relevant wording has been created, will need to meet with key ICT stakeholders to implement. Will be completed Q1 2020 |
| 4. 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. | 3.5 | Work with Risk Department to implement process for ICT risks to roll up to corporate risk register. | | 31/12/2019 | On Track | 50% | | On track | 70% | UM Risk has met with CQR to review the vulnerabilities register and the processes to roll up to the Corporate Risk Register. The ICT Vulnerabilities Procedure is being reviewed by Risk and will be cross-referenced in the Risk Policy/Framework Review. |

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| <p>As per the recent Business Continuity, IT Disaster Recovery and Emergency Management Internal Audit, the following finding was raised with Management actions agreed:</p> <p>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.</p> | PIO4.1 | Nil | | | On Track | | BIA scope has been developed for approval and subsequent procurement of appropriate contractor to undertake | | | |
| <p>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.</p> | PIO4.2 | Nil | | | Nil | Nil | Nil | | | |
| <p>1.Ensure that defined recovery objectives have been communicate and validated with IT to ensure that these are achievable.</p> | 4.1 | 1.Review validity of departmental recovery objectives and in conjunction with Risk Department run BCP workshops where recovery objectives are unrealistic or unachievable. | | 30/06/2020 | Not Commenced | | BIA scope has been developed for approval and subsequent procurement of appropriate contractor to undertake (from previous EM Audit) and this action is prerequisite on the BIA project outcomes | On Track | 25% | A BIA scope has been developed, a session booked with ELT and key SLT with KPMG booked to deliver the program |

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| 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. | 5.1 | Continue to invest in Cyber Security program and appropriate technology. | | Ongoing | Not on track | 50% | Cyber Security program looks to have its budget halved in future years based on cross council recommendations. This will diminish the investment in ICT security and decrease CoM's Security position. Funding recommendation will need to be reviewed/confirmed | On track | 60% | X-Council program meeting in Dec to submit Budget bids for all councils. |
| 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. 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). | PIO6.1 | | | | Nil | Nil | Nil | | | |

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| <p>The following should be considered as a recommendation for increasing maturity in the Legal and Compliance domain:</p> <p>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.</p> | 6.1 | 1.ICT will, in conjunction with Corporate Governance, review processes identifying legislative change to cyber security to be incorporated into future policy governance frameworks. | | Ongoing | Not Commenced | | Meeting with Corporate Governance required to clarify the process | Completed | 100% | This will be on on-going consideration regarding future policy. This item can be closed out |
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Tendering 2019

| 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>We recommend the CoM ensure that conflicts of interest are declared and documented in line with the Tender Evaluation Procedure.</p> <p>A further secondary/ updated reconfirmation o the conflict of interest declaration should also be made once tender respondents are known to the TET.</p> | <p>The requirement to complete conflict of interest declarations (both prior to releasing, and after tenders have been received) will be reiterated to the Contracts Team.</p> <p>Additionally, the Contracts Officer will seek verbal advice to reconfirm no conflicts exist at the first TET meeting once tender respondents are known, and document and store the reconfirmation on SharePoint.</p> | 28/05/2019 | 31/05/2019 | | | | Completed | 100% | Recommendation verbally reiterated to the Contracts Team during May 2019 |
| <p>We recommend the CoM ensure that all tender related fields are appropriately recorded and maintained in a centralised register.</p> | <p>The requirement to maintain the contracts register in a timely manner will be reiterated to the Contracts team.</p> | 28/05/2019 | 31/05/19 | | | | Completed | 100% | Recommendation verbally reiterated to the Contracts Team during May 2019 |

