His Worship the Mayor
Councillors
City of Marion

Notice of Finance and Audit Committee

Council Chamber, Council Administration Centre
245 Sturt Road, Sturt

Tuesday, 17 August 2021 at 4.00 pm

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

Tony Harrison

Chief Executive Officer

1 Open Meeting

2 Kaurna Acknowledgement

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

3 Elected Member Declaration of Interest (if any)

4 Confirmation of Minutes

4.1 Confirmation of Minutes of the Finance and Audit Committee Meeting held on 18 May 2021

Report Reference	FAC210817R4.1
Originating Officer	Unit Manager Governance and Council Support – Victoria Moritz
Corporate Manager	Manager Office of the CEO – Kate McKenzie
General Manager	Chief Executive Officer – Tony Harrison

RECOMMENDATION

That the minutes of the Finance and Audit Committee Meeting held on 18 May 2021 be taken as read and confirmed.

ATTACHMENTS

1. FAC210518 - Final Minutes [**4.1.1** - 9 pages]

FAC210518 - FINANCE AND AUDIT COMMITTEE MEETING

Tuesday, 18 May 2021 at 02:00 PM

Council Administration Centre, 245 Sturt Road, Sturt

Minutes of the Finance and Audit Committee Meeting held on 18 May 2021

PRESENT
Emma Hinchey, David Papa, Nicolle Rantanen, Councillor Maggie Duncan

In attendance
Chief Executive Officer – Tony Harrison
General Manager Corporate Services - Sorana Dinmore
General Manager City Development - Ilia Houridis
General Manager City Services - Tony Lines
Manager Corporate Governance – Kate McKenzie
Acting Unit Manager Governance and Council Support – Victoria Moritz
Manager Finance – Ray Barnwell
Strategic Planner – Sheree Tebyanian
Acting Manager Customer Service – Vicky Travers
Unit Manager Risk – Sherie Walczak
KPMG – Eric Beere
KPMG – Heather Martens

OPEN MEETING

The chair declared the meeting open at 2.00pm

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

COMMITTEE MEMBERS DECLARATION (if any)

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

The following conflicts of interest were declared:

- Ms Hinchey declared a perceived conflict of interest in any discussions relating to VISY as she is a member on the SRWRA Board
- Ms Rantanen declared a perceived conflict of interest in any discussions relating to VISY as she is the Chair of the CAWRA (Central Adelaide Waste and Recycling Authority) Audit Committee.

CONFIRMATION OF MINUTES

Confirmation of the minutes for the Finance and Audit Committee Meeting held on 23 February 2021 and Special Finance and Audit Committee Meeting held on 13 April 2021
Report Reference: FAC210518R01

Moved Ms Rantanen, Seconded Mr Papa

That the minutes arising from the Finance and Audit Committee Meeting held on 23 February 2021 and Special Finance and Audit Committee Meeting held on 13 April 2021 be taken as read and confirmed.

Carried Unanimously
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Minutes of the Finance and Audit Committee Meeting held on 18 May 2021

BUSINESS ARISING

Business Arising Statement - February 2021
Report Reference: FAC210223R02

The Committee noted the report.

CONFIDENTIAL ITEMS - Nil

REPORTS FOR DISCUSSION

Elected Member Report
Report Reference: FAC210518R03

Moved Mr Papa, Seconded Councillor Duncan,

That pursuant to Section 90(2) 3(g) of the Local Government Act 1999, the Committee orders that all persons present, with the exception of the following persons: Emma Hinchey, Nicole Rantanen, David Papa, Chief Executive Officer, General Manager City Development, General Manager Corporate Services, General Manager City Services, Manager Corporate Governance, Acting Unit Manager Governance and Council Support, be excluded from the meeting as the Council receives and considers information relating to confidential items of General Council Meetings which are subject to a confidentiality clause, upon the basis that the Council 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 as it relates to matters with a current confidentiality clause over them.

Carried Unanimously

2.03pm the meeting went into confidence

The Committee went into confidence to discuss the minutes of the following confidential items listed in the Elected Member Report:
- Unsolicited Proposal
- Urban Renewal Opportunities
- Edwardstown Soldiers Memorial Recreation Ground (ESMRG) 100% Profit Share
- Edwardstown Urban Renewal Project – Prudential Report.

2.19pm the meeting came out of confidence

The Committee noted the report and commented that although the Committee oversees the Annual Business Plan process, it hasn't traditionally reviewed the quarterly budget reviews.

Action:
- **Quarterly Budget Review Report (required under S9 of the Local Government (Financial Management) Regulations 2011 – Statutory Reports to Council) to be presented to the Finance and Audit Committee prior to Council.**
- **Review the Committees Terms of Reference to include the review of the Quarterly Budget Review Report.**

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Minutes of the Finance and Audit Committee Meeting held on 18 May 2021

Draft Annual Business Plan 2021-22 and Long Term Financial Plan Update
Report Reference: FAC210518R04

Manager Finance provided an overview and update on the Draft Annual Business Plan and Long Term Financial Plan. It was noted that we are in the final stages of the process with the plan currently out for public consultation. The 2021/22 Annual Business Plan (ABP) is based on a 1% average rate increase with a deficit of $0.613m currently forecast in 2021/22 following the inclusion of a number of new initiatives and service improvements incorporated into the ABP since the last FAC meeting. All remaining years in the Long Term Financial Plan forecast a surplus position ensuring a financially sustainable position for Council in the long term. The Capital works projects includes several multi-year projects, the most significant of these being Soccer, BMX and Mitchell Park as well as the Digital Transformation Project. Next steps include a report to the General Council meeting on 8th June with the final adoption of the plan on the 22 June. It was also noted we have received more feedback than previous years, mainly in relation to capital works and projects

The Committee commented:
- The plans were very well presented and provided great clarity for the ratepayers.
- The capital works program for a council of this size seemed quite conservative. Councils risk appetite for pursuing opportunities is high and the Committee questioned what the maximum capacity of Council is?
- The Committee queried if there is a disconnect between the risk appetite and Council's expectations to largely fund projects with grant funding, as opposed to going into significant debt which requires the capacity to pay back which may require a rate rise to supplement this.
- Re-alignment of the risk appetite of council may be required if more investment is not being considered.
- The City of Marion in comparison to other councils has conservative debt levels although having ample resources to take on debt.
- That the City of Marion could consider more innovative projects and present these opportunities to Council to progress.
- That the additional KPI regarding asset utilisation of venues needs to ensure that the numbers have been analysed and it can be measured accurately, more work may be required in this space.
- It was difficult to assess the KPI's without the opportunity to compare to the current KPI's levels and how these are tracking.
- Expressed concern around dropping the KPI relating to Long Term Injury Frequency Rate however it noted that Council still receives a monthly WHS performance report.
- Financial outcomes are very sustainable but possibly too conservative.

Action: In future, the actual/forecasted KPI performance for the current year to be presented alongside the budget figures, in the same way that the financial results for the current year are presented alongside the budget figures.

Annual Business Continuity Management Program
Report Reference: FAC210518R05

The Unit Manager Risk introduced the item and provided a summary of the Program noting:

- This years' report was a different to the usual program which didn't eventuate as planned due to COVID-19.
- The report details the City of Marion's response to COVID-19 and predominantly the next steps incorporating the findings from the KPMG report in response to COVID-19.
- An exercise is planned for early next year and usual activities within the program will resume
- One of the benefits of COVID-19 was the IMT was well prepared and had protocols built in through the BCP.
- There are some hangover items still in place primarily cleaning regimes, levels of expenditure around cleaning and the capacity of restrictions which are still in place. The capacity limits are in accordance with COVID-19 Safe Plans and will remain in place until the State Directions are amended.

Minutes of the Finance and Audit Committee Meeting held on 18 May 2021

- The COVID-19 leave policy remains in place and will do so until it is formally reversed when appropriate.
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The Committee noted the report and requested management check that any changes to policies and delegations as a result of COVID-19 have been returned to normal and controls are back in place. The Committee sought clarity from management regarding the use of credit cards and if expenditure levels which required an increase during COVID had returned to normal levels. The Committee also sought clarification regarding if the Council was compliant with the Credit Card Policy and Procedure.

Management confirmed that credit card expenditure had reverted back to normal levels with the two cards remaining at a higher $20k limit to be reviewed . Management advised that it will review its credit card policy and limits and respond separately to this question.

The Committee also requested that in future reporting, can any risk ratings for findings and/or performance opportunities be included. It was noted that the KPMG Audit recommended that within the purchasing policy, staff should have the ability to purchase and procure within emergency situations.

Action:
-   **Confirm that any changes to policies and delegations as a result of COVID-19 have been returned to normal requirements and controls are back in place.**
-   **Check that all credit cards expenditure limits have returned to pre-COVID status.**
-   **Provide the committee with assurance that the Council is operating within its Credit Card Policy.**
-   **Confirm the Credit Card Policy has maximum limits specified.**

Corporate Risk Quarterly Report
Report Reference: FAC210518R06

The Unit Manager Risk summarised the report and noted this was a standing quarterly report outlining the risk movement and management of high risks, new risks and any risk issues. There was one new risk, the high risks stayed the same and three risks were rated down from medium to low. The main issues with ongoing risks are the monitoring of COVID-19 and the issues this brings to the community.
Emerging risks have been identified as a result of the recent fire at the VISY recovery facility, Digital Transformation Project, EB negotiations and funding opportunities.

The Committee provided the following feedback:

- A few risks did not have determined due dates or were overdue. The Committee requested that these be addressed. It was noted these are primarily due to the timing of the report and that these are new documents. This is being worked through with Management and the respective teams.
- Ensure risk from major interruption from a supplier is covered within the risk register, with satisfactory controls in place. It was noted that major suppliers are asked to provide a business continuity plan.
- Management be requested to review all critical suppliers and determine if the risk is appropriately controlled. If not, this need to be included within the risk review process.
- The Committee noted that the KPMG Audit was not considered a treatment of risk, however acknowledged the staff comments that the findings within the report will form part of the treatment.
- The focus of the risk assessment was good, however the Committee raised concerns there was not enough information provided (table 3 – risks currently rated as high or above). The Committee requested that all high risks be presented to the Committee with further information.
- The Committee raised concerns about the implementation of CAMMS by the project management with this not being used consistently across the organisation. Management advised that they have

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been working with staff to improve the application of CAMMS to assist the organisation improve reporting and maximising the functionality of the program.
- The Committee recommended reviewing the risk description and statement for each risk on a page to ensure alignment and to provide consistency.

The Committee noted the report and provided feedback on the outcomes of the risk review undertaken.

Action: That all high risks are reported to the Committee on a Risk on a page with more detail regarding how the assessment has occurred.

Strategic Risk Review
Report Reference: FAC210518R07

The Unit Manager of Risk provided an overview and explained the Strategic Risk Review was a result of the KPMG Assurance Mapping Internal Audit and a recommendation to implement a strategic risk register. The draft has been prepared and presented to the committee with next steps to include working with key stakeholders as to what the library will look like.

The Committee noted this was a good piece of work. The Committee suggested some instances could be duplication and there was potential for collapsing some of these to focus on six to eight major risks that align to the strategy.

The Committee noted the report.

Internal Audit Plan 2021-2023
Report Reference: FAC210518R08

Mr Eric Beere and Ms Heather Martens from KPMG entered the meeting.

Manager Corporate Governance introduced the item. It was noted that over the last few months management have worked with the outcomes of the assurance map, risk registers and other industry trends to inform the draft plan. KMPG met with the Executive Leadership Team and City of Charles Sturt to look for collaborative opportunities.

KMPG concurred with the previous comments and confirmed that:

- The first cut of the internal audit plan included stakeholder consultation, the pulse of the leadership team and what other councils are facing including emerging issues. In some instances there is a strong link to the assurance map whilst others are based on consultation with leadership.
- Within the assurance maps some areas of risk and controls lend themselves quite easily to audit.
- Stakeholder consultation output identified that some elements are already in train. This has been discussed in depth with management.

General comments from the Committee included:

- The expectation of the Committee was that the areas identified in the KMPG Assurance Map as being Low, would have been prioritised in the internal audit plan for next year. Consideration be given to auditing the high-risk areas identified as having low levels of assurance as a priority.
- Concerns were raised that there doesn't appear to be anything in the audits around data risk for example. It was noted that the timing of this review is more appropriately timed for a third year of the internal audit plan due to impending changes in systems.
- The Committee suggested that the Internal Audit Plan be presented as a 3 or 5-year plan, clearly showing how, over the period of the plan, it addresses the assurance requirements noted in the assurance map.
- Suggested the Risk Assurance Map is updated every few years to include updates to the risk

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environment.

In regard to year 1 of the Internal Audit Plan, the committee noted that:

- **Fraud Framework Review** – Assurance Map shows as green, however from ongoing internal audit and experience within the sector demonstrates this is still worthy of project being considered.
- **Collaborative Project(s) Health Check** - Independent assurance would be beneficial. Greater scope is needed incorporating Strategic third party management.
- **Staff Attraction / Recruitment –** Concerns there is a danger this is falling into consultative work and may not be best use of internal audit.
- **Project Management –** Agree this should be included in the year 1 projects.
- **Contractor Management –** Focus on Post Contract Management (as per the Low assurance rating in the Assurance Map). Concerns were raised that there may be a gap in relation to the audit of Contract Management that should be covered by the scope.

Action: The committee requested that the plan be re-presented at the next meeting which includes a comprehensive 3 or 5-year internal audit plan, referencing the assurance mapping as a guide to timing and appropriateness of the audit plan.

Action: The committee requested scoping to progress on Project Management, Collaborative Health Check and Contractor Management.

Internal Audit Program 2020/21 - Asset Inspection Report - Project Carryovers Report - Report Reference: FAC210518R09

Mr Eric Beere and Ms Heather Martens were present for the item.

Asset Inspection Report

Mr Beere provided an overview and highlighted key recommendations and observations. The good work of the strategic asset management planning was noted. Overall, there was five moderate findings and one performance opportunity.

There were concerns raised around the lack of documentation sitting behind the systems and processes, noting that there were pockets (for example Open Space) where this was done very well. The organisation should ensure easy mechanisms are in place to complete documented inspections and that there is a fit for purpose asset management system in place. KPMG also acknowledged a key-person risk.

The Committee provided the following feedback:

- Surprised that all findings were moderate considering the language used. KPMG's comments were noted that the majority of findings were related to Level 1 inspections and that there was appropriate rigour in place around the Level 3 inspections which are of higher importance and therefore higher risk. Noted that level 3 inspections are managed well
- Concerns around the chosen expected completed date of December 2021 when this involved the implementation of a new system and that the change won't occur until June 2022.
- There were concerns that KPMG had factored in the future implementation of an Asset Management System in their assessment of current findings. The Committee suggested amending the wording of the recommendation to reflect this.
- Raised concerns around council forms and documentation not being completed properly and whether staff are trained appropriately. There needs to be more rigor around completing reports / paperwork across the organisation.
- Some areas performed very well in the audit, everyone could benefit from the sharing of knowledge and skills across council.

Action: review due dates prior to finalising the report and ensure they are achievable

Community facilities management models Scope

Mr Beere from KMPG noted this as read and indicated the scope includes a desktop review of policies.

The Committee commented:

- The pricing seems excessive for the scope and in comparison with the scope of the asset inspections audit.
- There were concerns that the hours quoted for the groundwork doesn't align with the work identified in the scope.
- The Committee requested more elaboration on the approach or a reduction of hours.

Action: that the scope is revised and circulated to the Committee out of session.

REPORTS FOR NOTING

Service Review Program and Recommendations - Progress Update
Report Reference: FAC210518R10

Acting Manager Customer Service introduced the item and noted the significant focus and attention that had been placed on completing service review actions through the strong support of the Executive Leadership Team.

Management noted the impact of external resources and the recent organisational structure change. In reviewing the outstanding actions there has been a push towards accountability of actions and completion of these. It was also noted the internal resources had been pushed towards other projects, creating a gap. Management advised that changes in external consultants had delayed progress on some of the reviews and advised that tenders have now been issued to address the program delays.

The Committee provided the following feedback:

- Concerns around the progress of the service reviews and the history of changing and extending timeframes along the way, therefore impacting the timelines of the reviews.
- The Service Reviews are a major council directive and recommend management review the capacity of the teams to deliver these.
- Noted that the number of service reviews was reduced by Council a few years ago to enable management to complete the recommendations from previous reviews.
- Sought clarity on the priorities of council and noted that if there is an inability to deliver due to resourcing implications, this needs to be reported through to Council.
- The committee acknowledged Management are aware of these issues and acknowledged these.

Action: A report be brought back to the Finance and Audit Committee in August with a status updated including a program detailing expectations and commitments for this year and next.

The CEO committed to having discussions around accountability of actions and closing out outstanding actions.

Minutes of the Finance and Audit Committee Meeting held on 18 May 2021

Internal Audit Program - Implementation of Recommendations
Report Reference: FAC210518R11

The item was taken as read.

The Committee made the following comments:

- Raised concerns around the Procure to Pay and ITT Governance recommendations and the outstanding items.
- Sought clarity on how Performance Improvement Opportunities were being treated.
- Suggested to be more realistic with target dates and look at past performance to help gauge this. Noted this required discussion with management to find the right balance between achievable timeframes and dedicated timeframes depending on risk ratings.
- Noted managements comments suggesting as we move to a new audit plan working with KPMG on how we are structuring the agreed management actions as well as how we structure our reporting internally.
- If the dates are adjusted, ensure these are transparent to the committee and that this process is consistent with the Service Review process. The Committee requested specific and detailed comments to be included with any change of date.

The Committee noted the status of the Internal Audit Program.

WORKSHOP/PRESENTATION ITEMS - Nil

OTHER BUSINESS

Manager Corporate Governance advised the committee that the IMT had been nominated for the Annual LGA awards and would keep them informed of the outcome.

MEETING CLOSURE - Meeting Declared Closed at 4.36PM

CONFIRMED THIS 17TH DAY OF AUGUST 2021

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CHAIRPERSON

5 Business Arising

5.1 Business Arising Statement - Action Items	
Report Reference	FAC210817R5.1
Originating Officer	Unit Manager Governance and Council Support – Victoria Moritz
Corporate Manager	Manager Office of the CEO – Kate McKenzie
General Manager	Chief Executive Officer – Tony Harrison

REPORT OBJECTIVE

The purpose of this report is to review the business arising from previous meetings of the Finance and Audit Committee meetings, the meeting schedule and upcoming items.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Notes the business arising statement, meeting schedule and upcoming items.**

ATTACHMENTS

1. Business arising statement - 17 August 2021 [**5.1.1** - 7 pages]

CITY OF MARION

BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS

AS AT 12 AUGUST 2021

sher	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	23 Feb 2021	**Internal Audit – Assurance Map** Action – The Committee acknowledged that this work has aggregated a number of risks together and requested that a further report be considered regarding if the risks are acceptable within our risk framework and what is outside of tolerance.	Manager Office of the CEO	June 2021	Work has progressed on the strategic risk register. The Risk Working Group has meet twice and confirmed the risks. Work is now progressing on the assessment. This will be presented to the Committee in October	Revised date to October 2021
2.	23 Feb 2021	**Internal Audit Recommendations** Action: That risk ratings of Internal Audit recommendations be added to the table.	Manager Corporate Governance	June 2021	Complete	August 2021
3.	18 May 2021	**Elected Member Report** Action: Quarterly Budget Review Report (required under S9 of the Local Government (Financial Management) Regulations 2011 – Statutory Reports to Council) to be presented to the Finance and Audit Committee prior to Council. Action: Review the Committees Terms of Reference to include the review of the Quarterly Budget Review Report.	Manager Finance Manager Office of the CEO	October 2021	The Quarterly Budget Reviews will be brought to FAC going forward with 1st Budget Review 2021/22 scheduled to come to the October FAC meeting. Currently undertaking the FAC Effectiveness Survey. It would be useful to include the outcomes of this in any review of the Terms of Reference.	
4.	18 May 2021	**Draft Annual Business Plan 2021-22 and Long Term Financial Plan Update** Action: In future, the actual/forecasted KPI performance for the current year to be	Manager Finance	Feb 2022	The draft budget prior to consultation will be first presented to FAC in Feb next year. All future KPI comparatives will include the current year and forecast years to	

City of Marion
Finance & Audit Committee Action Arising Statement as at 8 October 2020

sh er	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		presented alongside the budget figures, in the same way that the financial results for the current year are presented alongside the budget figures.			enable proper assessment of the proposed KPI's	
5.	18 May 2021	**Annual Business Continuity Management Program** Action: Confirm that any changes to policies and delegations as a result of COVID-19 have been returned to normal requirements and controls are back in place. Action: Check that all credit cards expenditure limits have returned to pre-COVID status. Action: Provide the committee with assurance that the Council is operating within its Credit Card Policy. Action: Confirm the Credit Card Policy has maximum limits specified.	Unit Manager Risk Manager Finance Manager Finance Manager Finance	August 2021	**Covid Leave Policy**: Still in place. **Additional Cleaning**: Still in place. **Credit Cards**: Review undertaken of 2 card limits raised during Covid last year. One card has reverted to 2k limit and 1 remains at the higher limit to meet current operational needs The purchase card policy has been reviewed in the light of FAC's advice with a revised policy to meet current operational coming to ELT for endorsement in August prior to presentation to Council. The purchase card policy has maximum limits specified.	Revised due date to Dec 2021
6.	18 May 2021	**Corporate Risk Quarterly Report**	Unit Manager Risk	August 2021	Complete. The Risk Business Partner has worked with all relevant SLTs to develop a PoP for all high risks rated	Aug 2021

City of Marion
Finance & Audit Committee Action Arising Statement as at 8 October 2020

sh er	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		Action: That all high risks are reported to the Committee on a Risk on a page with more detail regarding how the assessment has occurred.			higher or above and incorporated these in the next FAC reporting cycle.	
7.	18 May 2021	**Internal Audit Plan** Action: The committee requested that the plan be re-presented at the next meeting which includes a comprehensive 3 or 5-year internal audit plan, referencing the assurance mapping as a guide to timing and appropriateness of the audit plan. Action: The committee requested scoping to progress on Project Management, Collaborative Health Check and Contractor Management.	Manager Office of the CEO	August 2021	The IA Plan is included in the agenda. The Plan includes an appendix which lists the items assurance map item and details if they are in year 1, 2 or 3+. The Collaborative Health Check scope is in progress. And the Fraud Management has also been scoped. Work will progress shortly on scoping Project Management and Contractor Management.	Aug 2021
8.	18 May 2021	**Internal Audit Program 2020/21 – Asset Inspection Report – Project Carryovers Report** **Asset Inspection Report** Action: review due dates prior to finalising the report and ensure they are achievable **Community facilities management models Scope** Action: that the scope is revised in line with FAC comments	Manager Office of the CEO	August 2021	Due dates will be monitored to and revised if they can't be achieved. The scope the Community Facilities Management Models was reviewed and hours were decreased. The review will be presented in October. Currently in the final stages	Aug 2021

City of Marion
Finance & Audit Committee Action Arising Statement as at 8 October 2020

sher	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
9.	18 May 2021	**Service Review Program and Recommendations - Progress Update** Action: A report be brought back to the Finance and Audit Committee in August with a status updated including a program detailing expectations and commitments for this year and next. Action: The CEO committed to having discussions around accountability of actions and closing out outstanding actions.	Manager Customer Experience / Business Improvement Officer / Performance and Innovation Lead	August 2021	Regular status report will be provided to August FAC. Proposed options regarding the future approach to the SR program will also be discussed to gain input and feedback from the FA Committee.	
10.						

* Completed items to be removed are shaded

SCHEDULE OF MEETINGS 2021			
Day	**Date**	**Time**	**Venue**
Tuesday	23 February 2021	2 pm – 5pm	Administration Centre
Tuesday	18 May 2021	2 pm – 5pm	Administration Centre
Tuesday	17 August 2021	4.00 – 6.00 pm Followed by 6.30 – 8.30 pm (Joint workshop with Council)	Administration Centre
Tuesday	12 October 2021	2 pm – 5pm	Administration Centre
Tuesday	14 December 2021	2 pm – 5pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2021
TUESDAY, 23 February 2021

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2021/22 and Draft Long Term Financial Plan - Update	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Quarterly Risk Report	Review and Feedback
External Audit Engagement Letter for the year ending June 2020	Review and Feedback
Internal Audit Contract Review	Recommendation to Council

TUESDAY, 18 May 2021

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2021/22 (after public consultation) & Draft Long Term Financial Plan	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 & Strategic Risk Register	Review and Feedback

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Quarterly Risk Reporting	Review and Feedback
Internal Audit Plan for 2021/22 & 2022/23	Review and Feedback

TUESDAY, 17 August 2021 (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	Review and Feedback
Asset Valuations	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
FAC Annual Report to Council	For discussion prior to October
Quarterly Risk Reporting	Review and Feedback
Service Review Program – Scopes, Reviews and Monitoring	Review and Feedback
Joint Workshop with Council (6.30pm onwards)	TBA

TUESDAY, 12 October 2021

Topic	Action
Elected Member Report	Communication Report
FAC Annual Report to Council 2020/21	Review and Recommendation to Council
Independence of Council's Auditor for the year end 30 June 2021	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2021	Review and Recommendation to Council
Investment Performance 2020/21	Noting
Debtors Report	Noting
Meeting with external auditors in camera	Seeking feedback from Auditors
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback

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First Budget Review 2021/22	Review and Feedback
Asset Valuations	Review and Feedback
Quarterly Risk Reporting	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Outcomes of FAC Effectiveness Survey	Review and Feedback

Tuesday, 14 December 2021

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 2022	Review and Feedback
Ombudsman SA Annual Report 2020/21	Review and Feedback
Framework and Key Assumptions for preparation of 2022/23 ABP and LTFP	Review and Feedback
Review Terms of Reference	RRecommendation to Council
Fraud and Corruption Annual Review	Review and Feedback

CITY OF MARION

6   Confidential Items

7   Reports for Discussion

7.1 Elected Member Report	
Report Reference	FAC210817R7.1
Originating Officer	Unit Manager Governance and Council Support – Victoria Moritz
Corporate Manager	Manager Office of the CEO - Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

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. **Notes this report.**

DISCUSSION
Council Member Representative – Councillor Maggie Duncan
Since the last FAC meeting, Council has met five times for General Council Meetings and once for a Special General Council Meeting. At these meetings, Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order. If the Committee wishes to discuss any of the items considered in confidence in further detail, the Committee will be required to move into confidence.

<u>**25 MAY 2021 – GENERAL COUNCIL MEETING**</u>

Dog Registration Fees
Report Reference: GC210525R13
Sought Council endorsement to set dog registration fees for the next three financial years (2021/22, 2022/23 & 2023/24) as required by the Dog and Cat Management Act (the Act).

Confidential
Residential Hard Waste and Dumped Rubbish Services (minutes released)
Report Reference: GC210525F02
Endorsed the continuation of the existing Hard Waste Collection service model of two collections per year of one cubic metre per collection. Committed the necessary funding in the Annual Business Plan and Long Term Financial Plan from 2022-23 to implement the adopted model.

8 JUNE 2021 - GENERAL COUNCIL MEETING

3rd Budget Review 2020/21
Report Reference: GC210608R05
Adopted the revised budgeted statements including the Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows.

Draft Annual Business Plan 2021/22 and Draft Long-Term Financial Plan
Report Reference: GC210608R09
Council endorsed the draft Annual Business Plan to be presented to the next meeting in final form for adoption.

By-law Review
Report Reference: GC210608R10
Endorsed proposed by-laws for Community Consultation

Confidential

Digital Transformation Program (minutes released)
Report Reference: GC210608F01
Council approved additional funding requirement of $2.315m and additional 4.67 FTE requirement over the next two financial years to support the organisation through this Digital Transformation Program.

22 JUNE 2021 – GENERAL COUNCIL MEETING

Annual Business Plan 2021-22 and Long-Term Financial Plan
Report Reference: GC210622R08
Council endorsed final of final ABP and LTFP with an average rate increase of 1%.

Valuation - Adoption for 2021-22 Financial Year
Report Reference: GC210622R09
Council adopted the capital valuations as supplied by the Office of the Valuer- General

Rates Declaration 2021-22
Report Reference: GC210622R10
Council declared differential general rates according to land use based on Capital Value within the area for the 2021-22 financial

Rate Rebate 2021-22
Report Reference: GC210622R11
Resolved discretionary rate rebates for 2021-22

13 JULY 2021 (SPECIAL MEETING OF COUNCIL)

Confidential

Unsolicited Proposal
Report Reference: GCSGC210713F12.2
This item was received by Council in confidence. If the Committee wishes to receive further information, the Committee must resolve to move into confidence to discuss.

27 JULY 2021 - GENERAL COUNCIL MEETING

Local Government Association Annual General Meeting 2021
Report Reference: GC210727R11.1
Endorsed the submission of three notices of motions for consideration at the LGA AGM relating to:
- Local Government Reform Cost to Councils
- Regular Print Media
- Divestment of Fossil Fuels

Local Government Finance Authority Annual General Meeting 2021
Report Reference: GC210727R11.2
Endorsed the submission of one notice of motion for consideration at the LGFA relating to:
- Divestment of Fossil Fuels

WHS End of Year Performance Report - June 2021
Report Reference: GC210727R12.3
The report contained year end statistical data. The 2020-21 LTIFR is 14.5 with 10 lost time injury claims being submitted. This is a 57.6% increase on the 2019-20 LTIFR and therefore, the target has not been achieved. It should be noted that two LTI incidents occurred late in 2019-20 however weren't included in end of year reporting as they either hadn't yet lost time or had been denied and were undergoing investigation subsequent to an appeal. Both were investigated and accepted post June 2020.

10 August 2021 - General Council Meeting

By-law Review
Report Reference GC210810R11.2
Council were presented with the results of the community consultation regarding the making of 7 by-laws, being our existing 6 by-laws and 1 new animal management by-law. Council adopted the seven new By-laws which will come into force on 1 January next year.

Appointment of Independent Member - Finance and Audit Committee
Report Reference: GC210810F18.4 (released once Independent Member was advised)
Council resolved to appoint Ms Emma Hinchey as Chair of the Finance and Audit Committee for a further three-year appointment until November 2024.

ATTACHMENTS
Nil

7.2 Service Review Program and Recommendations – Progress Update	
Report Reference	FAC210817R7.2
Originating Officer	Business Improvement Officer – Melissa Nottle-Justice
Corporate Manager	Manager Customer Experience - Megan Bradman
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

To provide the Finance and Audit Committee (the Committee) with:
- options regarding a future approach to the Service Review Program for the Committee's input and feedback.
- a progress update on implementation of the existing Service Review Program recommendations as of 23 July 2021.

EXECUTIVE SUMMARY

A key objective in CoM's Strategic Plan 2019-2029 is to "*continuously improve through the service review program*" (Council of Excellence section). The CoM's Service Review Program was established in 2016 and there have been some changes over that time in both its leadership and delivery approach. Now, with the departure of a key external resource, an organisational focus on delivering the Digital Transformation Program and the advent of a new Chief Executive Office (CEO), it is an opportune time to review the approach of the program.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Provides feedback on and input to the future approach to the Service Review Program.**

2. **Notes the implementation progress of the Service Review Program recommendations (Appendix 1).**

BACKGROUND

At the 9 June 2020 meeting of General Council, Council adopted the Service Review Program for FY2020/21 (GC200609). This program focused on ten cross council service reviews to allow City of Marion (CoM) to focus effort on delivering its Digital Transformation Project.

However, with the departure of a key external resource (the Cross-Council Improvement Lead), only three of the ten planned service reviews were completed. These were: Fleet Management and Maintenance (2 services) and Public Litter (1 service).

A new outsourced model was considered, and a trial of this approach was undertaken for the Capital Construction and Maintenance Review. Stage 1 of this review was originally expected to be completed by 30 June 2021, however, has since been delayed and now expected to be completed by 30 September 2021.

At the last meeting of the Finance and Audit Committee (FAC210518), management noted the impact of the loss of the external resource and the gap created by internal resources being allocated to other projects following recent organisational changes. The Committee requested that a program detailing expectations and commitments for this year and next year be considered at the FAC meeting in August 2021. The Committee also raised concerns about the delivery of the

program and sought clarity on the priorities of Council, noting that any inability to deliver due to resourcing implications will need to be reported to Council.

DISCUSSION

Service Review Program

Initial discussions have occurred with the CoM's CEO on the future approach to the program, with various options discussed. A workshop is proposed as part of CoM's Executive Leadership Team (ELT) planning session in September 2021 to develop a future approach for the program. This will then be presented to the Finance and Audit Committee in October 2021 (FAC211012). Proposed future options are set out at Table 1 below.

Table 1: Options – Future approach for the CoM Service Review Program	
Option	**Description**
1	Monitoring and reporting function only against both CoM and Cross Council open reviews.
2	Internal program of service reviews driven by Digital Transformation Program milestones. (Either led/conducted by Senior Leadership Team (SLT) or an external consultant)
3	High level functional reviews of service delivery and structures (SLT led). Implementation of recommendations at Unit Manager level, driven through Leadership Development Plans.
4	Driving the strategic direction and/or implementation of Cross Council in-depth reviews agenda.
5	A combination of components from the above four options.

Implementation of recommendations from service reviews

Significant focus was given to completing the 50 service review actions due in FY2020/21. As of 30 June 2021, 30 of these actions due had been implemented. Nineteen of the remaining outstanding actions were approved by ELT for a timeframe extension and one other expected to be completed by 31 July 2021.

Key highlights of actions that have been implemented in this period (as of 23 July 2021) include:

- All recommendations for the Records Management service review are now closed.
- Cyber Security Awareness sessions for the outdoor workforce have occurred during June/July 2021.
- A 12-month progress report was presented to ELT, illustrating the qualitative and quantitative benefits delivered from the Utilities Optimisation implementation.
- The Neighbourhood and Community Centres have been focusing on strengthening data, systems and analysis to ensure sound evidence-based decision making and consistent reporting.
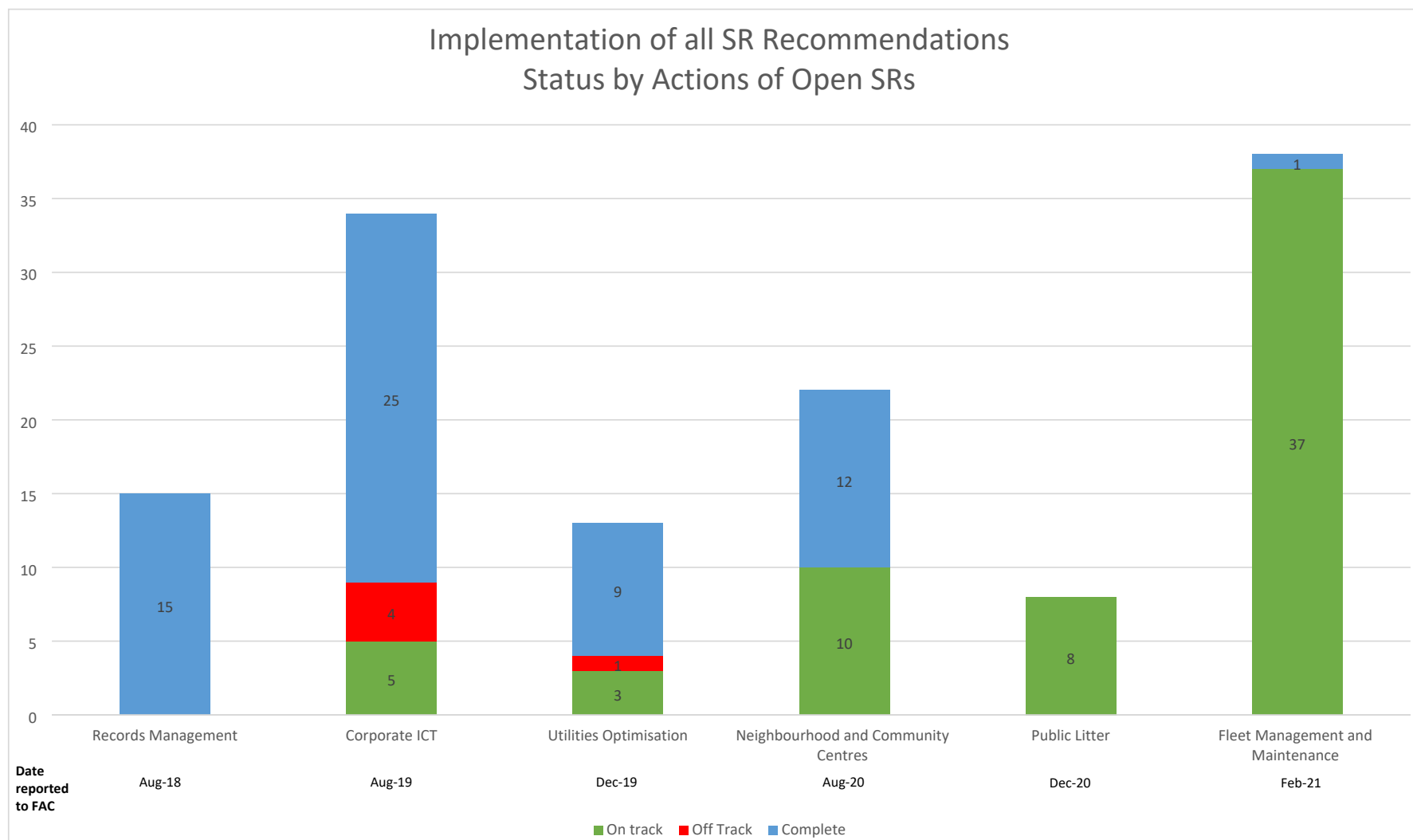
Refer Appendix 1 for more detail.

ATTACHMENTS

1. FAC210817 Service Review Program and Recommendations Progress Update [**7.2.1** - 5 pages]

All Open Service Review Recommendations - Progress Update (Appendix 1)
(Status as at 23/7/2021 based on tracking against original completion dates)

CITY OF
MARION

Implementation of all SR Recommendations
Status by Actions of Open SRs

Service Review	Records Management	Corporate ICT	Utilities Optimisation	Neighbourhood and Community Centres	Public Litter	Fleet Management and Maintenance
On track		5	3	10	8	37
Off Track		4	1			
Complete	15	25	9	12		1

Date reported to FAC

| Aug-18 | Aug-19 | Dec-19 | Aug-20 | Dec-20 | Feb-21 |

Legend: ■ On track   ■ Off Track   ■ Complete

Open Service Reviews - Recommendations - Progress Update

(Status as at 23/7/2021 based on tracking against original completion dates)

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

CITY OF
MARION

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
	Corporate Governance	Records Management	Aug-18	Dec-19	15	15	-	-	15	100%	The Records Management Framework has been created. The next step is to further develop the business plan and services around the Framework and implement over the coming years. Service review recommendations have now been fully implemented.
	Community Connections	Neighbourhood and Community Centres	Aug-20	Jun-22	22	22	10	-	12	55%	The implementation of the NHC Service Review recommendations has commenced however the impact of Covid-19 on daily operations has caused some delays in implementing these in a timely fashion. The Workforce Plan is still progressing in relation to succession planning, staff skills audit and establishing a successful workforce structure for the future. Some recent key staff departures have not been permanently replaced as they will form part of the workforce plan which has also impacted on resourcing. The operations of the centres has moved to a more centralised approach which has been working well. Data, systems and analysis has been a focus for the last few months to ensure that good decision making and reporting is consistent across the Neighbourhood Centres and their programs is in place for term 3 (July 2021).
				Division Total	**37**	**37**	**10**	**-**	**27**	**73%**	

Open Service Reviews - Recommendations - Progress Update

(Status as at 23/7/2021 based on tracking against original completion dates)

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

CITY OF MARION

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
Corporate Services	Information Services	Corporate ICT (cross council)	Aug-19	June-21	14	34	5	**4**	25	74%	Two new IT managers have recently commenced at City of Marion and the service review recommendations have been handed over. Requesting extension on the four off track items (originally expected to be completed by 30/6/21) to allow them time to review and continue the implementation. The following progress has been made: - ICT Conditions of Contract document has now been updated to include KPIs and deliverables that easily managed. - Finalisation of the categorisation and management levels of ICT vendors will be finalised by 30/9/21 - Cyber Security Awareness sessions for outdoor workers have been conducted during June/July 2021. - All staff Cyber Security Awareness content is currently under review.
	Strategic Procurement	Utilities Optimisation (cross council)	Dec-19	Feb-23	10	13	3	**1**	9	69%	The Utilities Validation System is now in implementation phase. A 12 month progress report has been presented to ELT, illustrating the qualitative and quantitative benefits delivered. Significant refund amounts have now been received for historical charging errors (>$155k). Reporting has been completed to illustrate that the team has been self-funding in the first year (total benefit realisation is >$555k).

Open Service Reviews - Recommendations - Progress Update

(Status as at 23/7/2021 based on tracking against original completion dates)

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

CITY OF MARION

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
											Work has commenced on the strategy piece relating to the next procurement of Energy Contracts, with the focus being 100% renewable energy. Governance meetings ongoing each month to track progress and promote initiatives within each council. The one overdue action is 90% progressed and expected to be completed by 31/7/21.
		Public Litter	Dec-20	Dec-22	6	8	8	-	-	-	Actions are now being reviewed, with data collated on the areas of focus. Conversations have commenced with the supplier to gain insight into the current service levels and potential for changes to be implemented.
		Fleet Management & Maintenance	Feb-21	Jul-22	10	38	37	-	1	3%	The Collaborative Fleet Manager has now commenced, reviews are now in progress to streamline the strategy and processes for the fleet renewal program, with changes to be implemented in the coming months.
			Division Total		**40**	**93**	**53**	**5**	**35**	**38%**	

*** 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 23/7/2021 based on tracking against original completion dates)

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

CITY OF
MARION

Completed Service Reviews (Recommendations have been fully implemented)
(March 2016 – Current)

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
Engineering, Assets and Environment	Asset Management	15-Aug-2017	30-Jun-2018	20-Nov-2020
Development and Regulatory Services	Community Safety Inspectorate	30-May-2018	31-July-2019	29-Jan-2021
City Activation	Living Kaurna Cultural Centre	31-May-2016	31-Dec-2021	18-May-2021
Operations	Open Space Phase 2	21-Aug-2018	30-Jun-2022	18-May-2021
Engineering, Assets and Environment	Irrigation Construction and Maintenance	18-Aug-2020	31-Dec-20	18-May-2021

FAC210817 - Finance and Audit Committee - 17 August 2021

7.3 Corporate Risk Review Report Q4 2020/21

Report Reference	FAC210817R7.3
Originating Officer	Unit Manager Risk – Sherie Walczak
Corporate Manager	Manager Office of the CEO - Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT HISTORY

The Corporate Risk Register was last reported for Quarter 3 (January to March) 2021 to the Finance and Audit Committee (FAC) on 4 May 2021.

Report Reference	Report Title
FAC210518R06	Corporate Risk Quarterly Report

REPORT OBJECTIVE

The purpose of this report is to provide the Finance and Audit Committee (FAC) with the results of the review of the City of Marion (CoM) Corporate Risk Register for Quarter 4 (April to June) 2021.

EXECUTIVE SUMMARY

The Corporate Risk Register is reviewed quarterly by management. Focused reviews occurred in City Activation, City Property, Community Connections, Corporate Governance, Engineering Assets & Environment, Chief Data Office, Digital Transformation Program, Finance, and Strategic Procurement. Scrutiny was placed on current controls, updating actions and action due dates.

Completed actions were listed as controls where applicable and the likelihood/consequence ratings were re-evaluated which resulted in the current risk rating decreasing from medium to low for 1 risk, with 1 risk increasing from low to medium, and 1 risk being removed. The total number of risks decreased by one to 104 with current risk ratings being 6 high, 70 medium and 28 low.

High Risk Plans-on-a-Page have been developed for all 6 current High risks to provide greater detail and context. These are included in **Attachment 1**.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Notes the report and provides feedback on the review outcomes.**

OUTCOMES OF THE QUARTERLY RISK REVIEW PROCESS

The quarter 4 2020/21 review of the Corporate Risk Register resulted in a total of 104 risks identified. The current risk ratings being 6 high, 70 medium and 28 low outlined in **Table 1** which also illustrates the movement in our risk exposure over the previous 12 months.

Table 1: Corporate Risk Register Quarterly Review – Comparative Outcomes

Period:	Qtr 1: Jul to Sep 2019			Qtr 2: Oct to Dec 2019			Qtr 3: Jan to Mar 2019			Qtr 3: Apr to Jun 2020				Overall Impact*
'Corporate Risk	I	C	F	I	C	F	I	C	F	I	C	F		
Extreme	26	0	0	26	0	0	27	0	0	28	0	0		←→
High	62	6	0	65	6	0	65	6	0	65	6	0		←→
Medium	14	71	59	13	73	58	13	71	59	11	70	62		↓
Low	0	25	43	0	25	46	0	28	46	0	28	42		←→
Total	102	102	102	104	104	104	105	105	105	104	104	104		

				-1	
				0	

Current High Risk %	6%	6%	6%	6%

¹Key: I = Inherent, C = Current, F = Forecast   *Overall movement of current Risk Rating

This report, provides further details on the outcomes of the quarterly including:

- Changes to the Corporate Risk Register (CRR)
- Ongoing and emerging risk / opportunity issues (not on the register)

Changes to the CRR - Re-rated Risks

During the supported reviews, scrutiny was placed on current controls, updating actions and action due dates. This has resulted in some likelihood and consequence ratings being re-evaluated, affecting current risk ratings for 2 risks which are outlined in **Table 2.**

Table2: Risks Re-Rated During Reporting Period

Risk Ref	Work area	Risk Description	Inherent Rating	Current Rating	Forecast Rating	Comment	Risk Rating Movement
GOV 06	Governance	Inability to deliver community projects and key strategic outcomes.	High	Medium	Low	Change to current risk from Unlikely/Minor (LOW) to Possible/Moderate (MEDIUM). Due to two recent issues with grant acquittals	⬆
OSP 03	Open Space Ops	Challenges to appropriately manage Biodiversity activities by Volunteers	High	Low	Low	Change to current risk from Unlikely/Moderate (MEDIUM) to Rare/Moderate (LOW) - due to contractual arrangements for volunteer management completed	⬇

Changes to the CRR - Risk removed from Register

During this quarter's review one risk was removed, outlined in **Table 3**, as it was viewed as an issue being experienced by the local government sector and not specifically a risk to CoM.

Table 3: Risks Removed from register

Risk Ref	Work area	Risk Description	Inherent Rating	Current Rating	Forecast Rating	Comment
DSE 12	Dev & Reg Services	Failure to provide legislated building services due to increased workloads ie: influx of private sector referrals due to changes in industry's Professional Indemnity cover / Unmanageable increase in private sector building services referrals	Medium	Medium	Medium	Risk Owner notes that this is an industry wide issue and that the business /industry adapts as required. Recommend for removal as considered an issue not a risk

The removal of the risk was based on the following:

- CoM have met with industry via the Australian Institute of Building Surveyors (AIBS) who have also been present at various meetings/working groups to look into the issue.

- AIBS have lobbied federal and state government to resolve the issue
- State government has intervened and will grant accreditation to building certifiers with exclusions/limitations on insurance policies and scope of work that can be undertaken.
- The AIBS have recently been awarded professional standards scheme accreditation, meaning that the liability of accredited members is now capped at 2 million dollars (in private practice), this should result in reduced insurance premiums
- CoM covered by the LGA Mutual Liability Scheme and has no impact to Council policy.

ONGOING & EMERGING RISK / OPPORTUNITY ISSUES

To ensure early, quick and clear escalation of items of strategic or high operational risk to key decision makers, potential risks and opportunities are identified in the quarterly environmental scan undertaken using the PESTLER model (P = Political, E = Economic, S = Social, T = Technological, L = Legal, E = Environmental, R = Relationships).

The latest scan suggests areas for continued observation are:

Ongoing Risk & Opportunity Issues:
- **Human Pandemic** –The ongoing effects of COVID-19 continues to cause uncertainty in the community. This is being monitored by IMT with appropriate responses implemented as required. The Council has not seen any significant impacts of financial distress and inability to pay rates. Council fares well in comparison to other Metropolitan councils, as at May 2021 7.4% of the 15-64 age population were on job seeker or youth allowance compared to 7.8% for Greater Adelaide (Population ID).
- **Planning Reforms:** Changes associated with the Planning, Development and Infrastructure Act 2016 have now been implemented. The new planning system became operational on 19 March 2021. The implementation has created challenges with the transition. Teething issues are being reported on the system performance. Having to use both the old and the new system at the same time has resulted in an increase in workload. Additional temporary planning resources have been utilised within existing departmental budgets to assist. This will continue to be monitored over the next 6-12 months to assess whether further or more permanent resourcing changes need to be made
- **Digital transformation:** Payroll and HRIS system is on track to be delivered by August however it is contingent on two other programs being delivered - digital devices and digital literacy programs which need to be delivered simultaneously. The Digital Transformation Project & change management risks at the program level have been raised as a current risk to the project which has been reported independently to ELT. To mitigate the risk nine kiosks will be installed in City services for the outdoor staff to enter their time sheets and all outdoor staff will be trained prior to the launch of the payroll systems. This has identified some challenges dependent on the level of digital literacy possessed by individual users.

Emerging Risks & Opportunity Issues:
- **North-South Corridor land acquisitions:** The first round of land acquisitions within CoM boundaries were announced 7 July 2021 to allow for a new laydown area and initial works site for the tunnel. The commencement of the North-South Corridor, Torrens to Darlington (T2D) section is the final piece of the North-South Corridor that will complete 78km of continuous traffic-light free connectivity between Gawler and Old Noarlunga. Just under 400 properties in total will be acquired through the T2D section, with the first announcement of approximately 64 acquisitions of properties on the CoM boundary north of Tonsley through to Princes Parade at Clovelly Park and west up to York Avenue (opposite Cosgrove Hall). Key risks to CoM include:
  o **Financial:** DIT announced that impacted properties will need to vacate by November 2022. The CoM has not yet received any formal notification from the state government on which rateable properties are to be demolished in the project however the earmarked zone publicly announced by DIT is expected to have an impact to revenue in the second half of 2021-22.
  o **Reputation:** Community impact projects including the North-South Corridor that have the potential to generate distrust of government within our own community which can adversely

affect our services and outcomes. Media reporting on the project has included community feedback and statements from business owners wanting more transparency from 'council and the state government' which demonstrates there is confusion over who owns the project. This presents an opportunity to continue strengthened communications, engagement and support with/and to our community on key issues and to consider what supporting role (if any) it will take as more residents and businesses are impacted over the course of the project.

o **Local employment:** The impact to the local economy and jobs will be felt should businesses choose not to relocate. Large businesses include the Tonsley Hotel who employ 55 people. It is expected that hundreds of jobs will be lost.

- **Relationship management:**

KPMG Assurance mapping internal audit report noted that relationship management is embedded in the day-to-day operations of the council rather than being guided by formalised policies/processes or plans. Recent work has commenced to identify stakeholders including segmenting resident types to ensure engagement is comprehensive. Opportunities exist to embed in council's community engagement and project management processes.

CONCLUSION

The quarterly risk review process, culminating in an updated Corporate Risk Register, provides assurance to the organisation and its stakeholders of an integrated approach to the identification, management and ongoing monitoring of risk.

ATTACHMENTS

1.   210817 Corporate Risk Quarterly Review Report [**7.3.1** - 7 pages]

MANAGEMENT OF HIGH RISKS

There are currently six risks currently assessed as outside the CoM's adopted risk appetite, as outlined in **Table 1**. Although the Risk Appetite outlined in the Risk Management Framework outlines varying tolerance levels for specific risk criteria, the reporting structure requires that risks with a current risk rating of extreme or high are to be reported to the Risk Working Group and subsequently, to Council via the Finance and Audit Committee.

Table 1: Corporate Risk Register Quarterly Review – Current Ratings

	Inherent	Current	Forecast
■ Extreme	28	0	0
■ High	65	6	0
■ Medium	11	70	62
■ Low	0	28	42
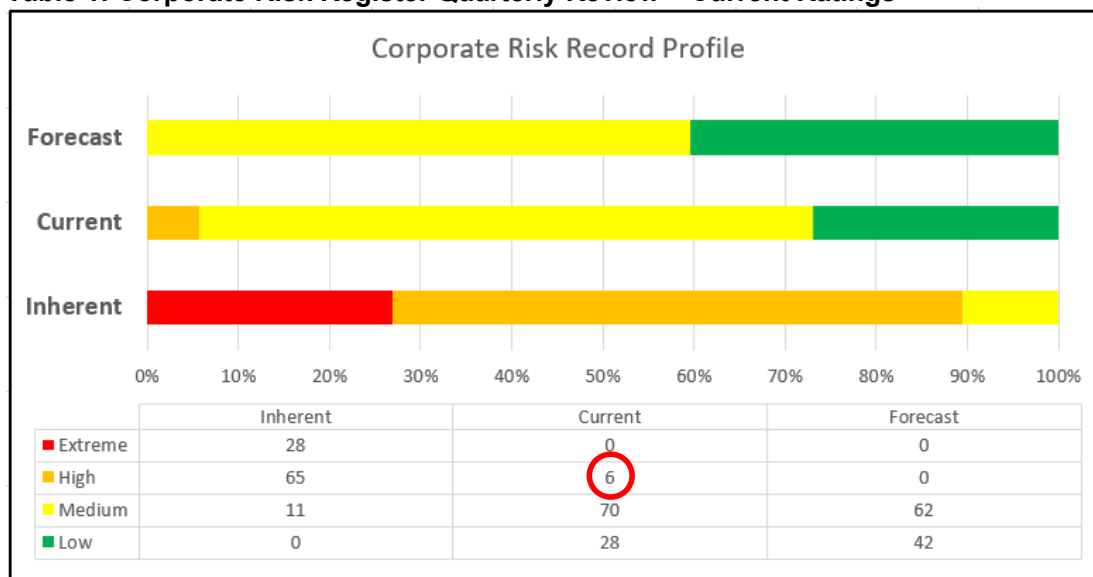
An excerpt of the Corporate Risk Register, outlining the six high-rated risks is provided in **Table 2**, which shows the movement in the current risk rating from last reporting period. Further detail on the mitigating actions identified by the risk owners, targeted to reduce the risk to within tolerance levels is outlined in the high risk plans on a page.

Table 2: Risks Currently Rated as High (or above)

Risk Ref	Risk Description	Inherent Risk Rating	Current Risk Rating	Qtr Mvmnt
CD01	Poor data quality and information governance not supporting informed decision making	Extreme	High	⬌
DTP01	Decentralised, unsupported and unintegrated ICT systems to support current and future needs	High	High	⬌
ESU03	Failure to understand, plan and act to respond to the projected impacts of climate change.	Extreme	High	⬌
FIN06	Ineffective & inefficient organisational project and portfolio management/ monitoring to deliver strategic objectives and outcomes	High	High	⬌
GOV10	Inability to prevent, prepare, respond to and promote resilience in the community in the event of an emergency ie pandemic (human disease),	Extreme	High	⬌
LPR02	Injury or harm/damage arising out of a failure of CoM contractors to comply with contract conditions and CoM HSE requirements	High	High	⬌

High Risk Plans-on-a-Page

To provide greater detail and context for High rated risks, High-Risk Plans-on-a-Page were developed in collaboration with the risk owners for review, validation and monitoring by the RWG. During Quarter 4 all Plans-on-a-Page were reviewed and/or developed with risk owners. These High-Risk Plans-on-a-Page are presented for discussion in **Table 3 to 8**.

Table 3: High Risk Plan-on-a-Page

RISK ID	CDO01	INHERENT	CURRENT	TARGET
DATE LAST REVIEWED	7/06/2021			
ELT	Corporate Services			
SLT	Chief Data Officer			

Risk Description

Poor data quality and information governance not supporting informed decision making

Risk Statement

There is a risk that poor quality of data within systems doesn't allow for informed decisions

Link to Strategic Plan	Council of Excellence
Link to Business Plan	Digital Transformation Program

Context/Background and Environmental considerations

CoM currently uses legacy business applications which are not integrated with each other. Without proper integration double keying of data takes place which can results in data loss or integrity issues. Due to the limited functions of the business systems, the business has needed to make manual work arounds, this can lend to data entry errors, this can contribute to long processes for information gathering and decision making.

Stakeholders	Consultation
All data users within the business	Digital Transformation Program

Risk source - Causes/Drivers

- Inadequate strategic awareness/oversight of corporate data processes
- Lack of standardised Data Quality Assurance processes
- Obselete Data Governance Framework
- No resource/capacity to review/embed the Data Governance Framework
- Poor data capture due to inadequate processes & systems
- Lack of IT training for staff (no IT Trainer role)
- Lack of mobility tools for outdoor staff to capture data
- Ineffective use of end user reporting and query tools
- Lack of single source of truth for Corporate data

Potential Consequences

- Non compliance with related regulations/ legislation
- Unsupported decision making
- Inability to deliver identified business outcomes
- Inability to address business issues
- Inability to provide innovation and improve efficiencies
- Lack of data integrity
- Failure to measure data value
- Increased errors due to inefficient work processes

Implemented Controls		Implementation Date	Review Date	Responsible Officer
1	DTP ELT Meetings (ICT steering committee)	Aug-21	Dec-23	GM Corp Serv
2	Core application systems user groups with ICT business unit account & manager roles	Jan-21	Dec-21	Snr DTP IT Mgr
3	Vendor management reviews of software enhancements/faults	Jan-21	Dec-21	Snr DTP IT Mgr
4	Software owner roles & responsibilities documented (org wide vs departmental)	ongoing	Dec-21	Snr DTP IT Mgr
5	Business intelligence/data analytics reporting toolset (MS PowerBI)	Dec-19	Mar-22	CDO

Planned Treatment		Status	Due Date	Responsible Officer
1	Implementation of ICT Service Review recommendations	On schedule	30/11/2021	UM ICT
2	Implementation of ICT Internal Audit recommendations	On schedule	31/12/2021	UM ICT
3	Digital Transformation Project (move to Cloud)	On schedule	30/12/2022	Snr DTP IT Mgr
4	DTP - COM9 data analytics	On schedule	30/06/2022	CDO
5	Seek endorsement of Data Governance and Mgmt framework	On schedule	30/07/2021	CDO
6	Implement and oversee the Data Governance Framework	On schedule	30/06/2022	CDO

Attachment 1. Management of High Risks

Table 4: High Risk Plan-on-a-Page

RISK ID	DTP01		
DATE LAST REVIEWED	8/06/2021		
ELT	Corporate Services		
SLT	Information Services		
	INHERENT	CURRENT	TARGET

Risk Description

Decentralised, unsupported and unintegrated ICT systems to support current and future needs.

Risk Statement

There is a risk that having decentralised IT systems that are not fit for purpose through the lack of strategic planning for IT will cause unstable systems or failures, ineficiencies, and not allow progression of key business developmments resulting in poor customer experience, frustrated staff.

Link to Strategic Plan	Engaged
Link to Business Plan	Digital Transformation Program

Context/Background and Environmental considerations

Old systems and old technologies used, these have caused inneficent work arounds for the systems. The planning and endorsement of the Digital Transformation Project has taken time to scope and present for endorsement from Council. Budget endorsement from Council was needed. The restructure of the organisation has moved the ownership of addressing these risks to the DTP

Stakeholders	**Consultation**
All data users within the business	ELT, SLT & work areas via meetings

Risk source - Causes/Drivers

- Ineffective implementation of the DT program
- IT platform and operating systems no longer pertinent, potentially unfit for Business over the long term
- Lack of strategic planning & investment in Business systems as Information Management assets
- Lack of timely engagement with IT
- Business units implement their own technology solutions
- Lack of common IT architecture
- Shortage of IT resources

Potential Consequences

- Inefficient corporate software systems
- Ineffective use of IT staff resources
- Inability to support & progress key business developments
- Lack of flexibility, capacity &/or capability for future options
- Poor customer experience
- Frustrated staff - low morale
- Increase turnover of staff
- Business inefficiency
- System instability &/or failures

Implemented Controls		**Implementation Date**	**Review**	**Responsible Officer**
1	DTP ELT Meetings (ICT steering committee)	Aug-20	Dec-23	GM Corp Serv
2	DTP Communications Plan	Nov-20	Sep-21	Mgr Cust Ex
3	DTP Change Management Plan	Jul-20	Jul-21	Mgr Cust Ex
4	Digital Literacy training plan	Jan-21	Dec-21	Snr DTP IT Mgr
5	DTP team of qualified & experienced personel inc dedicated BA and PM resources (service review undertaken)	Feb-21	Jul-21	GM Corp Serv
6	DTP performance reporting to ELT & FAC	Aug-20	Dec-23	Snr DTP IT Mgr
7	Cross Council collaboration (peer review of initiatives)	Jun-20	Jun-22	Snr DTP IT Mgr

Planned Treatment		**Status**	**Due Date**	**Responsible Officer**
1	1. Digital Transformation Project	On schedule	30/06/2023	GM Corp Serv
2	1a. CRM system replacement	On schedule	31/01/2022	Mgr Cus Exp
3	1b. Finance system replacement	On schedule	28/02/2023	Mgr Fin
4	1c. Asset Mgt new system	On schedule	31/01/2022	Mgr Fin
5	1d. HR/Payroll system replacement	On schedule	31/01/2022	Mgr P&C

Attachment 1. Management of High Risks

Table 5: High Risk Plan-on-a-Page

RISK ID	ESU03	INHERENT (red)	CURRENT (orange)	TARGET (yellow)
DATE LAST REVIEWED	7/06/2021			
ELT	City Services			
SLT	Engineering Assets and Environment	INHERENT	CURRENT	TARGET

Risk Description

Failure to understand, plan and act to respond to the projected impacts of climate change.