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| We recommend the CoM provide unsuccessful suppliers with an email advising them that they have been unsuccessful and offer suppliers a debrief to provide feedback why they were unsuccessful. | | The requirement to advise unsuccessful tenderers and offer appropriate feedback (whilst giving consideration of what can be shared in a commercial context) will be reiterated to the Contracts team. Additionally, templates will be used by the Contracts team for a consistent message to be relayed to the market. | 28/05/2019 | 31/05/2019 | | | | Completed | 100% | Recommendation verbally reiterated to the Contracts Team during May 2019 |
| <p>We recommend the CoM Contracts team create a page on Combi (CoM Intranet) with reference point for all tender related documentation. We also recommend the CoM develop a quick reference guide summarising the overall tender process, including evaluation processes and key responsibilities of the TET.</p> <p>This guide could be maintained on the contracts section of SharePoint and provided to TET Members when they are appointed as part of the TET. We recommend the tender quick reference guide includes the following:</p> <ul style="list-style-type: none"> • High level summary of the CoM's tendering requirements • Standard timelines for the tender process • TET roles and responsibilities (e.g. declare any conflicts of interest before being part of the TET and read all tender responses before the tender assessment) • Links to the CoM's Tender Evaluation Procedure, Procurement and Contractor Management Policy, Procurement Procedure, Contract Management Procedure, Conflict of Interest and Confidentiality Agreement and the Code of Conduct for Employees. | PIO1 | Management will be creating quick reference guides as part of the process improvements currently being considered. | 28/05/2019 | 31/12/2019 | Not commenced | 0 | N/A | Not Commenced | 0% | Will form part of the education pack to be created in Q3. |

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| We recommend the CoM Contracts team consider sending out the internal satisfaction survey using an electronic format via email, for example through Survey Monkey or through Qualtrics. The current survey format should also be reviewed to identify any enhancements that may encourage an increased number of responses and more timely responses, allowing the Contracts team to more easily identify opportunities for improvement. | PIO2 | Management will consider this PIO as part of an overall review of process improvements currently being considered. This will include consideration of the implementation of a system to facilitate internal feedback if it is deemed appropriate to expand and implement organisational wide internal feedback. | 28/05/2019 | 31/12/2019 | Not commenced | 0 | N/A | Completed | 100% | There is evidence this has occurred in the past within the organisation and has no demonstrable evidence of being a tool to improve the performance. As part of the cross council collaboration Service Agreement for Procurement, service satisfaction will be formally recognised as a reportable KPI. Therefore this should be closed and await the formalised overall program satisfaction survey. |
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Business Continuity Management 2019

| 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) |
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| Internal Audit recommends that the CoM: <ul style="list-style-type: none"> Undertakes a formal holistic BIA to identify and document its critical business processes. Applies a risk rating to each critical business process identified during the BIA, which is used to prioritise business process recovery and determine where further business continuity and recovery plans or strategies may be required. Reviews existing emergency, crisis and business continuity plans to identify whether any additions, changes or updates are required based on the outcomes of the BIA. | | Agree with recommendations and will undertake a business impact assessment. | 28/05/2019 | 1/09/2019 Revised due date 31/03/2020 | On track | 10% | 23/9 The BIA has been scoped ready for submission (awaiting SLT approval) to external consultants to quote and has been factored into workload and future planning. | On Track | 20% | 3/12 The BIA has been scoped and provided to KPMG who have provided a quote however we are currently working through their quote to ensure the proposed work aligns to need. To finalise this work, an extension has been granted until March 2020. |
| Internal Audit recommends that the CoM adopts a documentation structure similar to that detailed in Appendix 1. | | The documentation hierarchy and structure can be reviewed as part of the BC Framework and Policy Review. | 28/05/2019 | 1/10/2019 Revised due date 31/03/2020 | On track | 5% | 23/9 Document review discussion have commenced with relevant team members however awaiting outcomes of above actions prior to finalising. | On Track | 75% | Relevant team member has drafted the revised framework which will be finalised in alignment with the BIA outcomes. To finalise this work, an extension has been granted until March 2020. |

WORKSHOP / PRESENTATION ITEMS - Nil

OTHER BUSINESS

MEETING CLOSURE