Risk Statement

There is a risk that extreme weather events, coastal inundation and protracted and enduring changes in weather patterns caused by climate change/global warming will result in an increase in operating costs due to asset damage and accelerated deterioration, damage to Council natural and built environments and an increasing disconnect between Councils capacity to deliver facilities and services and the community's expectations

Link to Strategic Plan	Valuing Nature
Link to Business Plan	Series of supporting processes and guidelines (i.e ESD guidelines for new building and refurbishments) guide project/initiatives such as the development of the Asset Management Plans

Context/Background and Environmental considerations

Climate change is already affecting aspects of CoM operations including how we undertake business and activities and how we design, build and refurbish facilities and infrastructure. It is recognised that unless we ensure we have a sound understanding of the projections and impacts of climate change and incorporate this knowledge into the design and management of infrastructure and the mode of delivery of services we risk exposing the community to increased operating costs and a decrease in the utility of infrastructure and service.

Stakeholders	Consultation
Community, Elected Members, State and Federal Governments, Risk Unit/ Governance, City Activation, City Development, SME's and Local Business, Resilient South, Regional Climate Partnership, Consultants	Consultation through the Climate Risk Governance assessment (internal survey/SLT Interview/ focus/group interview). Common Thread engagement initiative, Local Member, Resilient South Regional Climate Partnership collaboration, Community of Practice (through RCP)

Risk source - Causes/Drivers

- Lack of climate change awareness / understanding
- Lack of recognition for climate risk mapping in urban planning (PDI Act) and decision making (climate hazard mapping)
- Failure to include Climate Change consideration in business activities/operations (inc events, asset management planning & CapX projects)
- Inadequate stakeholder engagement
- Poor inter-departmental collaboration and communication
- increasing carbon emissions
- Planning application approvals in unsuitable areas

Potential Consequences

- Catastrophic damage to assets and infrastructure during extreme weather (e.g. flooding and fire)
-.Increased cost of remedial works
-Increased cost of mitigation works
- Dissatisfied community
- Damage to coastal zone from storm surge
- Reduced rates revenue as property values go down
- Increased difficulty in obtaining insurance cover/increased premiums
- Increased difficulty in obtaining loans if financial institutions require evidence of responses to climate change impacts
- Adverse impact of vulnerable people during extreme weather events (e.g. heat wave)
-. Increased operating costs
- Reduction in asset lifecycle

Implemented Controls		Implementation Date	Review Date	Responsible Officer
1	Resilient South Regional Climate Change Adaptation Plan	2019	2022	UM ES
2	Resilient South Local Government Regional Implementation Plan	2019	2022	UM ES
3	Coastal Climate Change Adaptation Plan including baseline monitoring to detect early changes to risk.	2019	2023	UM ES
4	Program and schedule of External Education via events, networking, workshops etc.	2020	annual	UM ES
5	Environmental induction including climate change content	Bi-monthly	ongoing	UM ES
6	Energy Efficiency and Renewable Energy Plan	2018	2022	UM ES
7	Insurance; Asset & Public Liability	1/07/2020	30/06/2021	UM ES
8	Carbon Neutral Plan	2021	2030	UM ES

Planned Treatment		Status	Due Date	Responsible Officer
1	Update Review of climate change projections/observations & use of pathways approaches in adaptation planning as part of the Resilient South Regional Implementation Plan review.	On schedule	30/12/2021	UM ES
2	Develop & implement RAMP program	On schedule	30/06/2025	UM ES
3	Deliver the Coastal Climate Change Monitoring Program	On schedule	30/06/2024	UM ES
4	Undertake a skills/capability audit & document training gaps in the TNA	On schedule	30/06/2022	UM ES

Attachment 1. Management of High Risks

Table 6: High Risk Plan-on-a-Page

RISK ID	FIN06	INHERENT	CURRENT	TARGET
DATE LAST REVIEWED	7/06//2021			
ELT	Corporate Services			
SLT	Finance			

Risk Description

Ineffective & inefficient organistional project and portfolio management/monitoring to deliver strategic objectives and outcomes

Risk Statement

There is a risk that work areas across the organisation are managing projects and project risk through differing methodology and that projects are not easily able to be monitored by the Executive Leadership Team.

Link to Strategic Plan	Council of Excellence
Link to Business Plan	Digital Transformation Program

Context/Background and Environmental considerations

The Project Management Office was introduced a number of years ago with a Project Leader and a Project Support Officer. The team developed a Project Management Policy and Framework and implemented CAMMS project management software however, the implementation and uptake of these documents and software solution was inconsistent. The resourcing recently changed during the DTP restructure and there is uncertainty regarding the ownership of this risk.

Stakeholders	Consultation
All data users within the business	Digital Transformation program

Risk source - Causes/Drivers

- ineffecient set-up & utilisation CAMMS system
- lack of PMO resources
- inadequate assessment of organisational PM needs
- omission of key considerations in project outline eg: risk/WHS/finance/reporting/contracts

Potential Consequences

- ineffecient set-up & utilisation CAMMS system
- lack of PMO resources
- inadequate assessment of organisational PM needs
- omission of key considerations in project outline eg: risk/WHS/finance/reporting/contracts

	Implemented Controls	Implementation Date	Review Date	Responsible Officer
1	Prudential Management Policy	Dec-12	Jun-18	Mgr Fin
2	Project Management Framework	Aug-19	Jun-19	Snr PM FT
3	CAMMS project management software (contract)	Mar-21	Mar-22	Snr PM FT
4	Project Steering Group	Jan-18	monthly	Snr PM FT
5	Monthly financial reporting	ongoing	ongoing	Mgr Fin
6	Project Management Office	May-21	Nov-21	Snr PM FT
7				
8				
9				
10				

	Planned Treatment	Status	Due Date	Responsible Officer
1	Implement KPMG Internal Audit Report outcomes - Project Carryovers - report to be presented to FAC (actions and due dates included in report)	On schedule	30/08/2021	Mgr Corp Gov
2	Targeted approach to CAMMS training for those that require it	On schedule	30/09/2021	Snr PM FT

Attachment 1. Management of High Risks

Table 7: High Risk Plan-on-a-Page

RISK ID	GOV10			
DATE LAST REVIEWED	8/04/2021	⬤ (red)	⬤ (amber)	⬤ (yellow)
ELT	City Services			
SLT	Corporate Governance	**INHERENT**	**CURRENT**	**TARGET**

Risk Description

Inability to prevent, prepare, respond to and promote resilience in the community in the event of an emergency ie pandemic (human disease), earthquake, flood, extreme heat, bushfire and terrorism

Risk Statement

There is a risk that the organisation has not acted reasonably in the prevention, preparation, response and promotion of resilience to the community which could adversely affect the liveability of our residents.

Link to Strategic Plan	Liveable
Link to Business Plan	Risk Strategic Plan

Context/Background and Environmental considerations

Emergencies are becoming more prevalent in recent time with incidents occurring blackouts, bush fires, pandemics etc...

Stakeholders	**Consultation**
Community, Elected Members, State and Federal Governments, Risk Unit/ Governance, SME's and Local Business, Resilient South	Risk team members, LG Council Ready specialist project officers, various SLT emergency risk owners, RWG

Risk source - Causes/Drivers

- Failure of Business Continuity Planning
- Failure of Community Emergency Planning
- Failure of Recovery Planning
- Risk assessment doesn't identify appropriate controls
- Inadequate training of the IMT and workforce
- Failure to undertake scenario exercises and reviews

Potential Consequences

- Death or critical injury to Worker(s) and/or Visitor(s)
- Disruption to CoM's service delivery
- Disgruntled local community
- CoM exposure to liability
- Officers' exposure to criminal litigation
- Reputation damaged through adverse media cover
- Asset Damage

Implemented Controls		**Implementation Date**	**Review Date**	**Responsible Officer**
1	Business Continuity Policy	Sep-19	Sep-23	UM Risk
2	Business Continuity Procedure	Sep-19	Sep-23	UM Risk
3	Business Continuity Plan (inc testing and training)	May-18	May-22	UM Risk
4	Business Impact Analysis; Critical Functions identification and Recovery Strategies	Feb-20	Feb-22	UM Risk
5	Community Emergency Management Plan	Jul-18	Jul-22	UM Risk
6	Recovery Management Plan	Jun-20	Jun-24	UM Risk
7	Risk Assessment on State Hazards	Nov-20	Nov-25	UM Risk
8	IT Service Recovery Plan (inc testing)	Feb-19	Feb-20	IT Gov & CS Lead
9	Asset Management Plans x 8	Jan-20	Jan-30	UM Asset Systems
10	ZEMC membership - TOR/Workplan	Jan-21	Jan-22	UM Risk

Planned Treatment		**Status**	**Due Date**	**Responsible Officer**
1	Implementation of IMT response to COVID19 for CoM and the community	On schedule	ongoing	UM Risk
2	Review and redevelopment of Recovery Strategies	On schedule	31/12/2021	UM Risk
3	Review IT Service Recovery Plan (inc testing)	On schedule	30/09/2021	IT Gov & CS Lead

Attachment 1. Management of High Risks

Table 8: High Risk Plan-on-a-Page

RISK ID	LPR02	INHERENT	CURRENT	TARGET
DATE LAST REVIEWED	15/04/2021			
ELT	City Development			
SLT	City Property			

Risk Description

Injury or harm/damage arising out of a failure of CoM contractors to comply with contract conditions and CoM HSE requirements

Risk Statement

There is a risk of non performance of contractors engaged by City of Marion to undertake high risk Land & Property related activities as a consequence of a failure to effectively apply a rigorous, commercial and proactive contractor induction and management process which may result in a failure to deliver services within the intended scope, budget and timeframe and to the required standard of safety and legislative compliance leading to additional operational costs, the potential for injury or harm, litigation and reputational and community relationship degradation

Link to Strategic Plan	Council of Excellence
Link to Business Plan	Develop the City Property Strategic Asset Management Plan to meet community, sport and recreation needs

Context/Background and Environmental considerations

CoM Contractor Management processess are manual, with no clear process or system having been implemented into the City Property team through a trained and supported approach.

Stakeholders	Consultation
SafeWork SA, Community (facility users), Staff (facility users), Elected Members, Risk Unit, City Activation, Operational Support	Consultation through City Property team meetings and regular engagement with the Risk Team

Risk source - Causes/Drivers

 - Ineffective procurement processes that evaluate Contractors' WHS practices/performance
 - Inconsistent / Ineffective WHS induction of contractors
 - Ineffective monitoring and evaluation of Contractors' WHS practices/performance
- Failure to undertake site inspection and hazard identification prior to commencement of work.

Potential Consequences

 Serious injury to Workers, Contractors or member of Public
- Disruption to works impacting CoM & team
- Disruption to works impacting local community
- CoM exposure to liability
- Officers' exposure to criminal litigation
- Reputation damaged through adverse media coverage
- Net increase in operating costs

	Implemented Controls	Implementation Date	Review Date	Responsible Officer
1	Contract Management Procedure	Sep-17	Oct-19	Mgr St Procuremnt
2	Procurement Procedure	Sep-17	Oct-19	Mgr St Procuremnt
3	Tender Evaluation Procedure	Sep-17	Oct-19	Mgr St Procuremnt
4	Contract Management Checklist	tba	tba	Mgr St Procuremnt
5	CoM Contractor Induction (inc Contractor acknowledgement, undertaking & receipt of CoM HSE contractor induction handbook)	Nov-18	Nov-20	Mgr St Procuremnt
6	Contractor Site Induction (inc handover of CoM risk assessment plus contractor generated site hazard and risk assessment before commencement)	Oct-19	Oct-23	Mgr St Procuremnt
7	Contractor Insurance - recording and monitoring process	tba	tba	Mgr St Procuremnt
8	CoM Insurance	1/07/2020	30/06/2021	UM Risk

	Planned Treatment	Status	Due Date	Responsible Officer
1	City Property staff to attend Contractor Management training on revised Policy/Procedures (including updates through KPMG Audit recommendations)	On schedule	1/08/2021	Mgr City Property
2	Engage HSE Business Partner to review contractor management undertaken by CP	On schedule	30/08/2021	Mgr City Property
3	Implement revised Contractor Management Procedure into team processes	On schedule	30/09/2021	Mgr City Property
4	Implement Contract Performance Evaluation process	On schedule	30/09/2021	Mgr City Property
5	Implement Contractor Induction/Observation/Monitoring process (inc record keeping)	On schedule	30/09/2021	Mgr City Property

7.4 HSE Program Annual Report	
Report Reference	FAC210817R7.4
Originating Officer	Unit Manager Risk – Sherie Walczak
Corporate Manager	Manager Office of the Chief Executive - Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with an overview of the Health, Safety and Environment (HSE) Plan and Management System performance for the 2020-21 financial year

EXECUTIVE SUMMARY

Historically, Work Health and Safety was identified as an out of tolerance risk with two risks being rated as high in the Corporate Risk Register. Dedicated resources and initiatives have been prioritised, primarily through the HSE Plan 2019-23, to mitigate the risk to within the corporate risk appetite resulting in both risks now being rated as medium.

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

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

HSE performance is monitored through HSE program plans and indicators including:

- Performance against the HSE Plan 2019-23
- Key HSE Positive and Lag indicators

The HSE Plan 2019-23 Performance Report 2021 (**Attachment 1**) outlines 25 (58%) success measures as conforming, 2 (5%) as neutral and 16 (37%) as non-conforming.

Key HSE success measures are outlined in the HSE Positive and Lag Indicators Annual Performance Report 2021 (**Attachment 2**). The key corporate indicator monitored by Council is '10% or greater reduction to our Lost Time Injury Frequency Rate (LTIFR) from the previous year'. As at the 30th June 2021, the LTIFR was 14.5 which demonstrates a 57.6% increase from the 2019-20 financial year LTIFR of 9.2 and does NOT MEET the 10% reduction KPI set by Council.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Notes the report and statistical data attached.**

ANALSYS OF KEY PERFORMANCE DATA

To measure continual improvement, safety indicators are measured and monitored. Performance against these targets are measured in two ways:

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

Positive Performance Indicators

- Health Safety and Environment Plan 2019-23
The development, maturation and continual improvement of our HSE Management System is planned and monitored through the HSE Plan 2019-23. Performance achieved in 2019-20 against the HSE Plan 2019-23 is provided in the HSE Plan Performance Report 2021 (**Attachment 1**). The HSE Performance Report outlines the outcomes of the second year of the HSE Plan which reports 25 (58%) success measures as conforming, 2 (5%) as neutral and 16 (37%) as non-conforming. The is a good outcome for the second year of the plan, particularly given the impacts of Covid-19 on some of the planned initiatives and a change in resourcing of the contracted HSE Business Partner. The report was presented to Risk Working Group which resulted in the Executive Leadership Team supporting a number of initiatives that require a higher level of organisational support and focus in 2021-22.

- LGA WHS Audit
The most recent biennial Local Government Association Workers Compensation Scheme (LGAWCS) audit took place from 10 -12th September 2018 it was due to be undertaken in 2020 however was authorised by Return-to-Work SA to be postponed until 2021. It is now scheduled for 31 August to 2 September 2021 and the outcomes will be reported to the FAC in December 2021.

- LGA WHS Audit Action Plan
As a result of the LGAWCS WHSMS audit, Council is required to set an annual action plan to address the outcomes of the audit. In 2020, Council was successful in closing out 31 of 35 (89%) of committed actions resulting in 100% of LGAWCS rebates being awarded.
As of 31 July 2021, 20 of 53 (38%) of actions outlined in the 2021 Action Plan have been completed, as outlined in Attachment 2 Table 1, with most actions on track to be completed by the end of the Plan (September 2021).

- Hazard and Near Miss Reports
The 120 Hazard and Near Miss Reports, outlined in Attachment 2 Table 3, when compared to the 112, outlined in Attachment 2 Table 4, represents a 7% increase in reporting over the last 12 months. This has EXCEEDED the 5% increase target in the HSE Plan 2019-2023.

Lag Performance Indicators

- Lost Time Injury Frequency Rate
The key lag performance indicator was to reduce Lost Time Injuries (LTIs) reported in 2020-21 through the Lost Time Injury Frequency Rate (LTIFR), outlined in Attachment 2 Table 5, by 10% from those reported in 2019-20, outlined in Attachment 2 Table 6. There were 10 LTIs reported this year which is an increase from the 6 LTIs recorded for the previous year.

  Analysis of the LTIs in 2019-20, outlined in Attachment 2 Table 7, shows five primary mechanisms of injury:
  1. Muscular Stress while lifting, carrying or putting down objects; One incident resulting in a strained left shoulder.
  2. Falls from a height; One incident resulting in a strained left knee
  3. Hit by a falling object; Two incidents, one resulting in a bruised left foot and one in fractured ribs
  4. Stepping, kneeling, sitting on objects; Five incidents, one resulting in a fractured foot, two in a strained left knee, one in sore feet and one in a strained shoulder.
  5. Work related harassment and/or workplace bullying; One incident resulting in anxiety/stress disorder.

  The 2020-21 Rolling LTIFR of 14.5 represented in blue in Attachment 2 Figure 1 represents a 57.6% increase over the previous 12 months from 2019-20's result of 9.2.

The 2020-21 LTIFR of 14.5 represented in blue in Attachment 2 Figure 2 indicates the City of Marion result being 45% higher than the Group A Council average of 10.0. It should be noted that prior to 2016-17, we historically recorded a higher LTIFR when compared against our industry counterparts being the Group A Councils as indicated by an LTIFR of 28.8 in 2015-16. However, we implemented programs which resulted in the recording of significant reductions over the next four years (78.4% reduction from 28.8 LTIFR in 2015-16 to the 2017-18 LTIFR of 6.2) which demonstrates the commitment to putting the community and safety at the forefront of everything we do. We have experienced a higher number of incidents in 2020-21 whilst undertaking low risk tasks which may demonstrate a level of distraction given the ever-changing environment during the journey that is Covid-19.

- Total Recordable Injury Frequency Rate
  The rolling Total Recordable Incident Frequency Rate (TRIFR) of 17.4 represented in green in Attachment 2 Figure 3 represents a 14.5% increase over the previous 12 months from 2019-20's result of 15.2.

- Lost Time Injury Duration Rate
  The Lost Time Injury Duration Rate (LTIDR) of 23.4 represented in blue in Attachment 2 Figure 4 indicates the City of Marion result being 42.6% higher than the Group A Council result of 16.4.

Initiatives Planned for 2020-21

A project is currently underway to implement a WHS Training and Verification of Competency framework. Discussions are underway with other Councils to implement this as a collaborative program, ideally sharing a resource who will implement the program across both Councils.

Contractor management policies and procedures has been reviewed and a series of training is underway with the WHS Business Partners supporting a hands-on implementation across relevant teams.

Broader organisational input, focus and change is being committed to the improvement of Safety Documentation, Risk Assessments, Safety Observations, Corrective & Preventative Actions, Hazard Reporting and Incident investigations supported by the WHS Business Partners.

ATTACHMENTS

1. HSE Annual Report 2021 Attachment 1 HSE Plan [**7.4.1** - 2 pages]
2. HSE Annual Report 2021 Attachment 2 Performance Indicators [**7.4.2** - 3 pages]

Appendix B - HSE Plan 2019-23 Performance Report

On track to meet or achieved current financial year target	🟩
May meet or nearly meet current financial year target	🟨
Not expected to meet current financial year target	🟥

Four Program Priorities

	Commitment	Achieved by	Success Measure	Target	2019/20	2020/21	2021/22	2022/23	Result	Result %	Commentary	Recommendations for consideration	Action Owner	Due Date
HSE LEADERSHIP	1.1 Exhibit & actively promote worker & environmentally safe behaviours	Setting an example through visible leadership	Percentage of leaders review their HSE Risks in the SkyTrust Safety Risk Register each year as scheduled.	100% of leaders	70%	85%	100%	100%		0%	The majority of HSE Risk Register items are due for review during FY2021-22 and 2022-23. There were a total of 7 HSE risks due for review during FY2021 and 0 of those were reviewed on time.	Risk to program refresher training in risk assessment and review of Skytrust HSE Risk Register for risk owners, communicates need for time to be made to coincide with larger volumes of reviews becoming due in 2021-22 .	HSE Coordinator	31/10/21
			WHS Committee meetings will have ELT representation	100% attendance	100%	100%	100%	100%		100%	HSE Committee well attended by CEO and GM City Services.			
			Leaders undertake their allocated Safety Observations each year.	100% occurrence	70%	85%	100%	100%		71%	Completed 135 HSE observations from a target of 191. In Q1 HSE observations numbers were impacted by Covid19.	1. Implement program focused on increase use of smartphones and tablets for completing HSE Observations and other functions as part of DTP. 2. Partner with teams and individuals to increase confidence and consistency of HSE Observations.	HSE Coordinator & HSE Business Partner	31/12/21
			General Staff, ELT and SLT meetings have safety on the agenda	100% of meetings	100%	100%	100%	100%		100%	Meetings have all started with or contained WHS topics.	Review SLT reporting to include greater focus on accountability for positive performance indicators as key drivers to lower risk workplaces, resulting in lower injury rates.	UM WHS	31/10/21
		Actively promoting safety & the environment	Leadership visibility of HSE culture through new initiatives	2 initiatives each year	2 initiatives	2 initiatives	2 initiatives	2 initiatives		100%	Keep cups have been a successful HSE solution and promotional items Bananas for R U OK day well received			
			Promotion of HSE & wellbeing through the monthly TSLW newsletters	12 newsletters per year	100%	100%	100%	100%		100%	Monthly newsletters are being distributed through constant contact. Generally late in the month.	Review target to include newsletter being sent in first 10 days of each month.	UM WHS	31/08/21
			Delivery & promotion of monthly Wellbeing themes based on annual Wellbeing Plan	12 themes per year	12 themes	12 themes	12 themes	12 themes		100%				
			Green @ Work initiatives	2 initiatives / year	2 activities	2 activities	2 activities	2 activities		50%	1. Waste audits at CS and Admin. Completed Nov 2020. 2. Nature walk scheduled for 9th June but postponed due to poor weather. To be			
		Acknowledging safe & environmentally sustainable behaviours	STAR award nomination for HSE related behaviours	STAR Award introduced with 10% increase in nominations each year	HSE added to STAR Award program	HSE STAR Awards introduced	10% increase in HSE STAR Award nominations	10% increase in HSE STAR Award nominations		0%	HSE Plan Commitments added for STAR Award Nomination Form.	Consult SLT on development of HSE STAR Award or indvidual HSE Award to be awarded periodically at GSMs.		
	1.2 Empower people to understand their HSE responsibilities & processes as we build capacity, ownership & achieve safe outcomes	Training all leaders in WHS	Percentage of ELT, SLT & identified UMs undertake Due Diligence training every 4 years	100% of identified staff	100%	100%	100%	100%		100%	WHS Due Diligence training held by CoM and attended by PAE during FY2021.	Engage L&D to ensure Due Diligence training is captured on Learning Management System for identified roles (CEO, GMs and select SLT)	UM WHS	30/06/22
			Percentage of CoM leaders complete the WHS Leadership 1, 2 & 3 eLearning modules within the timeframe	100% of identified staff	100%	100%	100%	100%		93%	Seven staff commencing in leadership roles in the last twelve months have not all completed. Training currently being reviewed to increase engagement, environmental and implementation processes of the WHS management system.	1. Follow up People Leaders with request to complete modules via online learning 2. Review WHS Leadership to become more engaging, HSE Leadership & Responsibilities presentations.	HSE Coordinator	30/12/21
		Training all relevant roles in Environmental impacts	Competency based Environmental impacts training (eLearning or face-to-face) for relevant staff included in Organisational TNA	100% of identified staff	Training developed	100%	100%	100%		0%	Online Environmental Awareness Training module has been developed with input from enviormental specialists. It will be uploaded into skytrust.	Online Environmental Awareness Training module to be completed by key project management staff in the organisation.	Environmental Officer	30/06/21
	1.3 Encourage those impacted by our operations to be included in discussions that may affect their health & safety or the environment	Consulting & communicating WHS matters with staff, volunteers & contractors	Percentage of WHS / ERM Policy & Procedures, introduced or revised, include consultation and communication with all affected staff	100% of documents reviewed	70%	85%	100%	100%		100%	All procedures reviewed have been provided via email for people leaders to consult with their teams on any changes. HSE Consultation Workflow introduce in Sharepoint using MS365 Forms to create evidence register for consistent and timely consultation			
			Options, including advantages / disadvantages, of merging the ERM and WHS Committees is considered with recommended approach approved to commence from July 2020	Identify and implement options	Identify options and recommendation made	Action recommended option	Evaluate recommended option	Monitor recommended option		100%	HSE Committee completed 12 months of meetings. Due to evaluate effectiveness of recommended change to HSE Committee.	1. Evaluate effectiveness of HSE Committee in place of WHS and ERM Committees.	Manager P&C and Manager Engineering, Environment & Assets	31/10/21
		Communicating environmental requirements with staff, volunteers & contactors	Percentage of staff, agency staff with a ≥6 month contract, contractor & volunteer inductions include environmental requirements	100% of staff	70%	85%	100%	100%		67%	There were 52 new starters and 35 Environmental Induction attendees FY20/21.			
		Gain feedback on staff sense of safety while at work	Percentage result for Safety questions within Organisational Pulse Survey results maintained	80%	80%	80%	80%	80%		90% - Safety 86% - Wellbeing	Team Gauge replace the Pulse Survey as a result of Covid19.	Develop system where People & Culture engage Departments with scores lower than 80%. SLTs and GMs then engaged to identify & lead improvements.	UM WHS	31/12/21
HAZARD MANAGEMENT	2.1 Take pride in delivering safe outcomes for our people, community & environment	Improving reporting as part of building an overall positive HSE culture	Increase in WHS hazard & near miss incident reports year on year for the life of the plan	5% increase per year	10 per month	5% increase per year	5% increase per year	5% increase per year		6%	10 per month. 12 Cleanaway hazard reports.	1. Implement program to increase usage of Skytrust Plus app for recording hazards and incidents as part of DTP.		
			Increase in environmental incident reports year on year for the life of the plan	10% increase per year	10% increase per year	10% increase per year	10% increase per year	10% increase per year		0%	Total environmental incident reports (excluding cleanaway incidents) did not change in 2020/2021 compaired with the previous year. 10 incident reports in 2020/2021 compared to 10 in 2019/20			
	2.2 Proactively undertake systematic identification, assessment, control, monitoring & review of hazards associated with our operations	Identifying, assessing & controlling all high priority hazards.	Percentage of plant that is risk assessed prior to entering service & reviewed at least 5 yearly	100%	80%	90%	100%	100%		17%	1 of 1 new plant item was risk assessed prior to purchase. Review of Plant Risk Assessments has not occurred on time for 5 out of 5 due for review. Pre-purchase checklists revised to be specific for major and minor plant purchasing.	Pre-purchase risk assessments documentation improvements being implemented through LGAWCS Action Plan.		
			Percentage of chemicals that are risk assessed prior to being used & reviewed at least 5 yearly	100%	80%	90%	100%	100%		100%	Chemical risk assessments completed by Choose Safety for all existing chemicals in 2019. 1 new chemical risk assessments completed prior to purchase.			
			Percentage of SWMS, SWPs & SOPs that are reviewed as scheduled	100%	80%	90%	100%	100%		0%	0% reviewed within due date. Document owners do not appear to be reviewing SOP, SWP or SWMS until an email is sent by the WHS Coordinator to complete the review.	1. People leaders prioritise time for review of SWMS, SOP and SWP as a core HSE responsibility, requesting support from WHS Coordinator as required. 2. HSE Business Partners to program training, offer support and work with teams to with review SWMS, SOP and SWP.*	HSE Business Partners	30/09/21
			Spot audits of all relevant projects in CAMMS to ensure their predesign environmental checklist was completed	Quarterly audits undertaken	4 audits completed	4 audits completed	4 audits completed	4 audits completed		50%	Four spot audits were completed for 2020/2021. 50% of projects had completed the Pre-design Environmental Checklist.	Environmental awarness training to be delivered to relevant staff during 2021/2022		
			TRIFR reduction of 10% or greater on previous year)	10% reduction each year	10% reduction	10% reduction	10% reduction	10% reduction		44% increase	44% increase. TRIFR at 17.4 up from 12.1 at end of the previous period.	Identify and prioritise hazardous tasks associated with TRI for risk assessment, control, monitoring and review.	HSE Business Partners	30/09/21
	2.3 Be accountable for continual improvement of risk reduction processes	Taking action to improve our risk controls	Percentage of corrective and preventative actions that are closed out within their scheduled timeframes	100% completed within timeframe	70%	80%	90%	100%		56%	56% of corrective and preventative actions were completed on time (188 of 335). Increase from 36% in previous financial year.	1. SLTs and HSE Business Partners to continue programming time to follow up and support action completion via Skytrust 'Weekly Action Summary' to ensure people leaders are completing actions on time. 2. Consider specific WHS responsibilities including corrective and preventative action amongst other positive performance indicators incorporated within the Performance Development Plan and/or Learning Development Plan process.	UM WHS & Manager P&C	31/12/21
INCIDENT MANAGEMENT	3.1 Promptly report safety & environmental hazards, near misses, incidents and harm	Improving reporting as part of building an overall positive HSE culture	Percentage of all incidents that are reported in SkyTrust within 1 working day of the incident occurring	100%	80%	90%	100%	100%		77%	77% of incidents (396 of 513) were reported within 1 working day of occurrence. Increase in incident reports from previous financial year (194), largely due to Marion Outdoor Pool (121) implementation of Skytrust and Cleanaway (91) truck height damaging trees and increased uptake in reporting by contractors and staff.	Promote and increase use of Skytrust app for recording incidents and hazards as part of digital transformation.	UM WHS	31/12/21
			Comprehensive monthly & extended quarterly WHS report by the 10th day of the following month	Monthly Reports	12 reports	12 reports	12 reports	12 reports		100%	Reports compiled by HSE Coordinator, reviewed by UM Risk and Environmental Sustainability prior to distribution.	1. Review monthly SLT report to include results needing attention within performance summary (i.e. no of CAPA overdue by >1 month)	UM WHS	31/08/21
	3.2 Reduce or eliminate contributing factors to incidents to reduce risk of reoccurrence	Undertaking incident investigations to identify contributing factors	Percentage of all medium or above risk rated incidents are investigated by the responsible person and corrective actions identified within 10 business days of the incident being reported	100%	80%	90%	100%	100%		66%	66% of incident investigations (23 of 35) were completed within 10 business days of incident reported date.	1. Support organisation in completion of incident investigations through HSE Business Partners. 2. SLT to monitor investigations and ensure time allocated to completing on time.	UM WHS / SLTs	31/10/2021 / Ongoing
			Recurring contractor incidents investigated by the contactor manager (with support from the Risk and/or Environmental Sustainability Teams) and corrective actions identified within 7 days of the incident being reported	100%	80%	90%	100%	100%		100%	All environmental incidents are documented in the ERM Minutes. There were no reoccurring contractor incidents minuted in the ERM Committee minutes	Continue to document environmental incidents in HSE Committee minutes.		
		Improving the quality of incident investigation & reporting.	Percentage of all incidents risk rated as high or above reviewed by the Risk team	100%	80%	90%	100%	100%		100%	6 incidents rated as high have been reviewed by Risk as part of investigation team.			
			Percentage of all incidents with an environmental impact is reviewed by the Environment team	100%	100%	100%	100%	100%		100%	All environmental incidents are reviewed by the Environment Team. This will be reported to the RWG at the EOFY report.			

	Commitment	Achieved by	Success Measure	Target	2019/20	2020/21	2021/22	2022/23	Result	Result %	Commentary	Recommendations for consideration	Action Owner	Due Date
	3.3 Prioritise and support injured employees with treatment and provision for staying at work while they recover	Providing suitable duties to staff who are injured during work activities	LTIDR Reduction of 10% or greater on previous year	10% annually	10%	10%	10%	10%		35% increase	LTIDR is 23.4. Up from 17.3 and equal to a 35% increase.	Consider internal claim reviews escalation to SLTs/ELT at agreed point/s in time (i.e. LTI claim review fortnightly once claim reaches 15 lost time days)	Manager P&C and UM WHS	31/12/21
			LTIFR Reduction equal to or greater than target set up council	Council a target	10%	10%	%	%		58%	58% increase. LTIFR 14.5 at 30 June 2021. Up from 9.2 at end of previous period.			
			All Lost Time Injuries will have a 48 hour meeting scheduled by the people leader inviting the HR Business Partner and WHS Coordinator	48 hr meeting scheduled for all LTIs	100%	100%	100%	100%		100%	All LTIs included 48 hour meeting to discuss injury management and investigation actions to support return to work and risk reductions.			
CONTINUAL IMPROVEMENT	4.1 Provide a management system that complies with the requirements of the Return to Work SA's Performance Standards for Self Insurers (RTW PSSI)	Undertaking a RTW PSSI compliance self-assessment as part of the management review reported to RWG	Increase of conformances from previous self-assessment	10% increase each assessment	10%	10%	10%	10%		12%	82% conforming increased 12% on the 73% self assessment in 2020.	Recommendations from the WHSMS Review Report 2021 if implemented will support increased conformances.		
			Increase of conformances from previous LGAWCS audit	10% increase each audit	na	10%	na	10%		NA	Results will be available every odd year for comparison.			
		Undertaking an annual ERM compliance self-assessment and report to RWG	Practical transition of ERM system elements to SkyTrust	100% of all agreed system elements	50% of all agreed system elements	75% of all agreed system elements	90% of all agreed system elements	100% of all agreed system elements		85%	Approximately 85% of ERM system elements are now incorporated into Skytrust.			
	4.2 Be accountable for making positive differences to health, safety & environment	Undertaking a proactive schedule of audits	WHSMS audits being performed	At least 10% / year	10%	10%	10%	10%		11%	3 Internal WHS Audits completed from a total of 27 procedures.			
			ERM process and sites/activities audits conducted per year	1 process audit & 1 site/activity audit / year	2 Audits	2 Audits	2 Audits	2 Audits		100%	ERM Site Audit- Valuing Business Waste grant received from GISA used to engage an external consultant to complete waste and recycling audits at all CoM operational sites. as at 30/06/21 all site audits have been scheduled and are currently in progress aiming for completion Aug 2021. ERM Process Audit - Waste audit for CS and Admin was completed Nov 2020	Recommendations from the Valuing Business Waste final report to be considered when the report is recieved.		
			Contractor HSE Audits conducted per year	At least 6 / year	6 audits	6 audits	6 audits	6 audits		33%	2 audits completed or on track for completion by 30 June 2020. One audit not completed due to Covid19 impacts on resourcing.	Engage organisation to schedule 6 Contractor HSE Audits and conduct per schedule.	UM WHS	31/08/21
	4.3 We will build a culture of performance excellence	Training and educating our workforce to ensure they have the key skills to deliver our services	An organisational TNA where worker training records are checked to ensure that all training identified has been delivered	100% of training delivered	70%	80%	90%	100%		90%	Pending Contractor Management training scheduled for July 2021 following delayed review of Contract and Procurement Procedure.		UM WHS	31/08/20
			Percentage of staff competency verified for operation of plant as per training needs analysis	100% of competencies verified	70%	80%	90%	100%		<20%	Significant number of staff require verification of competency for plant operation. No system in place for formally monitoring competency of all plant operators.	Risk to submit business case with recommendations for ELT to determine approach for providing resources to develop, implement and coordinate training and verification of competency for plant operation.	UM WHS	31/08/20
		Reviewing LGA Circulars & Government Gazettes	'Legal Requirements' is a mandatory agenda item in the WHS & ERM Committee agendas and reflected in the minutes	100% of meeting agendas	100%	100%	100%	100%		100%	Standard agenda item for HSE Committee. Minutes reflect regular and timely legislative updates.			
		Maintaining HSE compliance obligations ie monitoring, licences and permits	Scheduling of legislative inspection, testing and servicing requirements using the Inspection and Audit Module in SkyTrust	100% being tested when due	70%	80%	90%	100%		Unable to verify	Skytrust is not being used in a timely manner for evidencing the completion making it challenging for WHS to monitor obligations are being met. Action plan in place for Skytrust to be linked to Sharepoint records for inspection, testing and servicing from L&P contractors before 30 September 2021.	Complete action plan with City Property for development of systematic approach to completing legislative inspection, testing and servicing requirements including use of Skytrust.	HSE Coordinator	30/09/21

ATTACHMENT 2 – HSE Positive and Lag Indicators Annual Performance Report 2021

The HSE Plan outlines a vision; **'*We can all make a difference towards achieving zero harm, to people and the environment*'**. The Plan's commitments focus on further developing our *leadership* styles, organisational *culture* and WHS *systems* through Safety Leadership, Hazard Management, Incident Management and Continual Improvement. Key positive and lag performance indicators are reported and monitored through regular reporting to Senior Leadership Team, Risk Working Group, Finance and Audit Committee and Council.

POSITIVE PERFORMANCE INDICATORS

Completion of actions against the LGA Action Plan
Periodically, the LGAWCS conducts an audit to test conformance of Council's WHS Management System against Return to Work SA's Performance Standards for Self Insurers. In response, Council sets an action plan which outlines the commitment to addressing non-conforming elements by October each year and the cumulative performance against this plan is outlined in Table 2.

Table 1: LGAWCS Action Plan – 2020-21

Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Total
2%	4%	6%	6%	6%	13%	25%	25%	30%	38%			**38%**

There has been slower then anticipated progress towards completion of identified actions in the LGAWCS Action Plan with 20 (38%) of the 53 identified actions completed however, most actions on track to be completed by the end of the Plan (October). It should also be noted that there are a larger than usual number of actions this year in the aim to further maturity of the WHS Management System. Regular support if provided to action owners to assist the completion of actions and these discussions suggest that there are about 3 actions at risk of not being complete at this stage.

Table 3 summarises the outcomes of the rebate process in comparison to previous years. There has been significant input and effort from many work areas across the organisation in order to achieve 91% close out of identified actions.

Table 2: LGAWCS Premiums and Action Plan Results

Year	Premium	Rebate (claims history & actions results)	Net Rate (as a % of payroll)	Action Plan Results
2020-21	$1,489,574	$532,031	2.60%	89% Actions Complete
2019-20	$1,385,092	$475,135	2.55%	91% Actions Complete
2018-19	$1,299,250	$406,173	2.28%	98% Actions Complete

Note: The net rate is above the Return to Work SA base industry rate for local government administration of 2.192% in 2019 however this rate would not include non-administrative workers.

Hazard and Near Miss Reports (Internal WHS SkyTrust reporting data)
Historical statistics inform us that when there is a healthy culture of Hazard/Near Miss Reporting, there is a consequential reduction in injuries to Workers. Hazards and Near Misses reported to date for this financial year, outlined in Table 4, can be compared against those reported last financial year which are outlined in Table 5.

Note: The reduction of employees at workplaces during Covid-19 may have reduced numbers of workplace hazards reported.

Table 3: Hazard and Near Miss Reports - Financial Year 2020-21

Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Total	Ave
11	7	12	14	17	11	7	8	10	6	5	12	**120**	**10**

Table 4: Hazard and Near Miss Reports - Financial Year 2019-20

Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total	Ave
14	13	10	9	10	9	9	6	7	6	7	12	**112**	**9.3**

LAG PERFORMANCE INDICATORS

Lost Time Injuries Reported (Internal WHS SkyTrust reporting data)

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

Table 5: Number of LTI's per month - Financial Year 2020-21

Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Total
1	2	2	0	0	1	0	3	0	0	0	1	**10**

Table 6: Number of LTIs per month - Financial Year 2019-20

Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total
0	1	0	0	1	0	0	0	0	0	1+1	1+1	**6***

*Two LTIs occurring late in 2019-20 either sought further medical intervention or were investigated and accepted post June 2020.

Table 7: Outline of LTIs reported - Financial Year 2020-21

No.	Description of Incident	Mechanism of Injury	Injury Description
1	Experienced left shoulder pain while lifting, dragging & feeding branches into the	Muscular stress while lifting, carrying or putting down objects	Strained left shoulder (joint/ligament trauma)
2	Foot got stuck on the footstep and landed heavily on left leg which buckled	Falls from a height	Strained left knee (joint/ligament trauma)
3	Dropped an 8kg bollard base onto the top of foot during assembly	Hit by a falling object	Bruised left foot
4	While loading truck, foot twisted in pavers	Stepping, kneeling, sitting on object	Fractured foot
5	Stepped out of backhoe into kerb excavation and twisted left knee	Stepping, kneeling, sitting on object	Strained left knee (joint/ligament trauma)
6	After Hours - Call Out member impacted by branch resulting in a fall with pain to ribs and limbs	Hit by a falling object	Fractures, unspecified
7	Standing, squatting and bending to erect new fence and have developed sore feet	Stepping, kneeling, sitting on object	Sore feet (joint/ligament trauma)
8	Walking off the verge onto the road and left foot slipped off the kerb twisting left knee	Stepping, kneeling, sitting on object	Strained left knee (joint/ligament trauma)
9	Psychosocial Incident	Work related harassment and/or workplace bullying	Anxiety/stress disorder
10	Shoulder strain while entering cabin of truck	Stepping, kneeling, sitting on object	Strained shoulder (joint/ligament trauma)

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

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

Figure 1: Rolling LTIFR
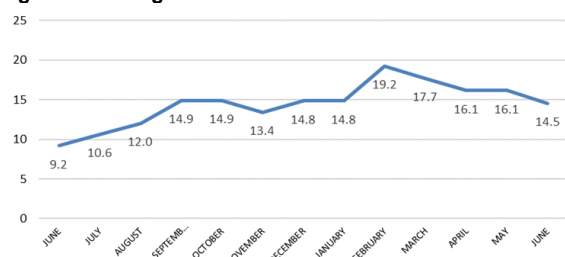
Total Recordable Incident Frequency Rate (Internal WHS SkyTrust reporting data)

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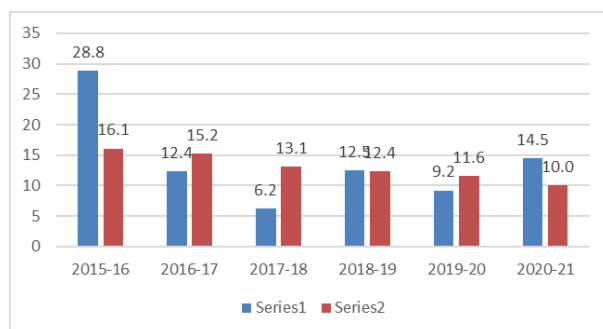
Figure 3: Rolling TRIFR
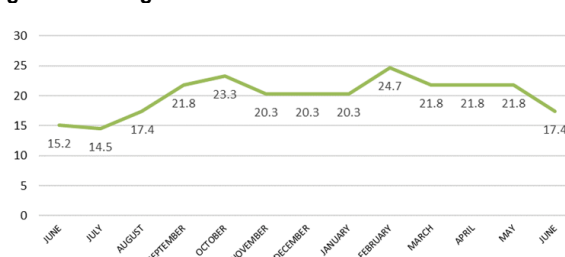
Lost Time Injury Frequency Rate (LGAWCS Claims Data)

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

Figure 2: LTIFR compared against Group A Councils

Lost Time Injury Duration Rate (LGAWCS Claims Data)

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

Figure 4: LTIDR compared against Group A Councils

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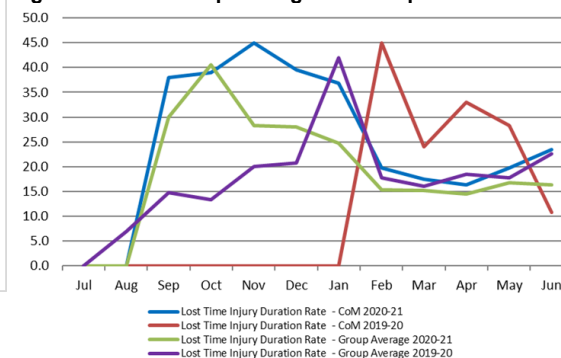
[1] GaC are metropolitan councils with more than 300 staff (Marion, Adelaide, Charles Sturt, Onkaparinga, Playford, Port Adelaide Enfield, Salisbury and Tee Tree Gully).

APPENDIX 2 – HSE Performance Report 2021

7.5 Annual Insurance and Claims Report	
Report Reference	FAC210817R7.5
Originating Officer	Unit Manager Risk – Sherie Walczak
Corporate Manager	Manager Office of the CEO - Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

The purpose of this report is to provide the Finance and Audit Committee (FAC) with an overview of the annual insurance renewal for 2021/22 and an evaluation of the public liability and asset incidents and claims for 2020/21.

EXECUTIVE SUMMARY

Despite the commercial insurance market continuing to harden globally, causing reinsurance costs to escalate, the LGRS have passed on modest increases in 2021/22 with member contributions increasing by 5% for the LGAMLS and by 3% for the LGAAMF.

The ongoing management of incidents and claims continues to be a key focus. CoM staff continue to work with LGAMLS and LGAAMF to identify improvement opportunities with a view to reducing incidents and minimise potential losses. The ongoing service levels provided by the Schemes are good which is supported by the low level of outstanding claims reported.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Note the report and provide feedback.**

BACKGROUND

Local Government Risk Services (LGRS) have been specialist risk and insurance providers to Local Government in South Australia since 1989, including the City of Marion (CoM). A comprehensive market review was undertaken in 2018 to test the commercial comparability of the products provided by the LGRS. Council unanimously resolved, at the meeting held 13 March 2018 (GC130318F03), that "based on the breadth of cover available and service provided by the Local Government Association Schemes, Council will remain insured by products provided by the LGA through LGRS". Council also committed to testing the insurance market no less than once every five years. As such, the Council resolution would be relevant to the five financial years spanning 2018/19 to 2022/23 therefore, marketing test would be due to be undertaken in 2023 for the 2023/24 financial year.

Under the banner of the LGRS, the CoM is provided with a comprehensive range of insurance products including asset protection, civil liability cover, workers compensation, journey insurance, personal accident insurance (for officers and volunteers) as well as income protection (provided to, and paid for by, employees).

This report focusses on two products: asset cover (motor vehicle and property) provided by Local Government Association Asset Mutual Fund (LGAAMF) and public liability cover provided by the Local Government Association Mutual Liability Scheme (LGAMLS). Claims for workers compensation is reported through WHS reporting and claims submitted under the remaining insurance products are more of a personal nature and not necessarily related to the operations of Council and are therefore not included in this report.

PROCUREMENT OVERVIEW

The LGAMLS Member declaration process for the 2021/22 financial year asked more questions of member councils than in previous years, particularly around emerging risks like Covid-19 and cyber risks. The additional information aimed to provide insight into South Australia's Local Government risk profile and was considered by the LGASA Mutual Board in their annual membership renewal considerations. It was then presented to the reinsurers, including SA Finance Authority (in support of the Treasurers' Indemnity), to provide valuable insight into the LGAMLS' past and future management of the sector's risk profile. It reported that the South Australian Local Government sector continues to present as an attractive financial risk - even though the global insurance market is experiencing major challenges.

Despite the commercial insurance market continuing to harden globally, causing reinsurance costs to escalate the LGRS have passed on modest increases in 2021/22 member contributions. This outcome is in contrast with what is being experienced by Local Government entities that are not members of State-based mutual funds, State Government and private industries who have experienced, in some cases, premium increases of greater than 30%.

- The LGAMLS has passed on a 5% increase in 2021/2022.
- The LGAAMF has passed on a 3% increase in 2021/2022 to the base cost of asset cover. There is a higher total increase in contribution however this is due to a 2% indexation added to asset values and an approximate $19m increase in the value of assets being insured with multiple new large playgrounds (including equipment, shade sails and Exeloos), the significant upgrades to Marion Outdoor Swimming Centre and some new structures (the most significant being Morphettville Park Sports Club).

INCIDENTS AND CLAIMS

During 2020/21 there was a total of 511 incidents reported with 130 claims as a result, proportioned as below:
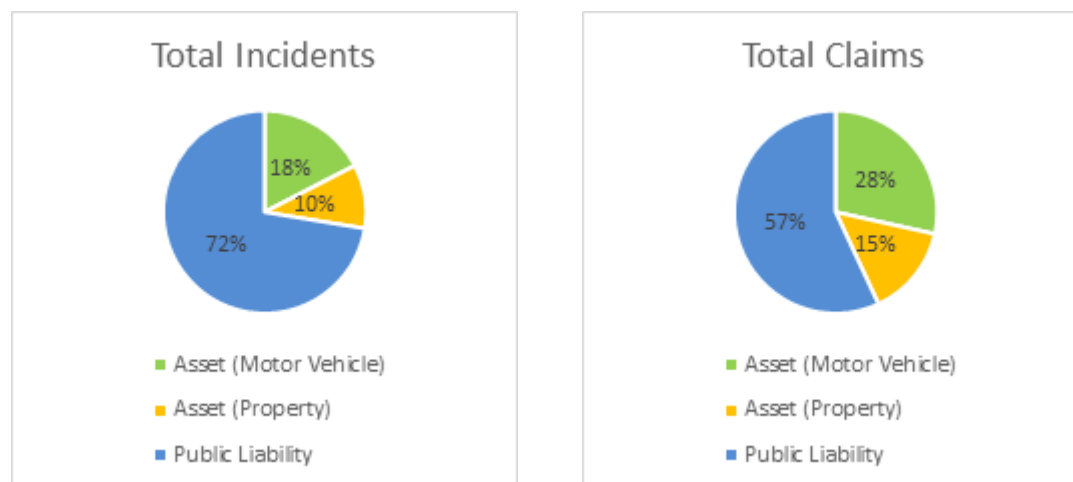
Please refer to Attachment 1 – Insurance Claims Management 2020-21 for a more comprehensive break down of incidents and claims across the three insurance areas.

The CoM continues to focus on key risk areas including the review and implementation of the Risk Management Policy and Framework, Incident Management and Investigation Procedures, Workplace Emergency Management Plans and the Business Continuity Plan. A proactive response to incidents and subsequent investigation of claims is provided for each category of insurance.

CoM staff continue to work with LGAMLS and LGAAMF to identify improvement opportunities with a view to reducing incidents and minimise potential losses. The ongoing service levels provided by the Schemes are good which is supported by the low level of outstanding claims reported.

Incident and claim data is regularly reviewed by the Risk Team in collaboration with key stakeholders; primarily City Property, Civil Services, Open Space Operations and Operational Support in order to resolve public liability issues as promptly as possible. Further engagement with the LGAMLS, when required may result in site visits to assess identify opportunities for improved management of public spaces with a view to minimising potential harm to others.

Significant incidents and/or claims is reported fortnightly to the Executive Leadership Team in order to manage any incidents that may impact on CoM through public or political exposure. They continue to receive a quarterly report to monitor insurance incidents and claims, incident mitigation, comparative data, claim trends and on-going insurance risk exposure.

CONCLUSION

The ongoing review of insurance, management of insurance claims and the annual claims review process provides assurance to the organisation and its stakeholders that risks exposure of being managed effectively.

ATTACHMENTS

1.   210817 Annual Insurance and Claims Report Attachment 1 [**7.5.1** - 3 pages]

ATTACHMENT 1 – Insurance Claims Management 2020/21

Motor Vehicle Assets

There were 89 Motor Vehicle incidents reported to Council during the 2020/21 financial year resulting in a total of 36 claims as outlined in Table 1. Of the 37 Claims; 4 were denied by CoM, 1 was denied by the LGAMLS, 3 were discontinued by the Claimant, and 24 settled by LGAAMF. There are currently 5 claims outstanding that are under investigation.

Table 1: Motor Vehicle - Incident and Claims Statistics Over the Last 2 Financial Years

Party deemed at fault*	2019/20				2020/21			
	Incidents	Claims	Claims Value	Total Cost to CoM	Incidents	Claims	Claims Value	Total Cost to CoM
CoM	85	34	42,155	13,720	74	26	26,195	8,730
Third Party	11	6	25,065	1,500	15	11	3,752	1,902
TOTAL	**96**	**40**	**$67,220**	**$15,220**	**89**	**37**	**$29,947**	**$10,632**

Key observations related to Motor Vehicle incidents and claims are:

- Incidents have decreased by 7% from 96 in 2019/20 to 89 in 2020/21.
- Claims have decreased by 8% from 40 in 2019/20 to 37 in 2020/21.
- The total value of Motor Vehicle insurance claims during 2020/21was $29,947 which represents a decrease on the total claims value of $67,220 in 2019/20. This large difference is primarily due to all claims being minor in nature with no claims over $4,000. There were only three claims with a value over $3,000 and no-one was injured in any of these incidents; one low speed reversing incident where a truck reversed into a vehicle, one low speed incident where a roller door was closed on the boot of a reversing vehicle in a driveway and one incident where a door opened during travel and hit a tree damaging the door.
- Nine (10%) of incidents occurred whilst our vehicle was stationery, 25 (28%) of incidents occurred at low speed ie reversed into a stationery object whilst manoeuvring to park, 44 (50%) of incidents were not motor vehicle incidents whilst travelling on a road, they were incidents that occurred whilst we were operating plant to perform works, such as damage to Telstra infrastructure when lifting footpaths with backhoe and only 11 (12%) actually occurred whilst driving on a road with most being minor ie truck hit a parked car's side mirror in a narrow street.
- The actual cost to the CoM during 2020/21 was $10,632 which represents a 30% decrease on the actual costs of $15,220 in 2019/20. The total cost represents actual amounts incurred (when under the deductible amount) and the LGAAMF deductible ($500).

The fleet renewal program incorporates the consideration of safety provisions. This is undertaken by a pre-purchase risk assessment where consideration is made to the appropriateness of the vehicle to the task being performed. This often includes provision of additional safety features such as GPS, reversing sensors and cameras. The importance of safe driving is regularly reinforced through corporate communications including emails, newsletters, toolbox talks and at General Staff Meetings. Further consideration is being considered by P&C to include driver training and verification of driving competency for relevant roles.

*At Fault refers to any incident where a 3rd party is unable to be identified. This includes incidents that occur whilst the vehicle is parked and damaged whilst unattended, damaged by a falling tree branch, or when works is being undertaken by a registered piece of plant (backhoe) and damage is caused to 3rd party property.

Property Assets

There were 52 property asset incidents reported to Council during the 2020/21 financial year resulting in a total of 19 claims made against Council as outlined in Table 2. Of the 19 Claims; 5 were discontinued due to the low value of the claim or the assets being uninsured (vandalised trees),11 settled by LGAMLS. There are currently 3 claims outstanding that are under investigation; one vandalised toilet, one damaged computer and one motor vehicle impact to a fence and bench seat.

Table 2: Property - Incident and Claims Statistics Over the Last 2 Financial Years

Property Asset Insurance Category	2019/20				2020/21			
	Incidents	Claims	Claims Value	Total Cost to CoM	Incidents	Claims	Claims Value	Total Cost to CoM
Accidental Damage	7	4	9,008	1,875	13	8	15,493	3,254
Arson	2	1	3,758	1,000				
Break-in	4	3	6,417	2,500	2			
Data Breach	1	1	-	-				
Environmental	1	-	-	-	7		300	300
Fire	1	1	10,000	-	1			
Machinery Breakdown				-	1	1	6,088	500
MV Impact	8	3	6,750	1,000	14	5	58,582	4,700
Theft	4	-	-	-	4	3	500	500
Vandalism	12	5	18,008	4,000	6		15,638	300
Water Damage	2	1	1,192	1,000	4	2	2,900	1,000
TOTAL	**42**	**19**	**$55,133**	**$11,375**	**52**	**19**	**$99,501**	**$10,554**

Key observations related to Property Asset incidents and claims are:

- Incidents have increased by 24% from 42 in 2019/20 to 52 in 2020/21
- Claims have remained static at 19 in both 2019/20 and 2020/21
- The total value of property claims during 2020/21 was $99,501 which represents an 80% increase on the total claims value of $55,133 in 2019/20. The increase was due to an increase in the number of large claims; the largest claims were $45,160 for motor vehicle damage to the administration building, $9,900 for fibre optical damage by contractors, $8,738 for a damaged Exeloo, $6,200 for motor vehicle damage to a bus shelter and $6,088 damage to a sodium hypochlorite generator.
- The actual cost to the CoM during 2020/21 was $10,554 which represents a 7% decrease on the actual costs of $11,375 in 2019/20. The total cost represents actual amounts incurred (when under the deductible amount) and the LGAAMF deductible (generally $1,000 or $500 for computer assets).

A significant part of budgeted annual spend is devoted to repairing, maintaining and upgrading our public assets to deliver safe and sustainable services to our community. Asset Management Plans outline the financial and technical elements for managing assets to support the delivery of services to our community. This is also supported workplace inspections, asset survey and investigation of incident reports.

Public Liability

There were 370 public liability incidents reported to Council during the 2020/21 financial year resulting in a total of 75 claims made against Council as outlined in Table 6. Of the 74 Claims; 44 were denied by CoM, 15 were denied by the LGAMLS, 5 were discontinued by the Claimant, 5 were settled by CoM and 1 settled by LGAMLS. There are currently 4 claims outstanding that are under investigation.

Table 6: Public Liability - Incident and Claims Statistics Over the Last 2 Financial Years

Public Liability Insurance Category	2019/20				2020/21			
	Incidents	Claims	Claims Value	Total Cost to CoM	Incidents	Claims	Claims Value	Total Cost to CoM
Community Facilities	16	1	-	-	143	6		
Community Land	7	-	-	-	10	2	330	330
Contract Management	4	1	600	-	6	2	500	
Event Management	4	1	2,000	-	4			
Footpaths	85	17	10590	3,000	99	23	6,498	2,805
Kerb & Water Table	10	2	1,252	-	16	7	1,663	556
Non-Employ Relation	2	-	-	-				
Playgrounds	4	-	-	-	8			
Professional Indemnity	5	3	300,606	4,356	1			
Reserves	4	3	6645	1,320	3	2	662	480
Road Management	23	13	314	314	24	11		
Road (other)	9	4	-	-	5	3	259	
Tree Management	42	12	2,128	614	51	18	4,476	
TOTAL	**215**	**57**	**$324,135**	**$9,604**	**370**	**74**	**$14,388**	**$4,171**

Key observations related to Public Liability incidents and claims are:

- Incidents have increased by 72% from 215 in 2019/20 to 370 in 2020/21. This is primarily due to the introduction of first aid incident reporting at the Marion Outdoor Pool in the WHS Management System, SkyTrust, which equate to 127 of the additional 155 incident reports.
- Claims have increased by 30% from 57 in 2019/20 to 74 in 2020/21. Additional claims have been reported associated with trips and falls on footpaths with a peak recorded during the footpath blitz and from damage to property from trees, resulting from extreme weather.
- The total value of public liability claims during 2020/21was $14,388 which represents a decrease on the total claims value of $309,747 in 2019/20. This large difference is primarily due to a Professional Indemnity claim valued at $300,606 related to a denied building approval claim and a $5,325 claim associated with a private motor vehicle accident at a CoM location being recorded last year.
- There was one potential professional indemnity incident reported this year however no claim received.
- The actual cost to the CoM during 2020/21 was $4,171 which represents a 57% decrease on the actual costs of $9,604 in 2019/20 as there was an increase in claims denials this year. The total cost represents actual amounts incurred (when under the deductible amount) and the LGAMLS deductible ($3,750).
- During 2020/21 the largest value claims were one claim valued at $4,229 relating to tree damage during an extreme weather event which was denied under Section 245 of the Local Government Act and another claim valued at $3,592 relating to damage to SA Water infrastructure which was denied as CoM didn't have any workers in the vicinity of the incident at the time it occurred.
- During 2020/21 the two claims which were settled (paid) were one claim valued at $1,611 and another valued at $1,195, both relating to damage caused to Telstra infrastructure as a result of works being undertaken by CoM.

A significant part of budgeted annual spend is devoted to repairing, maintaining and upgrading our public assets to deliver safe and sustainable services to our community. Asset Management Plans outline the financial and technical elements for managing assets to support the delivery of services to our community. This is also supported footpath maintenance programs, proactive reserve maintenance and investigation of incident reports.

![City of Marion logo]

7.6 Finance and Audit Committee Annual Report to Council	
Report Reference	FAC210817R7.6
Originating Officer	Manager Office of the Chief Executive – Kate McKenzie
Corporate Manager	N/A
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

To seek input from the Finance and Audit Committee (the Committee) regarding the matters to be included within the Committee's Annual Report to Council.

EXECUTIVE SUMMARY

Each year, the Committee reports to Council on its operations for the past year (Clause 4.21 of the Terms of Reference). This report is traditionally presented to Council in October. A draft report will be presented to the Committee in October for endorsement prior to being presented to Council.

Feedback is sought from the Committee regarding items to include. The topics that have been covered in the past include:
- An assessment of the risk and control framework
- Summary of the work performed during the year
    - Business Continuity
    - External audit
    - Financial reporting and prudential requirements
    - Internal audit
    - Internal controls and risk management
    - Service reviews
    - Asset management
- Details of the meetings and meeting attendance
- Future work program proposal

Key items that have been considered by the Committee in 2020/21 include:
- Asset Management Plans
- Quarterly risk reports and the Risk Management Strategic Plan
- Service reviews
- Business Continuity
- Internal audit & External audit
- Fraud and Corruption Management Policy and Framework
- Annual Business Plan 2021/22
- Claims and Insurance
- WHS
- Ombudsman Reporting
- Cyber Self Assessment
- Confidential Report - Edwardstown Urban Renewal Project

RECOMMENDATION

That the Finance and Audit Committee:

1. **Request that the following be included in the draft Finance and Audit Committee Annual Report to Council to be considered at its meeting in October 2021:**

a. **X**

b. **x**

ATTACHMENTS

Nil

7.7 Finance and Audit Committee Effectiveness Survey	
Report Reference	FAC210817R7.7
Originating Officer	Manager Office of the Chief Executive – Kate McKenzie
Corporate Manager	N/A
General Manager	Chief Executive Officer - Tony Harrison

REPORT HISTORY

The effectiveness survey is completed every second year.

Report Reference	Report Title
FAC181002R10	Results of the Bi-Annual Performance and Effectiveness Review of the Finance and Audit Committee

REPORT OBJECTIVE

To seek endorsement of the approach for the review of the performance and effectiveness of the Finance and Audit Committee.

EXECUTIVE SUMMARY

Regular review of a governing body's performance (including Committees) provides the time to reflect on how effective the group is operating. Understanding performance supports improving the operations and outcomes of the Committee. This will also improve the overall performance of the Council.

The FAC Terms of Reference states that the Committee will review its performance on a bi-annual basis to ensure the continual improvement of its performance. Attachment 1 provides a copy of the survey used in 2018. This survey includes 52 states across the following areas:
- Committee Structure and Membership
- Committee Meetings
- Leadership and Integrity
- Relationships and Reporting
- Roles and Responsibilities.

If the Committee is satisfied with the proposed survey, it will be distributed via survey monkey in the coming weeks with the results presented to the Committee is October 2021. Committee Members, Council Members and the Senior Leadership team will be requested to complete the survey. This information will be useful for the review of the Committees Terms of Reference and the setting future work plans.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Endorse the Performance and Effectiveness Survey included in Attachment 1.**

ATTACHMENTS

1.   Bi Annual FAC Performance and Effectivness Review [**7.7.1** - 9 pages]

FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
1 Committee Structure and Membership					
1.1 The structure of the Committee is appropriate to manage workload and obligations.					
1.2 The balance of independent v's Council members is appropriate					
1.3 The Committee's terms of reference clearly outline roles and responsibilities					
1.4 Committee members have the right skills, experience and knowledge					
1.5 Committee members are appropriately inducted					
1.6 Committee members are recruited based on required skills, experience and knowledge					
1.7 All Committee members understand their legal duties on behalf of the Council					
1.8 The Committee does not rely on any one Committee Member to provide appropriate advice and experience					
1.9 The remuneration of the Committee is appropriate based on role, responsibility, skills/experience, time commitment and retention					
2 Committee Meetings					

FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
2.1 The Committee has a comprehensive work plan that covers the requirements of the Committee's Terms of Reference					
2.2 The Committee meeting are appropriately scheduled (i.e. frequency, timing, duration, etc.					
2.3 Agendas and reports are distributed in a timely manner					
2.4 The size of the agenda is manageable within the meeting					
2.5 Committee reports are well written and can be easily understood					
2.6 The business of the Committee is accurately captured in the minutes					

FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
2.7 The discussion within the Committee meetings are relevant and useful for decision making					
2.8 Management does not unduly influence the recommendations of the Committee					
2.9 The Committee uses confidential orders appropriately and conducts sessions without management present from time to time					
2.10 The Committee has a useful process to following up actions from previous meetings					

FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
3 Leadership and Integrity					
3.1 All Committee members express their professional view within the meeting					
3.2 All Committee members appropriately disclose any conflicts of interests					
3.3 Committee members act in accordance with the City of Marion values being Respect, Integrity, Achievement and Innovation					
3.4 The Committee works effectively as a team					
3.5 The Committee presiding member has an effective and constructive working relationships with Council and management					
3.6 The Committee presiding member builds healthy room dynamics					
3.7 The Committee presiding member ensures that the Committees workload is managed appropriately					

FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
3.8 The Committee presiding member keeps the meeting focused and does not get side tracked					
3.9 The Committee is adding value to the work of the City of Marion					
4 Relationships and Reporting					
4.1 All Committee members understand how their role operates and the Committees reporting obligations to Council					
4.2 The Council actively seeks the views of the Committee on matters relating to its terms of reference					
4.3 The Committee's operations does not diminish the ultimate responsibility of the Council					
4.4 The Committee has a constructive relationship with the Council					
4.5 The Committee has a constructive relationship with Management					

FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
4.6 The Committee has appropriate access to information and staff					
4.7 Management keep the Committee informed of relevant information and risks between meetings					
4.8 The minutes, decisions and actions of the Committee are reported to Council in a timely and accurate manner					
5 Roles and Responsibilities Please note one respondent did not complete section 5 – hence only 8 responses					
5.1 The Committee has a clear understanding of the Council's risk tolerance					
5.2 The Committee ensures that the organisation has appropriate internal controls, frameworks, systems and processes established for the management of risks					
5.3 The Committee reviews and understands the organisations risk profile .					
5.4 The Committee is confident that senior executives understand their responsibilities for managing risks					

FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
5.5 The Committee is confident that the Council has appropriate internal controls established to manage risks					
5.6 The Committee receives comprehensive reporting that assesses the effectiveness of internal controls					
5.7 The Committee has oversight of compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements					
5.8 The Committee has oversight and recommends to Council the engagement of the City of Marion's Internal Audit contract					
5.9 The Internal Audit function is appropriately resourced and managed					
5.10 The Internal Audit Work plan is endorsed by the Committee and has the right balance of risk, compliance and financial matters to be reviewed					
5.11 The Committee has robust discussion and agrees to the basis upon how financial reporting will be prepared					

FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
5.12 The Committee undertakes an in-depth review of the financial reporting disclosures for the City of Marion					
5.13 The Committee receives comprehensive financial information and analysis that is used to support and assist Council with its prudential management and fiduciary responsibilities					
5.14 The conditions of the External Auditors engagements are consistent with all relevant statutory requirements and accepted best practice principles					
5.15 The Committee has oversight and recommends to Council the engagement of the City of Marion's External Audit contract					
5.16 The External Audit function is appropriately resourced and managed					
5.17 The External Audit Work Plan is comprehensive and aligned to the requirements of the financial obligations of the Council					
5.18 The Committee has oversight of the service review program and is confident it will deliver efficiencies to the organisation					

FINANCE AND AUDIT COMMITTEE – BI ANNUAL EFFECTIVENESS REVIEW

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
5.19 The Committee receives service reviews reporting and critically analyses the data provided					

7.8 Meeting with the Internal Auditors in Confidence	
Report Reference	FAC210817R7.8
Originating Officer	Manager Office of the Chief Executive – Kate McKenzie
Corporate Manager	N/A
General Manager	Chief Executive Officer - Tony Harrison

REPORT HISTORY

This is an annual report and was last considered in October 2020.

Report Reference	Report Title
FAC201013R14	Meeting with the internal auditors in Confidence (without management present)

REPORT OBJECTIVE

The Finance and Audit Committee Terms of Reference recognises that the Committee will meet with both the external auditors and internal auditors without management, at least once per year (Clause 4.1). This provides the Committee an opportunity to have a confidential conversation with the Auditors without management present.

The purpose of this report is to exclude the public and staff from the meeting to enable this conversation to occur.

The Chair of the Committee will provide a summary of the discussion to the Manager, Office of the CEO to be published in the minutes.

RECOMMENDATION

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 Heather Martens 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.**

2. **Include the following comments within the minutes:**

ATTACHMENTS

Nil

7.9 Internal Audit Program - Progress on 2020/21 and Carryover report	
Report Reference	FAC210817R7.9
Originating Officer	Manager Office of the Chief Executive – Kate McKenzie
Corporate Manager	N/A
General Manager	Chief Executive Officer - Tony Harrison

REPORT HISTORY

This is a standard report considered at each meeting. The last report was:

Report Reference	Report Title
FAC210518R09	Internal Audit Program 2020/21

REPORT OBJECTIVE

To provide the Finance and Audit Committee (The Committee) with a progress update on the Internal Audit Plan 2020/201.

EXECUTIVE SUMMARY

At its meeting in December 2020, the Committee considered and recommended that the following internal audits be completed in 2020/21:

- COVID19 Business Continuity Response (Quarter 1) (Completed)
- Stores Management (Collaborative) (Quarter 2) (Completed)
- Assurance Mapping (Quarter 2/3) (Completed)
- Project Carryovers (Quarter 2) (Completed – Attachment 1)
- Asset Inspections Schedule (Quarter 3) (Completed)
- Community Facilities Management Models (Quarter 4) (In progress – 80% complete)

The Internal Audit Program is currently on track for completion. All reviews are complete except for the Community Facilities Management Models which has a close out meeting scheduled for the end of August 2021.

Project Carry Overs (Attachment 1)
The objective of the project carryovers internal audit was to review the CoM's framework for the management of project carryovers and project variations. Overall, it was observed that the CoM has implemented several initiatives to improve the successful delivery of its capital works program and projects. An Enterprise Project Management System (EPMS) was implemented and is now integrated with the CoM's newly designed Project Management Framework (PMF), which aims to streamline and standardise project management across the organisation. However, it was observed that the PMF has not been fully integrated across all areas of the CoM. The Audit has identified four (4) findings and two (2) performance improvement opportunities.   From the four (4) findings, two (2) or moderate and two (2) are low.   The two moderate recommendations relate to organisational wide project planning and organisation.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Notes the progress of the Internal Audit Program**

2. **Considers and provides feedback on the Project Carryover Report.**

ATTACHMENTS

1.   Project Carryovers Report [**7.9.1** - 24 pages]

KPMG

City of Marion

Project Carryovers
Internal Audit Report

August 2021

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Executive summary

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In accordance with the 2020/21 Internal Audit Plan for the City of Marion (CoM), an internal audit focussing on the CoM's project carryovers process was performed. The objective and scope of this engagement are outlined below.

Objective and scope

The objective of the project carryovers internal audit was to review the CoM's framework for the management of project carryovers and project variations.

The scope of this internal audit included:

- Governance processes for management of project carryovers, including relevant review and approvals.
- Project planning, program planning and prioritisation processes in place to minimise the level of project carryovers.
- Project budgeting and scheduling processes for multi-year projects.
- High-level analysis of resources in the broader context of managing the past and future delivery of the capital works program, including consideration of existing workforce capacity to effectively deliver the capital works program in a timely manner.
- The interface between the project delivery team with the Finance team, and how updated project information is communicated and reported between teams.
- Project status reporting and forecasting of project variations and/or carryovers, and specifically those utilised for projects which span multiple years.
- The categorisation and reporting of project carryovers.
- Benchmarking of carryovers, project management planning and financial reporting processes to identify opportunities for better practice improvements.
- Comparison and analysis of spend in each quarter to compare annual spend.
- Validate the reported carryover KPI and confirm the percentage of carryovers for the last five years, including the total capital works budgets versus what was completed, and the amount carried over.
- Review the effective implementation of recommendations from the FY2016/17 Capital Works Internal Audit Report.

Key observations and recommendations

Overall, it was observed that the CoM has implemented a number of initiatives to improve the successful delivery of its capital works program and projects. In 2018, the CAMMS Enterprise Project Management System (EPMS) was implemented. CAMMS has since been fully integrated with the CoM's newly designed Project Management Framework (PMF), which aims to streamline and standardise project management across the organisation. Our review observed that the PMF and CAMMS has not been fully integrated across all areas of the CoM. Through our internal audit of the CoM's project carryovers management, the following key themes and observations were noted:

- Further work is required to integrate a holistic management and coordination of projects across the CoM. This will also help to improve inefficiencies and bottlenecks which have historically contributed to project carryovers.
- There are a number of legacy carryovers which are not yet closed off. These are impeding on the CoM's abilities to minimise upcoming carryovers. It was further noted that resourcing to both complete this legacy work and carryout out each annual program of works remains a challenge.
- A recommendation was made by Internal Audit in the FY16/17 Capital Works report to increase the capital works cycle to 2 years where appropriate. The capital works cycle is still 12 months (fixed to the financial year) for a number of project areas.
- CAMMS has still not been consistently adopted by all Project Officers.

Positive observations

A number of positive observations were identified during the course of this internal audit, and are summarised as follows:

- A significant amount of improvements have been made to improve the robustness of the CoM's capital delivery program from the FY16/17 Capital Works report. This has included the implementation of CAMMS and the development and rollout of the PMF.
- Open Space has a large number of legacy carryovers which have been impeding on current projects. Forecasts illustrate that the legacy carryovers should be completed by the next financial year.
- The amount of carryovers relating to scheduled works (12 month projects and not grant funded or multi year projects), has decreased by 38% within the past five years, from a high of $7.1m in the 2015/15 FY to $4.5m in the 2019/20 FY.

Executive summary

Table of contents	Executive summary	Background	Internal audit findings	Appendices

Internal audit findings

Through our discussions with the process owners, documentation review and sample testing performed, Internal Audit identified 4 findings and 2 performance improvement opportunities. The following table provides a summary of our risk rated findings, the relevant issue owner and target date for implementation. These findings and recommendations were discussed with CoM Management. Management has accepted the findings and has agreed action plans to address the recommendations.

Critical	High	Moderate	Low	Performance Improvement
-	-	2	2	2
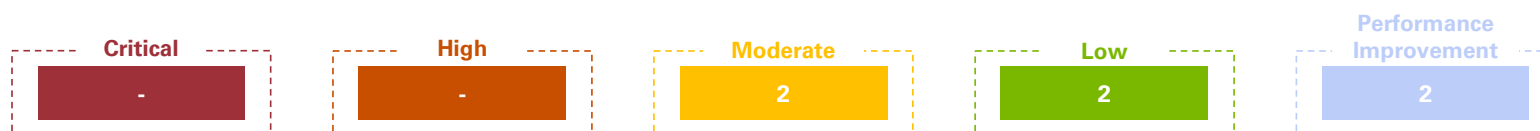
Rating	Ref #	Description	Issue Owner(s)	Target Date(s)
Moderate	F1	Further work is required to implement an organisational wide programming approach	Senior Project Manager, Financial Transformation	31 December 2021
Moderate	F2	Gaps identified in the project planning process for some areas of the CoM	Senior Project Manager, Financial Transformation	31 December 2021
Low	F3	Inconsistencies identified in the understanding and effective use of CAMMS	Senior Project Manager, Financial Transformation	31 December 2021
Low	F4	There is further opportunity to transition other projects to a multi year cycle	Senior Project Manager, Financial Transformation	30 June 2022
PIO	PIO1	Opportunity to provide additional training to project managers to ensure that staff delivering projects have the required capability	Senior Project Manager, Financial Transformation	30 November 2021
PIO	PIO2	Opportunity to share learned lessons from projects	Senior Project Manager, Financial Transformation	31 December 2021

Background

Project management

The CoM maintains a large and diverse portfolio of capital works projects and programs. Currently, there are 19 capital works programs with 115 capital works projects. Projects are governed by a Project Management Framework (PMF) which aims for effective decision making to ensure the achievement of the CoM's vision and strategic objectives.

To assist in the effective management of the CoM's capital programs and projects, an Enterprise Project Management System (EPMS) was implemented in 2018. The EMPS, named CAMMS, has been integrated with the CoM's PMF to support the organisation's effective project governance and assist in providing informed decision making for all staff. CAMMS is designed to be a one-stop shop and single source of truth.

The PMF outlines 4 distinct phases of a project which are detailed below:

1. Initiate – start the project
2. Plan – organising and planning
3. Deliver – implement and carry out the works
4. Close – ending the project

Each phase gate requires a sign-off function which provides a method of control to move from one phase of the project to the next. This forms the governance model around project decisions. These sign-off decisions are made by appropriate delegate/s based on the overall project cost using the financial delegation of the appropriate Senior Leadership Team member.

Project governance and oversight

Project governance and oversight is achieved through key meetings and reports provided to ELT, Project Sponsors, Council and Elected Members. A monthly Capital Works Meeting (CWM) is held. A report is submitted to each CWM with the status of all projects' budget spend and project progress. These are reported on utilising an 'on track, off track or monitor' indicator with the data drawn directly from CAMMS. There are additional meetings conducted, those being the Project Steering Group (PSG) and Elected Members Forum (EMF). The PSG is focused on high profile, risk and dollar amount projects. The EMF is a method to ensure Elected Members are up to date on the current status of capital works. In addition to these key meetings, a Senior Project Manager has recently been hired. This new role is dual focused, with the duties split between acting as the Project Management Officer (70%) and supporting the CoM's digital transformation (30%).
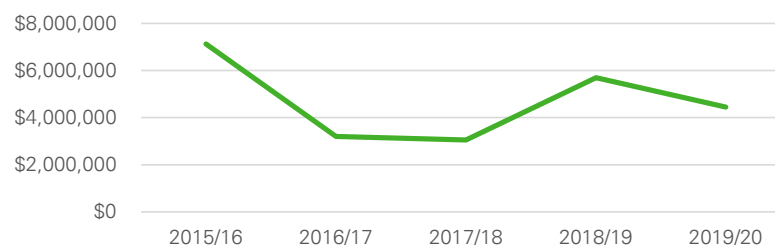
Capital project carryovers

Capital project carryovers are defined as a project that is not completed within the financial year. Carryovers occur when projects that are scheduled to be completed within the FY are not completed and expenditure to finalise the project is required to be carried forward to the next financial year.

Project budget fund allocation can also include retimed projects, if funds remain unspent for multi-year programs/projects or if grant funding is approved at any point in time during the financial year. Unspent funds for retimed projects, multi-year projects and unspent grant funding must also be 'carried over' to the next, or a future financial year, however they are not considered to be traditional carryovers in the sense of programmed works incomplete within the financial year.

5-year summary CoM capital project carryovers

Included in the table below is the total value of capital project carryovers that were scheduled to be completed within each respective FY, however were delayed or unable to be completed by 30 June.

2015/16	2016/17	2017/18	2018/19	2019/20
$7,131,000	$3,207,000	$3,054,000	$5,697,000	$4,449,000

The capital carryovers figure has fluctuated for the last 5 financial years. Although one year may have a higher value of carryovers than another, this was attributed to factors such as a number of works and projects spanning over multiple years.

Background

Capital carryovers analysis

The table below outlines the capital carryovers as a percentage of the original budget and first review for the past 3 financial years.

FY	Original budget	First review	Capital carryovers % of original budget	Capital carryovers % of first review
2017/18	23,567,954	30,234,464	13%	10%
2018/19	29,564,073	39,938,061	19%	14%
2019/20	44,328,194	34,540,216	10%	13%

The first budget review occurs after the end of the first quarter of the financial year. It is inclusive of original budgets, carryovers from the previous FY and any adjustments to projects/programs required.

For FY19/20, it was noted that there are a number of adjustments in the 1st Budget Review in regards to retiming Capital Works, in addition to the reclassification between Capital & Operating expenditure on projects. This included a number of high value projects that had funds retimed to future years, which reduced the total budget.

Benchmarking work conducted

Benchmarking to compare the CoM's level of carryovers with other comparable councils was included in the scope of this review. In undertaking this benchmarking exercise, the complexity of the data to allow for an aligned comparison was unable to be obtained. Specifically, it was identified that each council had a different categorisation of capital projects expenditure and classified project carryovers differently.

As a result, a like for like comparison was unable to be performed. The inability to conduct the benchmarking activity was discussed and agreed with CoM Management.

FY19/20 Quarter on quarter spend

The below table and graph outline the YTD quarter on quarter spend for the capital works programs and projects. The budgeted row indicates forecast spend per quarter and actual is the actual amount spent. It is noted that the quarter 1 budget has not yet adopted the carryovers from the previous year. It is noted that the actual expenditure in Q1 will include funding for works carried over from the previous FY projects.

Spend	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Budgeted	$2,087,952	$17,356,460	$21,491,824	$27,390,453
Actual	$3,636,286	$10,877,614	$16,073,263	$21,412,197
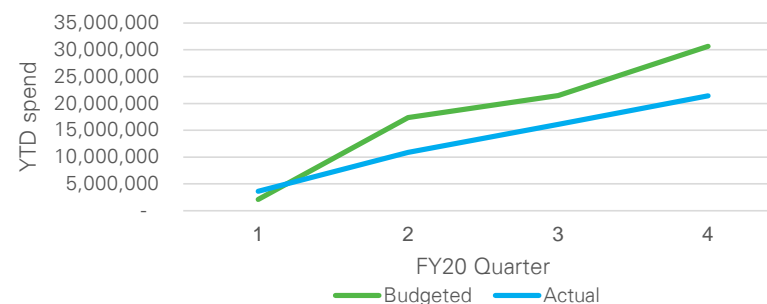
Emerging risks

The current market poses some risks to the CoM in achieving it's capital works program and reducing the number of carryovers. Namely, the large influx of Federal Government grants has meant that projects are rescheduled if current resourcing is inadequate to meet scheduled timeframes. This is due to the fact that project teams are not always able to accommodate the additional works required due to FTE limitations. Additionally, the influx of grants has led to market saturation, where supply does not meet demand. As a result, there are increased procurement costs and tender timeframes.

3.0 Internal audit findings

Table of contents	Executive summary	Background	Internal audit findings	Appendices

Finding 1 – Further work is required to implement an organisational wide programming approach

<div align="right">

Moderate

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Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
Further work is required by the CoM to implement an overarching organisational wide programming approach in place that: • Drives the consistent integration of the project management framework and a coordinated approach across the organisation; • Identifies resourcing bottlenecks and opportunities for synergies across the CoM. It is noted that the implementation of CAMMS and the development of the Project Management Framework has helped to reduce the CoM's project carryover levels over the last five years. Additionally, in January 2021 a Senior Project Manager was hired to act as a Project Management Officer (PMO) as well as assist in the CoM's digital transformation, with plans underway for additional supporting resources to be added to this team. Going forward, it will be critical that the PMO function has greater visibility and effectively coordinates and manages the various projects that are delivered across the CoM. For FY20, there was a total of 121 projects delivered by 19 teams, which involved the coordination of multiple stakeholders and touch points during the project planning and coordination processes. Our review specifically identified the following issues resulting from the siloed way in which projects have been planned, coordinated and initiated by the CoM: • At the time of fieldwork, a lack of central coordination of projects across the CoM to ensure effective communication and program planning was observed. Through stakeholder consultation, a number of staff noted bottlenecks occurring during the project planning and initiation phases. As an example, it was advised that during the third and fourth quarters of the financial year, the Procurement team receives a significant volume of tender packs required to go to market, resulting in bottlenecks and pushed out timeframes and higher levels of carryovers. *Continued on following page*	The lack of a centralised and coordinated approach to the management of the CoM's projects presents an increase in the following risks: • Bottlenecks and inefficiencies occurring due to projects entering the same phases at the same time which may also lead to time delays. • A lack of overarching understanding of workforce capacity, leading to staff fatigue, disengagement and the ability to deliver on project timelines. • Synergies and the ability to share good practices/lessons learned are lost due to a holistic view of the CoM's delivery of projects not in place. • Inconsistent application of project management practices across the CoM.	The CoM has recently hired a new Senior Project Manager reporting to the CFO and the Senior Leadership Team (SLT). Based on better practice, consideration for this role could include: 1. Working directly with project managers/ relevant staff to coordinate and plan project timelines and milestones to ensure bottlenecks do not occur. 2. Training for staff, including for PMF and CAMMS. See PIO 2 for specific recommendations related to training. 3. Project Managers should also ensure the inputting and following of project scheduling, with a focus on more accurate timing of projects to allow for less carryovers. As an assurance mechanism, routine spot checks could be performed to validate the effective implementation of the PMF by Project Managers.	1. The PMO will work together with the Project Managers during the project planning period (Sept – April) and ensure the information is accurately captured in CAMMS. 2. Training will be provided by the PMO to selected staff that requires additional support on learning the PMF and using CAMMS. 3. The PMO, on a monthly basis, will randomly select projects to check on the progress and information entered into CAMMS.

3.0 Internal audit findings

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Finding 1 – Further work is required to implement an organisational wide programming approach

Moderate

Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
Continued from previous page • The lack of a holistic coordination has also impacted on the inability of the CoM to have an overarching view on the workforce capacity to effectively deliver the capital works program in a timely manner, and understand the overall impact to staff from various project resourcing requirements. This is important to consider, especially during the first budget review, where the original budget adopted by Council is increased by an average of 24% to incorporate the prior FY carryovers. This is further exacerbated when capital plans are expanded with the requirement to deliver additional grant-funded projects. • The process for obtaining financial information and data on projects was observed as being inefficient. This includes the Finance Team advising that significant resource effort is required to follow up various project officers for project financial information. Our review also identified a lack of consistent adoption of the standardised PMF templates being utilised for the creation of project planning, scoping and procurement documentation across the CoM. Specifically, it was noted: • Various project scoping formats utilised which varied in quality. Additionally, it was observed that tendering information provided by project mangers in a number of instances required several iterations/revisions prior to being released to the market, increasing workloads and impacting on timeframes. • A lack of consistent costing process and rates utilised across the CoM for frequently used services engaged by different areas of the CoM, such as concrete slabbing and irrigation. Previously, the CoM had a Project Manager Officer who provided a central project coordination role, however this role is currently vacant. It is also noted that the Digital Transformation Program (DTP) has a PMO in place, however, the focus of this PMO is on the DTP. Considerations for the newly recruited Senior Project Manager have been included in the recommendations section of this finding. Going forward, to align with better practice, this role should include implementing an integrated and consistent project management process to help drive consistent practice, identify opportunities for synergies and better coordination of council wide impacted teams, staff, contractors and greater purchasing power for materials.		*Continued from previous page* 4. Further develop PMO reporting which is based on standardised phases and milestones. This reporting should also specifically incorporate cost estimating, scheduling and cashflow forecast guidance. 5. Refresh and re-distribute standardised project templates.	4. The PMO will review the existing reporting format and engage with stakeholders to identify additional reporting requirements and to improve as necessary. 5. The PMO will review the existing project templates and improve/redistribute as necessary

Responsibility: Kevin Poh, Senior PM, Financial Transformation

Target date(s): 31 December 2021

3.0 Internal audit findings

Finding 2 – Gaps identified in the project planning process for some areas of the CoM | **Moderate**

Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
Gaps were identified in the project planning and initiation phases for some areas of the organisation. There are two key phases in the PMF that creates the 'initial build' of the project in CAMMS, the "Initiate" and "Plan" phases. Activities performed during these two phases include (but are not limited to) scoping, options assessment, cost estimates, project delivery methodology and stakeholder consultation. Not fully completing a robust planning process has a downstream effect, impacting the projects themselves or other areas of the organisation (such as Finance or Procurement). Through stakeholder consultation and sample testing, Internal Audit noted the following gaps in the project planning process: • From a sample of projects, it was noted that the required steps within the Initiate and Plan phases were not fully performed for one of the four sample projects. Specifically for one of the projects reviewed it was noted as having a lack of consultation with key user groups during the scoping process. This resulted in key aspects of the design (lighting) not being considered and a large project variation later raised. • For some areas of the CoM, initial project costings were based on a 'best guess' rather than robust data from previous projects. This results in budget revisions occurring each quarter, where funds are reallocated between projects that are over or under. This creates additional work for the Finance team, wherein a robust costing estimate in the first instance would alleviate the amount of rework. • The CAMMS project prioritisation rating section has not been consistently adopted across the organisation. It was noted that although good processes were observed in the variety of factors considered (such as stakeholder consultation, criticality of the site, cost and available grants) the CAMMS prioritisation checklist to drive a consistent approach is not consistently utilised across the CoM by project managers.	Gaps in the project planning process may result in the following risks: • Key aspects of the project planning process, such as community consultation, may not occur. • Project carryovers and budget variations may occur from the full project scope not sufficiently considered.	1. In conjunction with Finding 1, a focus on Project Managers applying the CoM's PMF project planning processes should continue to be supported by the PMO. 2. When providing training, priority should be given to areas of the CoM that have the highest occurrence of new staff and project managers which would benefit from this training. See also PIO 1 for further discussion on training. 3. Establishment of centralised project cost (and schedule) database to provide cost intelligence for estimating. This could include an investigation into system opportunities to store unit rates. 4. Where relevant, consider the use of independent cost estimates or early contractor involvement for scoping and budget estimating of projects. This should be considered on a cost and risk basis.	1. The PMO will work together with the Project Managers during the project planning period (Sept – April) and ensure the information is accurately captured in CAMMS. 2. Training will be provided by the PMO to selected staff that requires additional support on learning the PMF and using CAMMS. 3. For planning of new projects FY22/22 onwards, previous project implementation cost benchmark data (extracted from Financial system) will be provided to Project Managers by the PMO. 4. As per point 3. In addition, costing data will be made available to Project Managers to support planning for future projects.

Responsibility: Kevin Poh, Senior PM, Financial Transformation

Target date(s): 31 December 2021

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Finding 3 – Inconsistencies identified in the understanding and effective use of CAMMS

<div align="right">

Low

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Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
CAMMS is the Enterprise Project Management System (EPMS) that supports the CoM in managing projects. CAMMS allows for the CoM to manage its diverse and complex projects and programs across project areas. Although the PMF outlined in the background of this report has been fully integrated into CAMMS, it has not been fully adopted by all stakeholders. The four phases, outlined in the background of this report, all have different pages in CAMMS that are to be completed as part of the project management process. CAMMS is an important tool that is leveraged as the single source of truth for all projects. On a monthly basis, Project Officers are required to complete status updates for all projects allocated to them which are documented in CAMMS. These updates are compiled and reported to the Monthly Capital Works Meeting, Project Steering Group meetings and Elected Members. Through stakeholder consultation and sample testing, Internal Audit noted the following regarding the understanding and effective use of CAMMS: • CAMMS was not the single source of truth for all project related information. It was further noted that some project activities were being conducted outside of the system. • Various stakeholders expressed their concerns regarding the functionality of CAMMS. This included CAMMS noted as a being a highly manual process, which often increases the amount of administration required for projects. Additionally, it was noted through a walkthrough conducted by Internal Audit, navigating through the various sections of CAMMS was an arduous process due to the long load times. • The PMF templates to guide project deliverables and how to complete required sections of CAMMS are not widely utilised throughout the organisation. Furthermore, Internal Audit noted variances between deliverables as part of the project management process. For example, project scopes sited by Internal Audit were highly variable. This included some scopes created outside the system, while others were completed within CAMMS.	Inconsistencies in the understanding and use of CAMMS may result in the following risks: • Inconsistencies in key project planning processes occurring. • Quality of project planning and scoping processes maybe impacted. • Project information not recorded within CAMMS, impacting on the quality of project reporting provided to ELT and to Council.	1. Investigate system opportunities to improve CAMMS and streamline tasks. Specific investigation should be conducted in order to ascertain whether load times can be improved. 2. See Finding 1 and 2 for recommendations regarding the re-distribution of the PMF and templates. 3. Refer PIO2 for project training recommendations.	1. A review was undertaken between CoM and the CAMMS vendor on CAMMS and the conclusion was the PMF set up in CAMMS did not need to change and report improvements were made. The PMO will monitor the system's performance and make the necessary recommendations to IT and CAMMS vendor to improve performance if needed. 2. See responses in Findings 1 and 2 3. See responses in PIO2

Responsibility: Kevin Poh, Senior PM, Financial Transformation

Target date(s): 31 December 2021

3.0 Internal audit findings

Finding 4 – There is further opportunity to transition other projects to a multi year cycle | **Low**

Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
It was noted that the CoM's Capital Works Program is developed on an annual basis with the majority of projects expected to be planned and delivered within the year. It is noted that the Road Reseal Program, Kerb and Water Table Program, Major Projects and Playgrounds (for works over 50k) are delivered on a two year cycle, which comprises 50% of the total capital works budget.	The 12 month capital works cycle may result in the following risks:	1. It is recommended that the CoM considers transitioning to an open rolling plan where appropriate.	1. Finance will work with the PMO and project owners in aligning future funding in the Annual Business Plan and LTFP to support the transition to an open rolling plan where appropriate.
While the CoM has strategic plans in place which outline the projects to be delivered in the coming years, the prioritisation and selection of these projects occurs on an annual basis. Selected projects are then included in the Council's Annual Business Plan, which forms the program of works that is delivered by various team's across the CoM. Through stakeholder consultation it was noted however, that additional areas would benefit from a longer project lifecycle due to challenges experienced with the 12 month timeframe.	• Project Officers may not have adequate timeframes to complete key steps in the 'Plan' and 'Initiate' phases, resulting in a higher number of project variations and carryovers.	2. Consideration of actual project scopes and delivery methodology to inform the appropriate project delivery cycle.	2. The PMO will review the PMF to consider the suitability of its project life cycle for use by all projects.
Specifically, our review identified the following risks and issues associated with the condensed timelines for planning, design and delivery:	• A majority of projects running on the 12 month cycle leads to a bottleneck within the Procurement team, which must process a high volume of tender packs in a short timeframe.	3. Further consideration to be provided to allow for resourcing requirements to ensure program planning is performed.	3. The PMO will support the Project Managers with past implementation resource data for resource planning use.
• **Lack of contingency** – It is noted that the current project lifecycle does not allow buffer for any common risks such as inclement weather, or additional time required for tendering and contractor tendering, clarification and negotiation processes. From our review of the Monthly Capital Works Meeting reporting, it was observed that 2 of the 4 projects selected as part of our sample testing were recorded as 'on track' in the May 2020 Capital Works Report. In the June 2020 Capital Works Report, they were suddenly reported as 'off track' and carried over.		4. A process to be put in place requiring Project Managers to flag multi-year projects to the PMO, Finance and Procurement.	4. PMO, Finance and Procurement will review the internal process to address tracking and reporting of multi year projects.
• **Impact on program budget and resources** – Changes to individual project timing or budgets could impact the overall Capital Works Program. This may then have a flow on impact including project managers being over utilised or budget having to be reallocated. This is highlighted by the number of projects that are carried over from prior years.			
• **Condensed timeframes and bottlenecks** – The 12-month capital cycle leads to a high volume of projects entering the procurement phase at the same time. It was noted that during 1/11/2020 – 20/12/2020, 14 tenders were released to the market. Many of these tenders overlapped on service type, which oversaturated the market and led to increased procurement phase timelines.			
(*Continued next page*			

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Finding 4 – There is further opportunity to transition other projects to a multi year cycle

<div style="text-align:right">**Low**</div>

Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
Continued from previous page As noted in the executive summary, current market conditions present a significant risk to councils Australia wide in delivering capital works programs on time and on budget. This has included examples of council tendering processes taking much longer than normal timeframes with much lower response rates. As a result of these market conditions, the CoM is facing an increased risk in the ability to deliver its capital works program for FY21 within required timeframes and budgets. It is recognised that this is largely due to factors outside of the CoM's control, however ensuring early and robust planning processes, and early and effective engagement with the market will be critical for reducing this risk to the extent possible.		5. It is recommended that the CoM consider further detailing the renewal programs within respective Asset Management Plans. As an example, this could include a detailed breakdown of anticipated expenditure for areas such as Open Space – which would then provide an opportunity subsequent to endorsement, for planning to occur within an earlier timeframe.	5. Finance will work with the owners of each Asset Management Plan to further refine the detailed future funding requirements and timing of planned expenditure. This will support the potential transition to an open rolling plan where possible.

Responsibility: Kevin Poh, Senior PM, Financial Transformation

Target date(s): 30 June 2022

3.0 Internal audit findings

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PIO 1 – Opportunity to provide additional training to project managers to ensure that staff delivering projects have the required capability   PIO

Finding(s)	Recommendation(s)	Agreed Management Action(s)
There is an opportunity to provide formal training to CoM staff involved in project management roles. It was observed that project team members utilise their own methodology and tools to perform project management tasks, rather than fully utilising CAMMS/the PMF. This has also contributed to inconsistent project management practices across the Council. Our review also observed that the City Property team in recent years, has delivered increasing complex projects (such as the City of Marion Outdoor Pool). As a result, staff in this area may be not as experienced and/or have the required skills set to deliver more complex and high value projects. Through stakeholder consultation, sample testing and walkthroughs, Internal Audit noted the following regarding the limited training provided to project management staff: • Minimal training and resources were available to key personnel to up-skill their knowledge on project management. There was also a lack of schedules maintained or training history to support training that had been undertaken or provided to personnel involved in project management roles. • Recent training (within the last 12 months) has not been provided on project management, CAMMS and the PMF. It was noted that some areas were unaware of the PMF and were not familiar with utilising CAMMS. It was further noted that there was some confusion and a lack of understanding regarding the roles and responsibilities of Project Officers in relation to the utilisation of CAMMS. • It was additionally noted that one of the project managers did not appear to have a robust understanding of all aspects required as part of the planning process. Resultingly, key aspects of the project scoping process were not sufficiently considered resulting in a large project variation.	1. Training should be provided to all relevant staff regarding the new Project Management Framework. 2. Specific training should be provided regarding the utilisation of CAMMS and how it is integrated with the PMF. Included in this training should be clearly outlined responsibilities and expectations for Project Officers in regards to documentation and completion of all CAMMS screens.	1. Training will be provided by the PMO to selected staff who requires additional support on learning the PMF and using CAMMS 2. See response 1.

Responsibility: Kevin Poh, Senior PM, Financial Transformation

Target date(s): 30 November 2021

3.0 Internal audit findings

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PIO 2 – Opportunity to share learned lessons from projects

<div align="right">PIO</div>

Finding(s)	Recommendation(s)	Agreed Management Action(s)
There is an opportunity for the CoM to consider documenting lessons learned from projects undertaken in order to better inform future project delivery. Currently, there is a section within CAMMS to document lessons learned that is underutilised. Documenting lessons learned is an important mechanism to track the positive and negative experiences on a particular project, or project management improvement opportunities. It was noted that sharing lessons learned was conducted on an ad hoc basis. If a formal meeting was held to share lessons learned, this information was often not recorded in CAMMS. Sharing lessons learned amongst project staff would enable the CoM to avoid repeating the same mistakes in future projects. This would also enable the CoM to share and take advantage of innovative or good work practices identified from past projects as soon as possible, for example for ongoing projects.	1. The CoM should consider undertaking lessons learned exercises for each project on a consistent basis. 2. Currently, the lessons learned section is in the last phase of CAMMS (and therefore cannot be updated until this phase is unlocked). The CoM should investigate system opportunities to have the lessons learned section permanently unlocked. This would allow for: • Lessons to be identified at any point in time during the project. • Learnings to be recorded as soon as practical, to ensure factual accuracy and that all project management staff are notified as early as possible.	1. The PMO will routinely check completed projects in CAMMS for lessons learned information to be entered. 2. The PMO will consider the feasibility of implementing this improvement opportunity in CAMMS given its cost implications.

Responsibility: Kevin Poh, Senior PM, Financial Transformation

Target date(s): 31 December 2021

FAC210817 - Finance and Audit Committee - 17 August 2021

Appendix 1 - FY16/17 Capital Works report findings follow-up

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The table below details the 8 findings that were reported on in the FY16/17 Capital Works report. Internal Audit has collected comments from Management on the status of the findings to ascertain whether all agreed recommendations have been implemented. The report identified 4 moderate and 4 low rated findings.

Ref #	Finding and Description	FY16/17 Recommendations	April 2021 Management Update	Internal Audit Evaluation
F-1	**Opportunity to strengthen governance and leadership arrangements for capital works** - Governance and leadership in relation to both asset management and capital works appears to be varied across the organisation. It was noted that there is a lack of a documented organisation-wide methodology or approach which describes how the City of Marion undertakes capital works projects. Processes may not be consistent across the organisation and there is increased key person risk. **Responsibility:** Manager Innovation and Strategy (Fiona Harvey)	1. It is recommended that Marion review and improve the governance over its capital works program both from a program planning, prioritisation and approval perspective as well as from an ongoing monitoring and reporting perspective. In particular, Marion should consider whether the capital works program in its entirety constitutes a "major project" (or by individual asset classes) and therefore should be included as part of the Project Control Group governance meetings. 2. Marion should consider whether executive management should be present at each meeting, whom then reports to the PCG. Marion should consider formally appointing an executive sponsor to this meeting. 3. With the establishment of the Infrastructure Committee, it is recommended that the City of Marion considers the mechanisms and linkages between the Infrastructure Committee and the Administration, within the broader overall context of governance and leadership of asset management and capital works. 4. Strengthened governance and leadership should support the City of Marion bringing management focus to resolve the current carryovers and manage carryovers in the future (in particular, identify delays early and respond/action accordingly). 5. It is recommended that the City of Marion considers developing a capital works "operations manual" which describes the City of Marion's approach to capital works. This operations manual would bring together and document the City of Marion's desired approach for capital works.	1. A project/program control committee has been implemented. The committee meets on a monthly basis with a focus on high profile, risk and dollar amount projects. 2. A General Manager has been formally appointed as an executive sponsor. Internal Audit has sited minutes noting the General Manager's attendance. 3. The Infrastructure Committee no longer exists. It only had a subset of elected members participating. Now, reports are provided to all elected members through the Elected Members Forum. Elected members forum meets once a month to discuss major capital works. 4. A Project Management Office has been established, however it is noted that a key role in this office is currently vacant. CAMMS project management tool has been sourced and implemented. A Project Management Framework (PMF) was designed and implemented within CAMMS. The PMF has been sighted by Internal Audit. 5. The Operations Manual was found to not be an effective governance strategy. Instead, the PMF acts as a guide on key steps within the process.	1. Noted as complete. A Project Steering Group in place. 2. Noted as complete. GM sponsor attends meetings. 3. Noted as complete. Elected members forum in place. 4. Noted as in progress. PMF implemented in CAMMS, however has not yet been fully adopted/integrated. 5. Noted as complete. PMF has been integrated into CAMMS.

Appendix 1 - FY16/17 Capital Works report findings follow-up

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Ref #	Finding and Description	FY16/17 Recommendations	November 2020 Management Update	Internal Audit Evaluation
F-2	**Strategic planning in relation to capital works program is still maturing** - Marion's capital works program is currently not strongly linked to robust asset management plans(noting that revised and updated Asset Management Plans have recently been developed for adoption by Council in early 2016). **Responsibility:** Manager Innovation and Strategy (Fiona Harvey)	1. It is recommended that the asset management plans are the core document in relation to driving capital works programs taking into account new and ad-hoc projects. It is recommended that the City of Marion continues to improve the asset management plans based on service level requirements, condition assessments, useful lives, etc. and that the planned works are smoothed across years (please refer to finding 6 in relation to matching resources to capital works programs).	1. Robust asset management plans (AMPs) have been developed and were endorsed in August of 2020. These AMPs are live documents that will be updated when new budgeting information or annual business plans are prepared.	1. Noted as complete. New AMPs have been implemented.
F-3	**Capital projects prioritisation processes should be clarified and consistent** - It was advised that capital works budgets are currently driven by Marion's Long Term Financial Plan. Broadly, "pools" of funding are allocated to asset categories, at the category level. It was reported that the individual business unit areas are then responsible for prioritisation of the funding to projects. the Annual Business Planning process is condensed in a short period over a few weeks which constrains a robust prioritisation or planning of capital programs **Responsibility**: Manager Finance (Ray Barnwell)	It is recommended that the CoM reviews and improves its capital projects prioritisation processes, including: 1. A full list of all capital projects and individual project budgets, which is considered by Council as part of the overall approval of the Annual Business Plan (for both new/upgraded assets and asset renewal projects). This approved list should then form the baseline for monitoring and reporting through the year, and should be updated as part of the Annual Business Plan and Budget review cycles. 2. Improved clarity in relation to how projects are prioritised, including how both capital renewal and new capital projects come onto the list (e.g. ad-hoc projects) as well as how projects are pushed backed (and therefore are not considered carry overs).	1. A draft capital works program is now created alongside the draft annual business planning process. Proposed projects are put forward by CoM staff and elected members. These projects are raised to Council for a formal resolution of project to undertake in the following year. Where it makes sense to do, such as for Open Space, there is a 10 year capital works plan which aids in more accurate planning. This Is yet to be adopted by other areas that may benefit, such as City Property. 2. Ad hoc projects arising during the year are considered on a case-by-case basis. Project/program managers will use their professional judgement to decide what projects are best retimed.	1. Noted as in progress. Long term capital works plans have not yet been implemented to all relevant areas. 2. Noted as in progress. Remaining open until the CAMMS risk rating checklist is more broadly utilised.

Appendix 1 - FY16/17 Capital Works report findings follow-up

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Ref #	Finding and Description	FY16/17 Recommendations	November 2020 Management Update	Internal Audit Evaluation
F-4	**Capital Projects planning cycle could be improved buy moving to a rolling two-year cycle** – The capital works cycle is 12 months. This timeframe does not allow sufficient time to deliver the capital works projects which include planning, design, engineering, public consultation, procurement, construction activities, etc. **Responsibility**: Manager Innovation and Strategy (Fiona Harvey) & Manager Infrastructure (Mathew Allen)	1. It is recommended that Marion considers transitioning to a rolling two-year or three-year capital works cycle where key planning, designing and costing activities are completed in one year, with procurement and construction activities completed in the following year, or similar.	1. Multi-year plans have only been implemented for are the Road Reseal Program, Kerb and Water Table Program, Streetscapes, Open Space and Major Projects. Generally, larger projects will run on a first year planning, second year implementation cycle. Internal Audit notes that a multi-year capital cycle (planning in first year, delivery in second) would be beneficial to all projects.	1. Noted as in progress. Multi-year project/program cycles have not been implemented to all relevant business areas.
F-5	**Opportunity to standardise and implement an organisation-wide project management framework** - Currently, there is no organisation-wide project management framework adopted by CoM in relation to capital works projects, with individual departments utilising their own project management approach. For example, the Infrastructure team has adopted its own project management framework (referred to as the S-Guide) and utilises a suite of project management tools and templates. Similarly, the open space area utilises its own approach to delivering projects, often utilising a principle contractor approach. **Responsibility:** Manager Innovation and Strategy (Fiona Harvey)	1. It is recommended that Marion implements a simple, standardised project management framework which describes key phases that a project must go through. The project management framework should be designed to accommodate the proposed two-year capital works program, with two key phases including an initial phase where projects are initiated, evaluated and estimated in year one, and procured/built in year two (for example).	1. Standardised Project Management Framework (PMF) has been designed and implemented through CAMMS.	1. Noted as in progress. Standardised PMF implemented, however templates for required deliverables have not been fully adopted by relevant staff.

Appendix 1 - FY16/17 Capital Works report findings follow-up

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Ref #	Finding and Description	FY16/17 Recommendations	November 2020 Management Update	Internal Audit Evaluation
F-6	**There is a need to better match resources to the capital program** - CoM's revised AMPs for capital works varies substantially from year-to-year. There are challenges in matching resources (particularly internal) to the workload in an efficient manner. CoM has consistently under-delivered on its capital works program in the order of several million dollars per annum (or by ~20-30% approximately). **Responsibility:** Manager Innovation and Strategy (Fiona Harvey) & Manager Infrastructure (Mathew Allen)	1. It is recommended that the City of Marion better matches resources to the capital program, including: • Use of external contractors to a greater degree (see contestability finding 7). This needs to be considered in the context of the arrangements within the Employee Agreements. • Re-considers the timing of works outlined in the asset management plans to better smooth the work levels from year-to-year where it makes sense to do so. The smoothing of asset-related capital works should then allow for more consistent budget allocations and better resource planning both from an internal perspective and via external contractors. • Resourcing options to take into account ad-hoc projects, such as: o Planning for a minimum level of ad-hoc projects per year (based on an historic level of ad-hoc projects, as applicable) o Via an overall understanding that ad-hoc projects should be delivered by external contractors, or similarly, that external contractors should be used to "back fill" existing, planned projects (noting that some internal resources would still be required to engagement and manage the contractors). o Push back planned projects to future years (e.g. through the quarterly review process) without contributing to carry overs per se.	1. Where appropriate, external contractors will be utilised to assist in the delivery of projects. When ad hoc projects are proposed to the CoM, preliminary plans/budgets are put together. Discussions with Council will be conducted outlining if additional resources will need to be sourced in order to fulfil a certain project.	1. Noted as complete. External contractors utilised where required. Council is consulted for ad hoc projects.

FAC210817 - Finance and Audit Committee - 17 August 2021

Appendix 1 - FY16/17 Capital Works report findings follow-up

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Ref #	Finding and Description	FY16/17 Recommendations	April 2020 Management Update	Internal Audit Evaluation
F-7	**Contestability/outsourcing options should be assessed** - At a high-level, there was no real justification between service delivery options other than historic reasons, and there may be an opportunity to consider service delivery options moving forward (e.g. what services may be contestable, what is Marion's overall philosophy, cost/benefit/risk analysis, as well as what other considerations and/or constraints that should be considered). It is noted that this must be considered in conjunction with the appropriate employee agreements. **Responsibility**: Manager Infrastructure (Mathew Allen)	1. It is recommended that the CoM considers the following: • Outsourcing as a solution to manage existing carryovers, but recognising that outsourcing has an internal resource implication in relation to planning, procurement and supervision/contract management. • Overall outsourcing service delivery options, based on cost/benefit/risk considerations and contested against current internal resourcing. In particular, this could include consideration of having external contractors available to deliver on projects above the current in-house capacity (e.g. as per drainage team). • In particular, we recommend that the CoM, investigate/considers the merits and risks associated with tendering the road reseal in your own right based on the reported benefits associated with another Council who has recently implemented this strategy (it is acknowledged that Council Solutions is planning to tender road reseal services during 2016).	1. Outsourcing is utilised where applicable. Some clauses in the EA must be considered to ensure that the day labour staff are adequately utilised. The Road Reseal Project successfully went out to tender.	1. Noted as in progress. Additional consideration could be made regarding outsourcing to clear existing carryover backlog.
F-8	**Consider options/opportunities to streamline procurement (as well as achieve improved specifications and costing outcomes)** – The time required for procurement activities can lead to delays. Pressure associated with procurement timeframes are compounded by the fact that CoM's capital cycle is 12 months. There can also be challenges associated with specifications and cost expectations – noting that a proportion of carry overs result from quotations exceeding project budgets, leading to de-scoping of the project and re-tendering (and therefore delays). **Responsibility**: Manager Contracts and Operational Support (Colin Heath) & Manager Infrastructure (Mathew Allen)	1. It is recommended that the CoM considers options in relation to streamlining procurement. Currently, Infrastructure utilises DPTI pre-qualified suppliers, however, there may be further opportunities to streamline procurement such as setting up panels, agreeing standard rates, etc. • This recommendation should be considered as part of the overall recommendation to shift to a two-year capital planning cycle, which should reduce overall time pressures for procurement activities, as well as provide better opportunities for forward planning and programming for procurement. • Shifting to a two-year cycle should also support improved design, specification and estimation processes, which should minimise the current challenges associated with quotations exceeding budgets, which in turn, should reduce carry overs.	1. A Procurement Manager works to assist and streamline the procurement process. A Civil Panel was also established, in which allows jobs >$250k are presented to a pre-approved shortlist of providers.	1. Noted as in progress. Opportunities to bolster procurement activities with a further integration of PMF project planning documentation is required (see Finding 1).

Appendix 2 - List of capital carryovers for FY20

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List of capital carryovers for FY20

The table below outlines all the projects that made up the FY20 capital carryovers figure of $4,449,000.

Department	Project	Current status	Carryover
Infrastructure	Streetscape - Quick Road	Complete	$69,012
Infrastructure	Sturt River Linear Pathway	Complete	$281,614
Open Space	Heron Way Reserve Stage 6	Complete	$80,522
Land & Property	Air Conditioner - Administration Building	In progress	$247,500
Open Space	Oaklands Estate Reserve	Complete	$16,304
Open Space	Alpine Drive Reserve Playground	In progress	$348,456
Land & Property	Marion Outdoor Pool Playground	Complete	$50,000
Open Space	Capella/Nannigai Reserve Development	In progress	$107,494
Other	Oaklands Precinct Reserve Development	Complete	$70,814
Land & Property	Edwardstown Bowling Club Replace Shelters	Complete	$33,350
Land & Property	Boat Shed Building Renewal	In progress	$115,000
Land & Property	Two Additional Cove Netball Courts	In progress	$87,797
Other	Vehicle Replacement Program	In progress	$143,017
Land & Property	Edwardstown Bowls Shed Shade Sail	Complete	$10,973
Land & Property	Marion Outdoor Pool Fitness Equipment	Complete	$39,120
Land & Property	Marion Basketball Stadium Toilet refurbishment	Complete	$36,000
Land & Property	Edwardstown Sports Light Tracker	Complete	$30,000
Other	Public Arts Projects	Complete	$4,533
Infrastructure	LED Lighting Transition	Not Started	$50,000
Open Space	Central Avenue Reserve	In progress	$235,250
Open Space	Capella/Nannigai Reserve	Not Started	$1,125,000
Other	Oaklands Crossing Precinct Works	In progress	$616,135
Other	Coastal Walking Trail Renewal	Not Started	$651,248

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Appendix 3 - Staff consultation

Table of contents	Executive summary	Background	Internal audit findings	Appendices

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

Name	Title
Fiona Harvey	Manager Operations
Mathew Allen	Manager Engineering, Assets and Environment
Ray Barnwell	Manager Finance
Sorana Dinmore	General Manager Corporate Services
Kevin Poe	Senior Project Manager
Heath Harding	Unit Manager – Finance Partnering & Rates
Greg Salmon	Manager City Activation
Thuyen Vi-Alternetti	Manager City Property
Carla Zub	Project Manager Strategic Projects
Colin Natt	Unit Manager Civil Services
Renee Pitcher	Unit Manager Open Space and Recreation Planning
Jamie Dunnicliff	Manager Strategic Procurement Services

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Appendix 4 - Classification of findings

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

Rating	Definition	Examples of business impact	Action(s) required
Extreme/Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	• Detrimental impact on operations or functions. • Sustained, serious loss in reputation. • Going concern of the business becomes an issue. • Decrease in the public's confidence in the Council. • Serious decline in service/product delivery, value and/or quality recognised by stakeholders. • Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. • Life threatening.	• Requires immediate notification to the Council Finance and Audit Committee via the Presiding Member • Requires immediate notification to the CoM's Chief Executive Officer. • Requires immediate action planning/remediation actions
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	• Major impact on operations or functions. • Serious diminution in reputation. • Probable decrease in the public's confidence in the Council. • Major decline in service/product delivery, value and/or quality recognised by stakeholders • Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. • Extensive injuries.	• Requires immediate CoM's General Manager notification. • Requires prompt Management action planning/remediation actions (i.e. 30 days)

Appendix 4 - Classification of findings

Rating	Definition	Examples of business impact	Action(s) required
Moderate	Issue represents a control weakness, which could have or is having a moderate adverse effect on the ability to achieve process objectives	• Moderate impact on operations or functions. • Reputation will be affected in the short-term. • Possible decrease in the public's confidence in the Council. • Moderate decline in service/product delivery, value and/or quality recognised by stakeholders. • Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. • Medical treatment required.	• Requires CoM's General Manager and/or Senior Manager attention. • Requires short-term Management action.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	• Minor impact on internal business only. • Minor potential impact on reputation. • Should not decrease the public's confidence in the Council. • Minimal decline in service/product delivery, value and/or quality recognised by stakeholders. • Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. • First aid treatment.	• Timeframe for action is subject to competing priorities and cost/benefit (i.e. 90 days).

FAC210817 - Finance and Audit Committee - 17 August 2021

Disclaimers

Inherent limitations

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

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

Third party reliance

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

Electronic distribution of report

This KPMG report was produced solely for the use and benefit of the CoM and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated August 2021 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report. Any redistribution of this report requires the prior written approval of KPMG and in any event is to be the complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree. Responsibility for the security of any electronic distribution of this report remains the responsibility of the CoM and KPMG accepts no liability if the report is or has been altered in any way by any person.

7.10 Internal Audit 2021/22 - Plan and scope (Fraud and Corruption)

Report Reference	FAC210817R7.10
Originating Officer	Manager Office of the Chief Executive – Kate McKenzie
Corporate Manager	N/A
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

To seek the Finance and Audit Committee (FAC) feedback and endorsement on:

- The proposed Internal Audit Plan (IA) Plan for 2021-2023.
- Fraud and Corruption Scope

EXECUTIVE SUMMARY

The City of Marion (CoM) and City of Charles Sturt (CCS) tendered the Internal Audit (IA) Services as a joint tender. KPMG was the successful tenderer and was awarded a two-year contract. Both Councils have extended this contract for a further two years. The two Councils have been working collaboratively (with KPMG) to develop a joint IA Plan (Attachment 1).

The IA Plan was presented to the Committee in May 2021. The Committee suggested some amendments which included an assessment of the assurance map and how the risks were reflected across the IA Plan. This is now included as appendix 1 to the Plan.

The Committee was also of the view was the Staff Attraction and Retention audit should be removed, and relationship management added. Work has progressed on the development of a relationship map and it is suggested that a desk top review be completed in quarter 4.

The IA Plan now identifies five (5) projects per financial year. In the first year of the IA Plan, three (3) projects have been identified as collaborative projects with CCS and in the second year there are two (2) projects.

The Projects include:

- Fraud Framework Review (Scope – Attachment 2)
- Collaborative Project(s) Health Check (Collaborative) (Scoping in progress)
- Contractor Management (Collaborative)
- Project Management (Collaborative)
- Desktop review of Stakeholder Management

Fraud Framework Review draft scope (Attachment 2)

The objective of this internal audit will be to perform a gap analysis on the Fraud Framework and assess the framework against KPMG's 15 point better practice model and the identify other opportunities for better practice and process improvement.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Endorse the Internal Audit Plan for 2021/22-2022/23**

2. Endorse the Fraud Framework Review

ATTACHMENTS

1.   IA Plan Updated [**7.10.1** - 18 pages]
2.   Fraud Framework Review Draft Scope [**7.10.2** - 4 pages]

City of Marion

Two-year Internal Audit Plan

(FY2022 & FY2023)

June 2021

DRAFT

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Table of Contents	Background	IA Plan Development Approach	Established & Emerging Risks	Recommended IA Projects	Other Potential IA Projects	Appendices

Introduction

KPMG has been appointed by the City of Marion (CoM or the Council) to develop and deliver a two-year strategic Internal Audit Plan for FY2022 and FY2023.

Approach

The development of the Internal Audit Plan has had regard for the CoM's Strategic Management Framework, Community Vision - Towards 2040, Corporate Risk Register and changes to the organisational processes and has considered core business processes and controls. The Internal Audit Plan has also had specific regard to the key risks, levels of assurance and potential areas for third party assurance identified in the CoM's Assurance Risk Map. An overview of the Internal Audit Plan development process is summarised on page 4.

Finance and Audit Committee – Internal Audit Oversight Role

The CoM has established a Finance and Audit Committee whose key activities include overseeing Internal Audit. In respect to ongoing internal audit activities, the Committee's role includes:

- Reviewing, and providing information relevant to the scope of the Internal Audit and service review programs, including whether the program systematically addresses:
  - Internal controls over significant risk, including non-financial management control systems.
  - Internal controls over revenue, expenditure, assets and liability processes.
  - The efficiency, effectiveness and economy of significant Council programs and activities.
  - Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
  - Whether employees have sufficient competencies (facilitated by up to date training) to enable them to fulfil their roles.

- A review of the CoM's strategic management plans and annual business plans to ensure appropriate allocation of resources necessary to achieve the objectives of the plans.

- Critically analysing and following up any internal audit or service reviews report that raises significant issues and review Management's response to, and actions taken as a result of issues raised.

- Reviewing the appropriateness of special assignments undertaken by Internal Audit and service reviews provider at the request of the Chief Executive.

- Reviewing the level of resources allocated to service review and the scope of its services and authority.

- Facilitating liaison between the Internal Audit/service review provider, and external auditor to promote compatibility, to the extent appropriate, between their programs.

The Finance and Audit Committee's role also includes other functions including oversight of external audit, service reviews, internal controls and risk management systems, financial reporting and prudential requirements and other matters.

Collaborative Internal Audit Model

The CoM has engaged KPMG to provide Internal Audit Services under a collaborative arrangement with the City of Charles Sturt (CCS).

As part of the Internal Audit Plan development process, a number of collaborative projects were selected through a joint workshop with both councils. It is intended that these projects will be jointly delivered, and will include benchmarking and identified opportunities to improve processes across both councils.

Internal Audit Plan – Development Approach
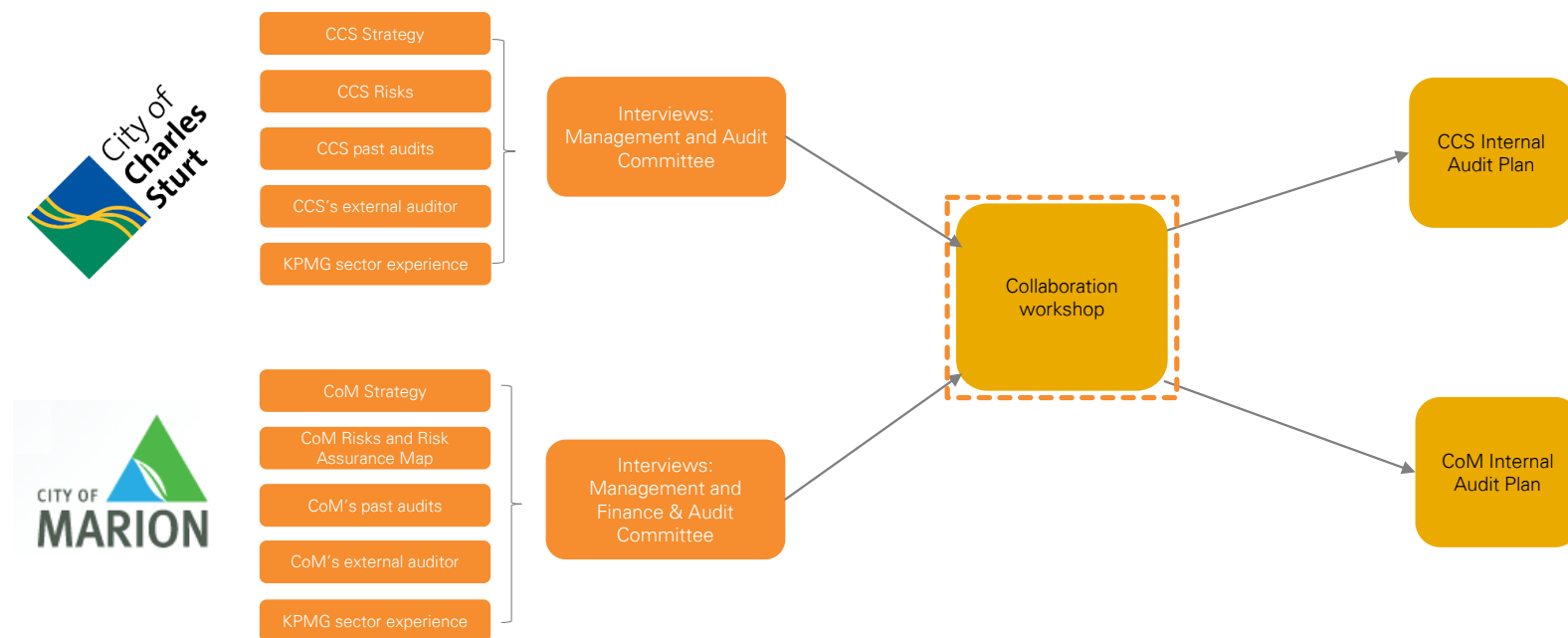
| Table of Contents | Background | IA Plan Development Approach | Established & Emerging Risks | Recommended IA Projects | Other Potential IA Projects | Appendices |

City of Charles Sturt

- CCS Strategy
- CCS Risks
- CCS past audits
- CCS's external auditor
- KPMG sector experience

Interviews: Management and Audit Committee

CITY OF MARION

- CoM Strategy
- CoM Risks and Risk Assurance Map
- CoM's past audits
- CoM's external auditor
- KPMG sector experience

Interviews: Management and Finance & Audit Committee

Collaboration workshop

CCS Internal Audit Plan

CoM Internal Audit Plan

Internal Audit Plan Inputs
- CCS and CoM Strategic and Community Plans
- Current risk registers
- Output of the CoM Risk Assurance Map
- The CCS and CoM's staff views and experience
- KPMG's sector experience including input from SMEs such as Elizabeth Watts.

Interviews
- Key stakeholder interviews led to understanding and obtaining input of the risks managed by each division and the core challenges.
- Consistent questioning, including the noting of key strategic and emerging risks for each council enabled comparison of interview outputs.

Collaboration workshop
- A joint collaboration workshop conducted including with the Managers Governance, Finance Managers, Chief Executive Officers and General Managers (CCS and CoM) to identify opportunities for projects to be performed collaboratively.

Final internal audit plans
- The final output of this process has resulted in separate two-year internal audit plan document for both the CoM and CCS.

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CoM & Local Government Established and Emerging Risks

Local Government Sector Risks

In working with both the CoM and CCS in developing the FY2022-2023 Internal Audit Plans, we have given consideration to the current and emerging challenges and risks facing the CoM and the broader Local Government sector. Detailed below we have provided a summary of the current risk landscape that the CoM is facing. This includes:

- established key risks that are known by the CoM.
- emerging risks which are not yet fully visible regarding magnitude and likelihood.

Established Risks

- Responding to changing customer expectations
- Reputation management
- Financial Sustainability, **doing more with less**
- Technology Disruption
- Building the Right Culture

Emerging Risks

- Unknown impacts from COVID-19 (including fraud)
- Emergency Management & Business Continuity
- Strategic Asset Management
- Sustainability, including Recycling challenges
- Work Health & Safety

- Privacy and Data Management
- Cyber, Digitalisation, Industry 4.0 & the Internet of Things
- Supply Chain
- Attracting and retaining staff
- Workforce Planning
- Legislative changes, including Planning Reforms

Future

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Recommended Internal Audit Projects (FY2022) - Year 1

| Table of Contents | Background | IA Plan Development Approach | Established & Emerging Risks | Recommended IA Projects | Other Potential IA Projects | Appendices |

Recommended Internal Audit Projects FY2022

The recommended list of internal audit projects for FY2022, along with the estimated timing and if the project will be a collaborative project is provided in the table below. The Internal Audit Plan remains flexible to include or substitute other relevant projects as required.

REF.	Project Title and Description	Category	Timing	Collaborative Project
22-01	**Fraud Framework Review -** This internal audit project will consist of two core deliverables: • A gap analysis will be undertaken to identify, assess and manage fraud and corruption risks against KPMG's 15-point Better Practice Model, which is derived from the Australian Standard on Fraud and Corruption Control (AS8001 : 2008). • The scope of the engagement can also include the delivery of fraud risk awareness sessions for select personnel. The personnel to be covered by the training would be agreed by Management in advance and will focus on personnel from areas where the risk of fraud and/or corruption is higher.	Governance	Q1	-
22-02	**Collaborative Project(s) Health Check -** This objective of this review will be to undertake a health check on the process and outcomes of recently delivered collaborative projects. This will include consideration of the governance supporting the delivery of the projects including articulation and measurement of project benefits, communication and knowledge sharing, resource and cost sharing and lessons learned.	Operations	Q2	✔
22-03	**Contract Management -** The scope of this internal audit will include consideration of each councils' overall framework for managing contracts, including: • Policy and procedures in relation to contract management, with a specific focus on risk mitigation for WHS risks relating to the delivery of services by contractors and suppliers. • Overall organisation structure, resources, roles and responsibilities in relation to contract management (including skills, experience and training). • Management of contractor/supplier performance. • Contract management and administration systems and processes (including tools and templates).	Operations	Q3	✔
22-04	**Project Management -** This review will examine the processes, policies and procedures in place to govern projects. This will include consideration of the effective implementation of each council's Project Management Framework and that it is contemporary, fit-for-purpose and aligned to better practice. It is noted that the primary focus of the CoM scope will be on the holistic project management framework and the primary focus for CCS will be on lessons learned from previous projects.	Operations	Q4	✔
22-05	**Desktop review of stakeholder management -** A high level desktop review will be performed over the CoM's key stakeholder and relationship management, including review of relevant plans, processes and internal controls.	Governance/ Operations	Q4	✔

Recommended Internal Audit Projects (FY2023) - Year 2

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Recommended Internal Audit Projects FY2023

The recommended list of internal audit projects for FY2023, along with the estimated timing and if the project will be a collaborative project is provided in the table below. The Internal Audit Plan remains flexible to include or substitute other relevant projects as required.

REF.	Project Title and Description	Category	Timing	Collaborative Project
23-01	**Digital Transformation Health Check (including Human Resources) -** A mid-program review of the Digital Transformation Project will be performed, focussing on project management and lessons learned. This review will also assess the key program governance arrangements in place, including adequacy of roles and responsibilities, reporting, change management, program planning and risk management. This review will also include a high level, post-implementation review of CoM's new HR / payroll system.	Information Technology	Q1	-
23-02	**Volunteer Management -** The objective of this internal audit project will be to assess arrangements in place to manage and oversee volunteers working with the Council. It will include consideration of volunteer attraction, induction arrangements, ongoing management, as well as consider any opportunities to increase the value achieved through the volunteer workforce.	Human Resources	Q2	-
23-03	**Customer Experience -** This internal audit project will focus on the implementation of CoM's customer management strategies, planning and operations and recommendations arising from the 2018 internal audit of Customer Experience (including complaints).	Customer Experience	Q1	-
23-04	**Service Delivery / Community Consultation -** The objective of this audit will focus on two phases: • An initial diagnosis of the alignment of current service delivery compared to minimum legislative requirements. This will also include an analysis of the costs / stated benefits for services delivered. • The community consultation processes in place to obtain feedback from rate payers regarding the services they would like provided.	Customer Experience	Q3	✔
23-05	**Cyber Security -** The objective of the internal audit will be to consider the maturity of selected aspects of each councils' cyber security posture and supporting framework including both technical and people based controls. The review will also consider opportunities to share knowledge and leverage better practice between each council, as well as to compare each council's current posture with better practice across local government and other similar sectors.	Information Technology	Q4	✔

Other Recommended Internal Audit Projects

Table of Contents	Background	IA Plan Development Approach	Established & Emerging Risks	Recommended IA Projects	Other Potential IA Projects	Appendices

Other Recommended Internal Audit Projects

Other recommended internal audit projects are listed in the table below. These projects were identified as potentially valuable projects to undertake by the CoM Stakeholders interviewed, but were not selected as a high priority for the Internal Audit Plan.

REF.	Project Title and Description	Category
OP-01	**Confidential Information (including Records Management) -** The focus of this internal audit will be on the handling of sensitive and confidential information, with a specific focus on the systems, processes and controls in place to support the recording, storing and disposal of confidential information. As part of the internal audit, records management will also be considered in relation to the processes supporting the handling of confidential information.	Governance
OP–02	**Procure to Pay -** The objective of this internal audit project will be to assess the overall procure-to-pay process, based on the policy and procedures implemented by the Council. The internal audit project will focus on compliance against the policy, as well as an assessment of the overall efficiency and effectiveness of any new processes introduced.	Finance
OP–03	**IT Data Governance -** The scope of the internal audit will consider the following areas: • Identified strategies for data governance across the Council • Identification of relevant Data Domains across Council, the related IT systems and any data governance activities currently in place • Assessment of the maturity of data governance against the KPMG Data Governance Framework to form a baseline "Current State" for data governance.	Information Technology
OP-04	**Dog and Cat Management -** The objective of this internal audit project will be to consider the effectiveness of CoM's response to the introduction of new animal management legislation in terms of resourcing, risks and issues.	Operations
OP–05	**Community Facility Management Models Phase 2 -** The objective of this internal audit will be to review the governance and policies in place to manage community facilities. This will include consideration of the CoM's leasing and rates arrangements for community facilities, with benchmarking to other similarly positioned Councils.	Governance
OP–06	**Workplace Safety Review -** The scope of this internal audit will consider: • Adequacy of current policies and procedures to support the identification and management of WHS requirements • The definition of roles, responsibilities and accountabilities for WHS, including consideration of how the current governance and committee structure supports WHS management • Current processes in place to support the identification and assessment of hazards and risks, WHS assurance activities, incident and investigations management • Adequacy of safety communication and awareness raising initiatives.	WHS

Other Recommended Internal Audit Projects (Continued)

Table of Contents	Background	IA Plan Development Approach	Established & Emerging Risks	Recommended IA Projects	Other Potential IA Projects	Appendices

Other Recommended Internal Audit Projects (cont)

REF.	Project Title and Description	Category
OP-07	**Strategic Third Party Relationship Management -** This internal audit will assess the framework under which the Council engages with third parties from a business partnership, collaboration and affiliation perspective. The audit will assess the authority framework to engage and commit the Council to third parties, risk appetite, due diligence processes as well as coordination and communication of third party engagements.	Strategy
OP-08	**Economic Policy / Plan Implementation Review -** This internal audit will review the effectiveness of the implementation of the Council's most recent Economic Policy, Plan and other relevant programs, measuring the success against Council objectives and budgets, as well as potential benchmarking against similarly positioned Councils.	Strategy / Governance
OP-09	**Grants Management -** This internal audit project will focus on the fairness, equity and transparency in relation to the Council's management and administration of community grants. Consideration will cover governance arrangements, including roles and responsibilities, alignment with strategic objectives as well as overall processes (identification, assessment, prioritisation and selection processes, approval) and reporting arrangements in respect of community grants.	Governance
OP-10	**Legislative Compliance -** This project will identify and document the requirements under various legislations (to be identified in order of priority for an ongoing program), assess the adequacy of systems to ensure legislative compliance (e.g. maintaining up to date knowledge of requirements, staff training) and assess the extent of compliance / fulfilment of obligations by the CoM.	Governance
OP-11	**Staff Attraction/recruitment -** This internal audit project will consider the processes and systems in place supporting the attraction of employee candidates, including the strategies and channels utilised to source and attract employee talent including advertise vacancies and the selection criteria applied against employee candidates.	Human Resources

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Appendices

Appendix 1 - Assurance Map

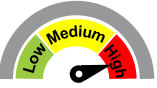| Table of Contents | Background | IA Plan Development Approach | Established & Emerging Risks | Recommended IA Projects | Other Potential IA Projects | Appendices |

Assurance Map

In February 2021, an internal audit (**IA**) of assurance across the CoM was performed leading to the creation of an Assurance Map. This Map highlighted the top 19 strategic risks facing the CoM and provided management insight into the strengths and vulnerabilities across the Council by identifying the levels of assurance in place according to each risk. Detailed below, the Assurance Map's top 19 strategic risks have been aligned to the proposed list of internal audit projects for FY22 and FY23. It is noted that the projects for FY24 and onwards will be reviewed and confirmed as part of the FY24 IA refresh process. A key has been provided on p.14 for the indicative overall level of assurance rating definitions.

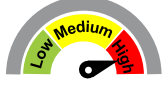| #	Risk Description	Inherent Risk Rating ✱	Indicative Overall level of assurance	Indicative Audit Plan Timing			Detail
				FY22	**FY23**	**FY24+**	
1	Capability and capacity to deliver the CoM's Strategic Plan and Council objectives is not provided by organisational resources	**High**				✓	• In FY24+, there is an opportunity to perform a Staff Attraction/Recruitment IA project to consider the processes and systems in place supporting the attraction of employee candidates (REF. OP-11).
2	Risk of breach in core financial controls	**Extreme**		✓		✓	• In FY22, a Fraud Framework Review IA project will be performed to undertake a gap analysis to identify, assess and manage fraud and corruption risks (REF. 22-01). • In FY24+, there is an opportunity to perform a Procure to Pay IA project to assess the overall procure-to-pay process, based on the policy and procedures implemented (REF. OP-02).
3	Risk of the CoM failing to attract and retain existing and new businesses	**High**				✓	• In FY24+, there is an opportunity to perform a Economic Policy / Plan Implementation Review IA project to review the effectiveness of the implementation of the Council's most recent Economic Policy, Plan and other relevant programs (REF. OP-08).
4	Failure in strategic asset management	**Extreme / High**		✓			• In FY22, a Project Management IA project will be undertaken to examine the processes, policies and procedures in place to govern projects (REF. 22-04). • In FY22, an Contract Management IA project will be performed to consider Councils' overall framework for managing contracts (REF. 22-03). • FY21 included an internal audit of the asset inspection process and project carryovers.
5	Risk of ineffective contractor management	**Extreme / High**					• In FY22, a Contract Management IA project will be performed to consider councils' overall framework for managing contracts focusing on post contract execution (refer to REF. 22-03).

Assurance Map (Continued)

Table of Contents	Background	IA Plan Development Approach	Established & Emerging Risks	Recommended IA Projects	Other Potential IA Projects	Appendices

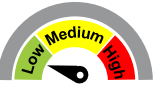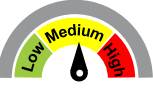| #	Risk Description	Inherent Risk Rating	Indicative Overall level of assurance	Indicative Audit Plan Timing			Detail
				FY22	FY23	FY24+	
6	Risk of breach in statutory and legislative requirements	High				✓	• In FY24+, there is an opportunity to perform a Dog and Cat Management IA project to consider the CoM's response to the introduction of new animal management legislation (REF. OP-04). • In FY24+, there is an opportunity to perform a Legislative Compliance IA project to assess legislative compliance by the CoM (REF. OP-10). • In addition, this risk has been indirectly covered off through a range of FY21 internal audits including leasing, business continuity and external audit's internal financial controls review performed.
7	Risk of serious harm or death to Council staff, contractors and volunteers	Extreme / High			✓	✓	• In FY23, a Volunteer Management IA project will be performed to assess arrangements in place to manage and oversee volunteers working with the CoM (REF. 23-02) . • In FY24+, there is an opportunity to perform Workplace Safety Review IA Project to consider Work Health and Safety (REF. OP-06).
8	Failure to develop and maintain relationships key relationships, including with government and private sector partners	High		✓		✓	• In FY22, a high level desktop review will be performed over the CoM's key stakeholder and relationship management, including review of relevant plans, processes and internal controls. • In FY22, a Collaborative Project(s) Health Check IA project will undertake a review on the process and outcomes of recently delivered collaborative projects (REF. 22-02). • In FY24+, there is an opportunity to perform a Strategic Third Party Relationship Management IA project to the framework under which the Council engages with third parties (REF. OP-07).
9	Risk of disconnected community and community well being and resilience declines	High			✓		• In FY23, a Customer Experience IA project will be performed to focus on the implementation of the CoM's customer management strategies, planning and operations and identified recommendations (REF. 23-03). • In FY23, a Service Delivery / Community Consultation IA project will focus on an initial diagnosis of current service delivery and community consultation processes (REF. 23-04).

Assurance Map (Continued)

| Table of Contents | Background | IA Plan Development Approach | Established & Emerging Risks | Recommended IA Projects | Other Potential IA Projects | Appendices |

#	Risk Description	Inherent Risk Rating	Indicative Overall level of assurance	Indicative Audit Plan Timing			Detail
				FY22	FY23	FY24+	
10	Risk of fraud and corruption	High	(gauge)	✓			• In FY22, a Fraud Framework Review IA project will be performed to undertake a gap analysis to identify, assess and manage fraud and corruption risks (REF. 22-01). • Whilst the indicative level of assurance for this risk is high, this is based on the assumption that Internal Audit provides regular assurance over this risk. • It is further noted that more broadly, instances of fraud have had a substantial increase post Covid resulting in an increase in the inherent risk rating.
11	Cyber security threat	Extreme	(gauge)		✓		• In FY23, a Cyber Security IA project will be performed to consider the maturity of selected aspects of each councils' cyber security posture and supporting framework (REF. 23-05).
12	Climate change risk	Extreme	(gauge)				• Noting that a number of audit activities were performed in FY20 & FY21, including an internal and external review of the CoM Climate Change Policy, no IA activity is required in the next three year cycle for this risk.
13	Business continuity planning risk and emergency management risk, risks to safety of community members	High	(gauge)				• A number of internal audits were performed in FY20 & F21, including a Local Government Risk Services Audit, and a business continuity internal audit. Thus, no internal audit activity is required in the next two year cycle for this risk.
14	Failure to meet the changing needs of the CoM residents	Extreme	(gauge)		✓		• In FY23, a Customer Experience IA project will be performed to focus on the implementation of CoM's customer management strategies, planning and operations and identified recommendations (REF. 23-03). • In FY23, a Customer Experience IA project will focus on an initial diagnosis of current service delivery and community consultation processes (REF. 23-04).
15	Decentralised, unsupported and unintegrated ICT systems to support current & future needs	Extreme	(gauge)		✓		• In FY23, a Digital Transformation Health Check IA project will be performed of a mid-program review of the Digital Transformation Project (REF. 23-01).

Assurance Map (Continued)

Table of Contents	Background	IA Plan Development Approach	Established & Emerging Risks	Recommended IA Projects	Other Potential IA Projects	Appendices

#	Risk Description	Inherent Risk Rating	Indicative Overall level of assurance	Indicative Audit Plan Timing			Detail
				FY22	FY23	FY24+	
16	Ineffective organisational project and portfolio management	Extreme / High		✓	✓		• In FY22, a Project Management IA project will be undertaken to examine the processes, policies and procedures in place to govern projects (REF. 22-04). • In FY23, a Digital Transformation Health Check IA project to perform a mid-program review of the Digital Transformation Project will be performed (REF. 23-01).
17	Funding risk	Extreme / High		✓		✓	• In FY22, a Project Management IA project will be undertaken to examine the processes, policies and procedures in place to govern projects (REF. 22-04). • In FY24+, there is an opportunity to perform a Grants Management IA project to focus on the fairness, equity and transparency in relation to the Council's management and administration of community grants (REF. OP-09).
18	Data risk	Extreme			✓	✓	• In FY23, a Digital Transformation Health Check IA project to perform a mid-program review of the Digital Transformation Project will be performed (REF. 23-01). • In FY24+, there is an opportunity to perform a IT Data Governance IA project to consider IT Data Governance (REF. OP-03).
19	Confidential information risk	Extreme				✓	• In FY24+, there is an opportunity to perform a Confidential Information IA project to focus on the handling of sensitive and confidential information (REF. OP-01).

Key	*	The inherent risk ratings have been based off the averaged inherent risk ratings from the City of Marion's Organisational Risk Register, noting that each risk is an aggregation of a number of organisational risks.		Low assurance rating is indicative of a low overall level of assurance in place for the risk across the three lines of defence.		Medium assurance rating is indicative of a medium overall level of assurance in place for the risk across the three lines of defence.		High assurance rating is indicative of a high overall level of assurance in place for the risk across the three lines of defence.

Appendix 3 – Completed Internal Audit Projects (FY18 – 21)

| Table of Contents | Background | IA Plan Development Approach | Established & Emerging Risks | Recommended IA Projects | Other Potential IA Projects | Appendices |

Internal Audit Projects Completed FY2018 to FY2021

The following table lists the CoM internal audit projects which were undertaken in the last four financial years (FY2018 to FY2021).

IA Project	Collaborative?	2020 - 2021	2019 - 2020	2018-19	2017-18
Business Continuity Planning		✓			
Stores Management	✓	✓			
Assurance Mapping		✓			
Asset Inspection Schedule		✓			
Project Carryovers		✓			
Community Facility Model		✓			
Payroll and Remuneration	✓		✓		
Leasing	✓		✓		
Metrics that Matter			✓		
IT Governance			✓		
Tendering				✓	
Business Continuity and Emergency Management				✓	
IT Cyber Security				✓	
Customer Experience (incl. complaints management)				✓	
Procure-to-Pay Process				✓	
Contractor Management					✓
Volunteer Management					✓
NDIS Readiness, Risk and Opportunities Assessment					✓
Fines and Enforcement					✓

Appendix 4 – Staff Consultation

| Table of Contents | Background | IA Plan Development Approach | Established & Emerging Risks | Recommended IA Projects | Other Potential IA Projects | Appendices |

The table below summarises CoM personnel who were involved in discussion and contributed to the Internal Audit Plan.

Name	Position
Tony Harrison	Chief Executive Officer
Sorana Dinmore	General Manager Corporate Services
Tony Lines	General Manager City Services
Greg Salmon	Manager City Activation
Ray Barnwell	Manager Finance
Kate McKenzie	Manager Corporate Governance
Jamie Dunnicliff	Strategic Procurement Lead
Emma Hinchey	Finance and Audit Committee Chair
Nicolle Rantanen	Finance and Audit Committee Member

Appendix 5 – CoM Strategic Management Framework & Community Vision

Table of Contents	Background	IA Plan Development Approach	Established & Emerging Risks	Recommended IA Projects	Other Potential IA Projects	Appendices

Outlined below are a summary of the CoM's Strategic Management Framework and the Community Vision themes, which were reviewed and incorporated into the Internal Audit Plan process.

STRATEGIC MANAGEMENT FRAMEWORK

30 YEAR COMMUNITY VISION TOWARDS 2040 LIVEABLE VALUING NATURE INNOVATION PROSPEROUS CONNECTED ENGAGED	**A shared Community Vision** Innovating a future for the city and its residents
STRATEGIC PLANS STRATEGIC PLAN WORKFORCE PLAN DEVELOPMENT PLAN ASSET MANAGEMENT PLAN LONG TERM FINANCIAL PLAN HEALTH, SAFETY & ENVIRONMENT PLAN	A suite of plans that focus Council's contributions to the Community Vision
BUSINESS PLAN JULY 2019–JUNE 2023	Council's delivery program over its term
WORK AREA PLANS	Team level planning to ensure community and Council's priorities are delivered
ANNUAL BUSINESS PLAN	Identifies how Council's work is resourced and paid for each year
PERFORMANCE DEVELOPMENT PLANS	Individual delivery and development plans

CITY OF MARION

COMMUNITY VISION > TOWARDS 2040

Six themes of our Community Vision

These six themes represent the shared values and aspirations that will guide how our city develops

LIVEABLE

By 2040 our city will be well planned, safe and welcoming, with high quality and environmentally sensitive housing, and where cultural diversity, arts, heritage and healthy lifestyles are celebrated.

VALUING NATURE

By 2040 our city will be deeply connected with nature to enhance peoples' lives, while minimising the impact on the climate, and protecting the natural environment.

ENGAGED

By 2040 our city will be a community where people are engaged, empowered to make decisions, and work together to build strong neighbourhoods.

PROSPEROUS

By 2040 our city will be a diverse and clean economy that attracts investment and jobs, and creates exports in sustainable business precincts while providing access to education and skills development.

INNOVATIVE

By 2040 our city will be a leader in embracing and developing new ideas and technology to create a vibrant community with opportunities for all.

CONNECTED

By 2040 our city will be linked by a quality road, footpath and public transport network that brings people together socially, and harnesses technology to enable them to access services and facilities.

Disclaimers

Inherent Limitations

This report has been prepared as outlined in the Conditions of Contract (CC201879). The services provided in connection with the engagement comprise an advisory engagement which is not subject to Australian Auditing Standards or Australian Standards on Review or Assurance Engagements, and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Third Party Reliance

This report is solely for the purpose set out in the Conditions of Contract (CC201879) for City of Marion's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. This internal audit report has been prepared at the request of the City of Marion Finance and Audit Committee or its delegate in connection with our engagement to perform internal audit services as detailed in the contract. Other than our responsibility to City of Marion, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Marion's external auditor, on this internal audit status report. Any reliance placed is that party's sole responsibility.

Electronic Distribution of Report

This KPMG report was produced solely for the use and benefit of City of Marion and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated May 2021 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report. Any redistribution of this report requires the prior written approval of KPMG and in any event is to be the complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree. Responsibility for the security of any electronic distribution of this report remains the responsibility of City of Marion and KPMG accepts no liability if the report is or has been altered in any way by any person.

KPMG

City of Marion

Internal Audit Project Scope:
Fraud Framework Review

6 August 2021

DRAFT

KPMG

Internal Audit Program 2022/23: Fraud Framework Review

In accordance with the 2021/22 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on the CoM's Fraud Framework is to be performed. The objective, scope and approach are outlined below.

Objective

The objective of this internal audit will be to perform a gap analysis on the CoM's current Fraud Framework and assess the framework against KPMG's 15-point Better Practice Model derived from the Australian Standard on Fraud and Corruption Control (AS8001:2008), and to identify other opportunities for better practice and process improvements.

Scope of services

The scope of the Fraud Framework Review internal audit project will include consideration of the following areas:

Framework assessment

- Consider the adequacy of the CoM's Fraud Framework to identify, assess and manage fraud and corruption risks against KPMG's 15-point Better Practice Model derived from the Australian Standard on Fraud and Corruption Control (AS8001:2008).

- Consider whether the CoM's Fraud Framework and prevention strategies are sufficiently integrated and aligned across individual policies and procedures.

- Review the design and implementation of integrity and fraud related practices across the organisation to evaluate the extent to which these are understood by staff and embedded within day-to-day activities.

Control design health check

- For a sample of key controls, assess the control design of relevant controls to determine whether the controls are appropriately designed and capable of reducing the likelihood and consequence of the relevant fraud risks.

- On a sample basis, undertake control testing for identified controls to understand whether the control is operating as intended.

- Consider opportunities for the introduction of better practice and process improvements relevant to local government and other comparable organisations.

Approach

The approach for the Fraud Framework Review internal audit project will include:

- Desktop review and analysis of relevant documentation including policies, procedures and frameworks against KPMG's 15-point Better Practice Model to identify gaps and opportunities for improvement.

- Interviews with key stakeholders to understand fraud prevention control strategies, policies and practices. This will include discussing the implementation of integrity and fraud related practices to understand the extent to which these are embedded within day-to-day activities and how they compare against better practice.

- For a sample of key controls (maximum of 10), assess the adequacy of the control's design and whether existing controls are operating as intended. Credit card processes and controls will be included as part of the controls to be sampled.

- Exit meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations.

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- Preparation of an internal audit report including identified control gaps, and recommendations for strengthening controls and aligning to better practice, including AS8001-2008 and KPMG's 15 Point Fraud Prevention Framework Better Practice Model.

Stakeholders

The following stakeholders have been identified based on preliminary discussions with the CoM:

Personnel	Position title
Kate McKenzie	Manager Office of the Chief Executive
Sorana Dinmore	General Manager Corporate Services
Ray Barnwell	Manager Finance
Sherie Walczak	Unit Manager Risk
Rachel Read	Acting Manager People and Culture

Resources and Budget

The team members and proposed budget for the Fraud Framework Review internal audit project are listed in the following table:

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Engagement Delivery Team				
Eric Beere	Partner	$355	6	$2,130
Heather Martens	Associate Director	$260	23	$5,980
TBA	Senior Consultant	$130	45	$5,850
TBA	Consultant	$110	63	$6,930
Total (excl. GST)				**$20,890**

Timing

The proposed timing for the Fraud Framework internal audit project is for the project to commence mid-August 2021 with a draft report completed for consideration by October 2021.

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Approvals

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

CoM Internal Audit Project Sponsor:

KPMG Internal Audit Partner:

Name: Kate McKenzie

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 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.

COVID-19

1. COVID-19 has the potential to materially and adversely affect our ability to provide the Services under the Agreement.
2. Each party will co-operate with the other in implementing reasonable mitigation measures to enable us to perform the Services in a way that seeks to limit the risk or potential impact related to COVID-19.
3. If the performance of the Services is delayed or otherwise adversely affected by COVID-19 or any circumstances related to COVID-19 (including, without limitation, unavailability of personnel), we will not be liable for any failure to perform the Services and the time for performance of the Services will be extended by any such reasonable period as is advised by us.
4. If COVID-19, or any circumstances related to COVID-19, result in the parties being unable to put in place service performance mitigation measures that we consider appropriate or we conclude that we are not able to perform the Services, either party may terminate the Agreement by providing 5 business days' notice in writing.

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8   Reports for Noting

8.1 Internal Audit Program - Implementation of Recommendations	
Report Reference	FAC210817R8.1
Originating Officer	Governance Administration Officer – Angela Porter
Corporate Manager	Manager Office of the Chief Executive - Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with an update of the status of implementation of recommendations from the Internal Audit (IA) program.

EXECUTIVE SUMMARY

The FAC was provided with a status report at its meeting on 18 May 2021 regarding the City of Marion's Internal Audit Program. A number of items were pending review of the IT Governance Framework. An independent report has been completed is now under review by the General Manager Corporate Services and Senior IT Leadership. A number of other items across various audits have been affected by staff departures and internal movements and have been granted short extensions.

The implementation of recommendations from these reports continues to be monitored by the FAC. A short summary of the status of recommendations for each audit is provided in Attachment 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 (Attachment 1).**

ATTACHMENTS

1. Internal Audit - Implementation of Recommendations Summary [**8.1.1** - 14 pages]

Overall Summary

Project	Findings	On Track	Overdue	Completed	Not Commenced	General Comments
Procure to Pay (2018/19)	9		2	7		There are 2 outstanding recommendations. These are Performance Improvement Opportunities and will be captured through the Finance Transformation Project.
Customer Experience		Complete (June '20)				
Cyber Security 2019	6	3	1	1	1	A number of Performance Improvement Opportunities have been impacted by the departure of the IT Governance and Cybersecurity Lead. COVID-19 has impacted some Performance Improvement Opportunities which will now be addressed as part of the BCP & COVID-19 Response Audit. Some items will be subsumed into the Digital Transformation Projects which will be reported separately.
Tendering 2019		Complete (March '20)				
BCP and Emergency Management		Complete (June '20)				
Payroll 2020/21	6	5		1		Outstanding items are pending Implementation of the new Payroll/HRIS system which has now commenced with go-live expected August 2021. An extension has been granted until the completion of go-live.
ITT Governance	11	1	5	5		Due to changes in resourcing, a number of items have been reallocated and will be reviewed.
Metrics that Matter	3		2	1		1 item has been completed in its entirety. 1 item has been reallocated as part of the Digital Transformation Project.
Collaborative Leasing	12	1		11		11 items are now complete and an extension has been granted for the remaining item to complete the policy review which is scheduled for December 2021.
Stores Management	5	2		3		3 items have been completed in entirety with 2 remaining items pending replacement of the Asset Management and Financial Management Systems
Business Continuity Plan and COVID-19 Response	7	5			2	5 items are on track with some parts complete. 2 items have not yet commenced. An extension has been requested for a number of items until March 2022 due to resourcing following a restructure.
Assurance Mapping	1		1			Work on this item is progressing and an extension has been requested until October 2021.
Asset Inspection Schedule	6	5				Some parts have already been completed with the remainder on track. Due to resourcing requirements, some items have been granted an extension.

Procure to pay

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
It is recommended that the CoM perform a business process review to investigate the transition to an online procure to pay system which would help to reduce the need for manual invoice approval processing. This process should include benchmarking of the procure-to-pay cycle times and the average cost of processing per invoice against other Government agencies.	PIO1.1	The CoM will investigate on-line invoice approval options that exist with Civica to reduce the level of manual processing that currently exists. The CoM will also investigate the software options available and implementation costs for automatic invoice validation.	N/A	31/12/2019	Not on Track	0%	CoM's Financial Transformation project includes a number of requirements that cover off on these opportunities including electronic workflow and invoice matching automation. The project is currently in the Tender evaluation phase.	Not on Track	0%	CoM's Financial Transformation project includes a number of requirements that cover off on these opportunities including electronic workflow and invoice matching automation. The project is currently in the Tender evaluation phase.
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 include the use of machine learning technologies to match purchase orders to invoice payments and contract, and automating invoice approvals within a defined set of business rules. It is recommended that this option is also considered as part of the business process review.	PIO1.2	as above	N/A	31/12/2019	Not on Track	0%	CoM's Financial Transformation project includes a number of requirements that cover off on these opportunities including electronic workflow and invoice matching automation. The project is currently in the Tender evaluation phase.	Not on Track	0%	CoM's Financial Transformation project includes a number of requirements that cover off on these opportunities including electronic workflow and invoice matching automation. The project is currently in the Tender evaluation phase.

Cyber Security 2019

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
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		Low		On Track		Ownership of this item has been transferred to the newly appointed IT Governance and Cybersecurity Lead. Together with the new Senior DTP IT manager they will be working on the COM1 project on improving cybersecurity awareness for our staff as well as commencing phishing exercises.	On Track	50%	Face to face training for field staff is complete. Lesson plan has been documented and sent to P&C for inclusion as a new induction process for new staff. Best practice/leading alternative products to current Kino/CQR training is in review and a proposal and will be submitted to DTP Sponsor/ELT for review.
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		Low		On Track		Ownership of this item has been transferred to the newly appointed IT Governance and Cybersecurity Lead. Together with the new Senior DTP IT manager they will be working on the COM1 project on improving cybersecurity awareness for our staff as well as commencing phishing exercises.	Completed	100%	Weekly random phishing tests to staff using Microsoft Security tested and results are produced as dashboard/reports. This item is ongoing.
The following should be considered as recommendations for increasing maturity in the Information Risk Management domain, particularly when implementing, operationalising, and embedding the Cyber Security Assurance Framework and Cyber Security Operating Manual: 1. Clearly define and communicate the requirements for sharing of information both internally and externally. Consideration should be also given to implementing controls for removable and portable media control as part of a data loss prevention strategy, such as storage, handling, whitelisting allowed USB devices, encryption and destruction.	3.1	Implement Data Governance Framework to classify CoM's information and define appropriate resources to manage this function to communicate requirement for information sharing.	Moderate	31/03/2020 Revised Due Date 30/06/2021	On Track	65%	Due to changes in resourcing, a number of items have been reallocated. Completion of the data governance framework has been allocated to the Cross Council Chief Data Officer. Creation of an Information Sharing Policy has been allocated to Chief Data Officer who will work with Team Leader Records to create the policy. Cyber Security Operations Manual - ownership of this item has been transferred to Manager IT Operations and IT Governance and Cybersecurity Lead. Further updates will be provided in the next quarter.	Not on Track	70%	-Working with LGIT we are working to come up with a cross council policy and this is been supported by LGIT a conference was held on 15th of July. -DM&G document has been drafted and reviewed (PK PAE). Next step is to have formal approval by the D&A program leadership team, which is currently in progress. The D&A strategy document which will be drafted after the proof of concept (currently underway), will detail the implementation of the framework across the organisation

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
1. Ensure that defined recovery objectives have been communicate and validated with IT to ensure that these are achievable.	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.	Low	30/06/2020 Revised Due Date 31/10/2021	On Track	85%	Extension has been granted until 31 October 2021 due to changes in resourcing. No further update.	On Track	25%	Previous recovery strategies have been transferred from Old SharePoint to new SharePoint and are scheduled for review during August, consultation during September then alignment with IT in October.
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.	Low	31/12/2021	On Track		Management are addressing this through the implementation of the Cross Council Cybersecurity Strategy and the DTP projects, shifting on prem systems to the cloud with increased security, as well as cyber awareness training for our staff, EMs etc.	On Track	50%	External security audit conducted on CoM and the outcome of this will be reviewed to determine the next approach.
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	1.IT will, in conjunction with Corporate Governance, review processes identifying legislative change to cyber security to be incorporated into future policy governance frameworks.	Low	31/10/2021	Not Commenced		Ownership of this item has been transferred to the newly appointed IT Governance and Cybersecurity Lead.	Not Commenced		Following recent departure of the IT Governance and Cybersecurity Lead, this item has been placed on hold pending recruitment.

Payroll 2020/21

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Investigate system opportunities with specific focus on increased functionality, reporting, elimination of manual processes, and systems integration.	1.1	The findings and relevant recommendations identified across this review, and specifically from Finding 1, will be addressed through the CoM's Digital Transformation Program. It is further noted that a number of separate projects are also currently in progress.	Moderate	30/06/2021 Revised Due Date 31/08/2021	On Track	65%	Preferred supplier has been selected and implementation has commenced. Currently on track for go-live with Payroll by August 2021, to be followed by implementation of HR modules.	On Track	90%	Set up of new payroll system is complete, and testing is in progress. Go live is on track to occur in August 2021.
Work to ensure that all internal audit recommendations are actioned and implemented as soon as practicable to ensure identified risks are mitigated, and issues are resolved. This should apply for all findings listed in this report, and previous internal audit findings that are not completely addressed.	3.1	Since the 2016 Payroll internal audit, CoM has increased the frequency of reconciliations, particularly around accruals, from annually/quarterly to monthly to improve its financial reporting against budget and enable better variance analysis. Through the Digital Transformation process, CoM will be aiming for these accruals to be built into the new system, removing the need for manual calculations to be performed. Before this is implemented we will focus on improving the timeliness of reconciliations. Capability around one source for record	Moderate	30/06/2021 Revised Due Date 31/08/2021	On Track	65%	Preferred supplier has been selected and implementation has commenced. Currently on track for go-live with Payroll by August 2021, to be followed by implementation of HR modules.	On Track	90%	Set up of new payroll system is complete, and testing is in progress. Go live is on track to occur in August 2021.

				PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
		keeping relating to employee recruitment and retention will also be included as a key requirement for the new system.					On Track		
Investigate system opportunities that would allow for capture and reporting of staff overtime, and enable more effective reporting mechanisms including live dashboards. As first priority, work to implement overtime reporting to ensure overtime can be appropriately monitored and managed (CCS and CoM).	PIO1	City of Marion currently has limited payroll/HR reporting available in a PowerBI dashboard. We are looking to further extend these capabilities. CoM will also ensure that these recommendations are incorporated into the requirements as part of its Digital Transformation project.	N/A	30/06/2021 Revised Due Date 31/08/2021	On Track	65%	Preferred supplier has been selected and implementation has commenced. Currently on track for go-live with Payroll by August 2021, to be followed by implementation of HR modules.	On Track	80%	Set up of new payroll system is complete, and testing is in progress. Go live is on track to occur in August 2021 where we will get access to the default dashboards that we will be able to build upon. Set up of new payroll system is complete, and testing is in progress. Go live is on track to occur in August 2021.
The CCS and the CoM consider conducting more regular reviews over payroll activities and processes. This may be in the form of audits or spot checks of key controls for high rated risks.	PIO2	Payroll financial controls (both system and manual) are assessed for effectiveness on an annual basis, with independent review performed by Council's external auditors. These controls are applied throughout the year and where issues/weaknesses are identified these are actioned to reduce the likelihood and/or consequence of any risks. We will be aiming to automate as many of these controls in a new payroll/HR system.	N/A	30/06/2021 Revised Due Date 31/08/2021	On Track	65%	Preferred supplier has been selected and implementation has commenced. Currently on track for go-live with Payroll by August 2021, to be followed by implementation of HR modules.	On Track	90%	Set up of new payroll system is complete, and testing is in progress. Go live is on track to occur in August 2021.
Ensure that reconciliation activities are undertaken in a timely manner (i.e. within one to two weeks) at the defined intervals.	4.1	Since the 2016 Payroll internal audit, CoM has increased the frequency of reconciliations, particularly around accruals, from annually / quarterly to monthly to improve its financial reporting against budget and enable better variance analysis. Through the Digital Transformation process, the CoM will be aiming for these accruals to be built into the new system, removing the need for manual calculations to be performed. Before this is implemented we will focus on improving the timeliness of reconciliations. Capability around one source for record keeping relating to employee recruitment and retention will also be included as a key requirement for the new system.	Low	30/06/2021 Revised Due Date 31/08/2021	On Track	65%	Preferred supplier has been selected and implementation has commenced. Currently on track for go-live with Payroll by August 2021, to be followed by implementation of HR modules.	On Track	90%	Set up of new payroll system is complete, and testing is in progress. Go live is on track to occur in August 2021.

ITT Governance

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Investigate opportunities to consolidate all the principles into an overarching ITT governance framework.	1.1	In reviewing the allocation of work and responsibilities across the ITT team, the development of an ITT Governance Framework will be prioritised and delivered over the first quarter of FY2021. To note, the Cross Council Service Review identified this as a priority and a Solution Development Framework was created in response.	High	31/10/2020	Not on Track	99%	Due to changes in resourcing, ownership of this item has been transferred to the Manager IT Operations and Senior DTP IT Manager and will be reviewed in the next quarter.	Not on Track		Independent report by EQI Consulting under consideration by GM and Senior IT staff. Awaiting endorsement to decide next steps.

Define how Corporate Governance ITT Principles and ITAS Principles will be applied.	1.2	ITT and ITAS principles will be aligned and incorporated into the new governance framework.	High	31/10/2020	Not on Track	99%	Due to changes in resourcing, ownership of this item has been transferred to the Manager IT Operations and Senior DTP IT Manager and will be reviewed in the next quarter.	Not on Track		Independent report by EQI Consulting under consideration by GM and Senior IT staff. Awaiting endorsement to decide next steps.
Work to embed principles in ITT policies and procedures, change management practices, workforce planning, business engagement protocols and data stewardship practices.	1.3	The new governance framework will be based on COBIT5 principles that assures coverage of all relevant topics such as resource planning, change management and business engagement protocols	High	31/10/2020	Not on Track	99%	Due to changes in resourcing, ownership of this item has been transferred to the Manager IT Operations and Senior DTP IT Manager and will be reviewed in the next quarter.	Not on Track		Independent report by EQI Consulting under consideration by GM and Senior IT staff. Awaiting endorsement to decide next steps.
For ITT practices and ITAS related works, embed regular (i.e. quarterly) reviews and reporting, to ensure principles are being adhered to and achieved through ongoing ITT operations and initiatives.	1.4	The ITT Governance framework regulates all relevant reviews, reporting, committee meetings.	High	31/10/2020	Not on Track	99%	Due to changes in resourcing, ownership of this item has been transferred to the Manager IT Operations and Senior DTP IT Manager and will be reviewed in the next quarter.	Not on Track		Independent report by EQI Consulting under consideration by GM and Senior IT staff. Awaiting endorsement to decide next steps.
Develop, agree and implement an ITT policy and documentation framework, to provide an appropriate level of governance and guidance to the IT team and help drive consistency amongst work practices and behaviours.	2.1	The ITT Governance Framework will include the required IT policies. This work is expected to be completed prior to the Finance and Audit Committees' December 2020 meeting (8 December 2020).	High	8/12/2020	On Track	99%	Due to changes in resourcing, ownership of this item has been transferred to the Manager IT Operations and Senior DTP IT Manager and will be reviewed in the next quarter.	Not on Track		Independent report by EQI Consulting under consideration by GM and Senior IT staff. Awaiting endorsement to decide next steps.
Consider which technology assets need to be included in the register and managed under IT Asset Management governance processes (e.g. software licences, software subscriptions, SaaS, desktops, laptops, mobile devices, servers, IaaS, PaaS, etc.). Develop and implement a framework and processes for ongoing management of IT assets.	5.2	Following the ITT restructure a dedicated resource will be charged with the responsibility for the FreshWorks Asset management. In addition, CoM will introduce and embed an IT asset management policy to ensure compliance.	High	31/10/2020	Not on Track	99%	Due to changes in resourcing, ownership of this item has been transferred to the Manager IT Operations and Senior DTP IT Manager and will be reviewed in the next quarter.	Not on Track		Added to scope of COM11 - Devices Fleet Management project. Expected artefacts include IT Asset Management Plan and up to date Asset Register.
Based on these determinations, develop and implement formal vendor performance management procedures that aligns to broader organisational procurement and contract management policies.	7.3		Moderate	30/09/2020 Revised due date 31/03/2021	Not on Track	70%	Given the focus on procurement resourcing for the Digital Transformation Program, this is still yet to be completed. Work has commenced on the vendor management framework for IT related contracts and suppliers. Expected to be completed by 30/6/21	Not on Track	90%	Procurement procedures updated with urgent purchasing guidelines to support crisis activities, consultation email to be sent 23/7
Update and finalise the Data / Information Governance Framework and receive approval from the Finance and Audit Committee.	9.1	CoM is working with its partner councils PAE and CCS on developing a joint framework across the three, following the recruitment of a joint CDO. Following this, the associated policies and procedures will also be developed.	Low	30/06/2021	On Track	90%	Recruitment process is now complete. The Data Governance draft is being reviewed.	Not on Track	80%	DM&G document has been drafted and reviewed (PK PAE). Next step is to have formal approval by the D&A program leadership team, which is currently in progress. The D&A strategy document which will be drafted after the proof of concept (currently underway), will detail the implementation of the framework across the organisation
Implement the Framework and develop any further policies and procedures required to embed and operationalise data management processes within the organisation.	9.2		Low	30/06/2021	On Track	90%	Recruitment process is now complete. The Data Governance draft is being reviewed.	Not on Track	5%	The implementation of the data management and governance framework (DMF) is a lengthy process that involves working with each section to understand their data management and governance. The CDO is currently running a cross council proof of concept in immunisation services, once this is complete, a strategy document will be developed detailing the process and timeframes for implementation of the DMF.

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Investigate opportunities to update training and induction processes with more information regarding security practices and requirements.	PIO2.2	CoM agrees with the recommendation and security awareness is made part of the Digital Literacy project	N/A	31/12/2020	Not on Track	50%	The new DTP IT manager with the IT Governance and Cybersecurity lead are working on updating the Cybersecurity awareness training. A revised first draft has been approved by the GM and more actions are underway to consolidate an updated package for staff, new staff and refreshers. While the initial due date has passed, the completion is anticipated by 30 June 2021.	Not on Track	75%	Request to include CSA training into staff inductions has been made to P&C. Awaiting confirmation of schedule. Phishing campaign and associated learning opportunities started in Jun 21. Ongoing CSA training packages currently in trial and evaluation.

Metrics that Matter

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
It is recommended that the CoM ensures that as the use of Power BI for KPI reporting increases, so the complete implementation of the Data Governance and Management Framework should be undertaken in parallel. This should include: • Ensuring it is up to date and formally approved • Key roles are formally assigned, and • The necessary policies and procedures are developed and operationalised in order to embed the framework across the organisation. This will be fundamental to helping build and maintain confidence in the data and the resultant reporting.	1.1	Aligned to the Internal Audit finding 9 in the ITT Governance Review, CoM is working with its partner councils PAE and CCS on developing a joint framework across the three, following the recruitment of a joint Chief Data Officer. Following this, the associated policies and procedures will be finalised.	Low	31/06/2021	On Track	40%	The draft CoM governance document has been reviewed by the CDO along with the CCS document. These are being brought together with the Victorian Government Information Management Framework to produce a standard document across the three councils. The current state of the application, data and reporting architecture will be workshopped across the three councils shortly and a strategy developed that will consider the current and future state across the three councils along with the business requirements. Meetings with section managers have also been held to gain insight into the business data and reporting requirements at that level. While also having ad hoc conversations across the organisation. A cross council meeting with GIS leaders was recently held, where the data governance framework was discussed, the draft document will be passed onto the team so that they can begin to work through the relevance to GIS data and start developing standards and work instructions.	Not on Track	80%	DM&G document has been drafted and reviewed (PK, PAE). Next step is to have formal approval by the D&A program leadership team, which is currently in progress. The D&A strategy document which will be drafted after the proof of concept (currently underway), will detail the implementation of the framework across the organisation.
Future projects should ensure full identification, documentation and management of risks to the project. These should be monitored and reported to the Steering Group on a regular basis such that potential problems are identified and managed early. Typically risks, as they arise, flow into 'issues' where active management and action tracking ensures their resolution in a timely manner. The CoM should ensure that these requirements are part of the new Solution Delivery Framework.	PIO2.1	Agree – this action will be included within the Risk Management 3 Year Strategic Plan (currently under development) and work in partnership with the ITT Manager and the new Change Manager to embed better risk management practices with the CoM Project Management Framework.	N/A	31/06/2021	On Track	75%	Clarification has been sought regarding the Project Management Framework and ownership. This has now been allocated to the Senior Project Manager - Financial Transformation. This will be addressed and implemented.	Not on Track	50%	Senior PM - Financial Transformation assigned as PMO for Capital Works. Currently in the progress of establishing FY 21/22 PMO work plan for projects and will actively monitor that risks are captured by the Project Managers into CAMMs and reported in the periodic reports to the relevant Steering Groups

Collaborative Leasing

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Upcoming lease or licence expiry reports to be provided to relevant Management staff, with ongoing monitoring and discussions held regarding the status of lease and licence renewals and the number of leases and licences holding over.	J4.2	As noted in finding 1, the CoM will include as a system requirement that is able to monitor and track lease and license agreement expiries. System reporting will also be investigated as part of the requirements for a new system.	Moderate	~~31/12/2020~~ Revised due date 31/05/2021	On Track	90%	Monthly reporting has been implemented from the current property management spreadsheet. Further enhancements are being investigated through use of Power BI until a Property Management system has been implemented.	Completed	100%	Monthly reporting has been implemented from the current property management spreadsheet.
Review the current process for monitoring and determining the level of rent subsidy to ensure that tenants are adequately meeting their obligations according to their relevant lease or licence agreement and Council policy.	M1.2	The CoM to undertake a review of the process for monitoring and determining levels of rent subsidy to ensure tenants are meeting their obligations.	Moderate	~~31/12/2020~~ Revised due date 30/06/2021	On Track	80%	A process will be finalised following the recent work completed in M1.1 taking into account the assessment, Club AGM dates and financial periods.	Completed	100%	Review of process complete for monitoring and determining levels of rent subsidy to ensure tenants are meeting their obligations. Request for subsidy/compliance information from tenants will be escalated to inform Ward Members and invoices sent to tenants if requested information is not provided.
It is recommended that the CoM further review and consider the current policy of obtaining external valuations for club and community properties.	M1.3	The CoM to undertake a review of the current policy in determining the rental fee via external valuations and potential consideration for another fee structure for consideration.	Moderate	~~31/12/2020~~ ~~30/06/2021~~ Revised due date 31/12/2021	Not Commenced		The review of the Leasing and Licencing Policy is schedule for the second half of 2021. Noting that the recent changes to the Retail Commercial Leases Act exemption classes (April 2021) will have a positive impact on the policy review. Seeking extension for this action item to December 2021.	On Track	20%	The review of the Leasing and Licencing Policy is scheduled for the second half of 2021. Noting that the recent changes to the Retail Commercial Leases Act exemption classes (April 2021) will have a positive impact on the policy review. Extension has been granted until 31 December 2021.

Stores Management

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Review the current manual practices and determine if any manual processes can be reduced though automation (e.g. barcodes and scanners, or PPE vendors – see Benchmarking page 5).	J3.1	Digitising processes is part of the broader digital transformation program, and will be considered as part of the Asset Management and Financial Management System replacements.	Low	30/06/2023	On Track	20%	Replacement of the Asset Management and Financial Management Systems is in train, with vendor proposals being assessed. The capability of the systems chosen will then enable CoM to look at introducing more efficient work practices	On Track	25%	Replacement of the Asset Management and Financial Management Systems is progressing as part of the Digital Transformation Process. Once a preferred corporate system is selected, staff will be engaged to introduce more efficient processes in this area.
Internal Audit recommends that the Councils investigate further system opportunities to implement or modify their inventory management systems to better support their needs. This includes improved stock ordering, monitoring and reporting capabilities.	JPIO1.1	Improving elements of the inventory management process is part of the broader digital transformation program, and will be considered as part of the Asset Management and Financial Management System replacements.	Low	30/06/2023	On Track	20%	Replacement of the Asset Management and Financial Management Systems is in train, with vendor proposals being assessed. The capability of the systems chosen will then enable CoM to look at introducing more effective inventory management practices	On Track	25%	Replacement of the Asset Management and Financial Management Systems is progressing as part of the Digital Transformation Process. Once a preferred corporate system is selected, staff will be engaged to introduce more efficient processes in this area.

Business Continuity Planning and COVID-19 Response

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
The new plans and strategies now need to be referenced into the existing Business Continuity framework (refer Appendix 4).	1.1	Risk Team to coordinate a review of the Recovery Strategies to reflect the new way of working implemented in the response to Covid-19 and referenced in the BCP by December 2021.	Moderate	31/12/2021	Not Commenced	0%	Action has been scheduled into work plans upon the return of the substantive Risk Business Partner.	On Track	25%	Previous recovery strategies have been transferred from Old SharePoint to new SharePoint and are scheduled for review during August, consultation during September then alignment with IT in October.
Provide guidance on activation thresholds.	1.2	Risk Team to work with P&C to review BIA for critical activities and the interaction with spreadsheet of staffing to enable the continuation of critical activities by June 2021.	Moderate	30/06/2021	On Track	10%	Meeting booked to progress action by due date.	Not on Track	20%	Engagement with P&C has taken place and this work will feed into the Workforce planning already being undertaken which is currently being worked on. Action due date needs to be extended in alignment with the workforce planning schedule.
Reflect the 'new' minimum IT equipment requirements for pandemic WFH scenarios.	1.3a	Risk Team to review the activation threshold in the BCP to clearly articulate the various incidents and relevant response plans by June 2021.	Moderate	30/06/2021	On Track	50%	EM risk assessment undertaken and meeting booked to review the activation thresholds in the BCP.	Completed	100%	The activation thresholds have been reviewed and are in line with that of the LGFSG and the sector so will remain as is.
Reflect the 'new' minimum IT equipment requirements for pandemic WFH scenarios.	1.3b	Risk Team to coordinate a review of the Recovery Strategies to reflect the new technologies to enable WFH by December 2021.	Moderate	31/12/2021	Not Commenced	0%	Action has been scheduled into work plans upon the return of the substantive Risk Business Partner.	On Track	25%	Previous recovery strategies have been transferred from Old SharePoint to new SharePoint and are scheduled for review during August, consultation during September then alignment with IT in October.
The CoM should consider how procurement activity as a result of a crisis or BCP incident works in practice.	2.1	Strategic Procurement together with Operational Support, Operations, City Property & IT to develop a crisis procurement process to enable quick procurement of items in a crisis whilst ensuring appropriate governance.	Moderate	30/06/2021	On Track	25%	Procurement procedures currently being updated to incorporate these elements.	Not on Track	90%	Procurement procedures updated with urgent purchasing guidelines to support crisis activities, consultation email sent 23/7
As part of a lessons learnt exercise, the CoM should retrospectively review the events that occurred and: • Document IT procurement requirements and specifications to detail minimum standards to assist future urgent procurement needs. This will provide a baseline standard. • Assess compatibility of procured IT equipment, including laptops, to ensure they are sufficient to meet business specifications. • Assess the financial impact of the fast-tracked procurement. This should consider the increased cost associated with low buying power and not sourcing directly from one-provider.	2.2	Strategic Procurement together with Operational Support, Operations, City Property & IT to develop a crisis procurement process to enable quick procurement of items in a crisis whilst ensuring appropriate governance.	Moderate	30/06/2021	On Track	25%	Procurement procedures currently being updated to incorporate these elements.	Not on Track	90%	Procurement procedures updated with urgent purchasing guidelines to support crisis activities, consultation email sent 23/7
Long-term remote working solutions, such as call centre technologies that meet business requirements.	3.3	Implement long-term remote working solutions, such as call centre technologies that meet business requirements by January 2021.	Moderate	31/01/2021	Not on Track	5%	These requirements are subsumed into the Unified communications project which is currently being scoped and due to be delivered in the next FY.	Not on Track	10%	Unified communications and Call Centre project scope defined. Joint procurement initiative underway with CCS.
Training needs and/or capability requirements for the workforce.	3.4	Identify new technologies, update these in the TNA & offer identified training by December 2022.	Moderate	31/12/2022	On Track	15%	Workshop held with SAGE who will support with the development of training for CoM1 Digital literacy and cybersecurity awareness training.	On Track	15%	COM1 DL and CSA scope in progress. Partnered with P&C to identify and look to secure Federal funding for Digital Literacy. Digital literacy assessment completed for outdoor workforce
The CoM need to review activities that were undertaken and document key considerations and sequential tasks to enable these plans to be re-used in responding to future events. This should be considered in conjunction with the recommendations in Finding 1.	4.1	Risk Team to coordinate a review of the Recovery Action Plans to identify key actions, document the process and identify key learnings and improvements by June 2021. Risk Team to coordinate a review of the Recovery Strategies to reflect the key learnings and improvements by December 2021.	Low	31/12/2021	Not Commenced	0%	Action has been scheduled into work plans upon the return of the substantive Risk Business Partner.	On Track	25%	Reports have been produced and a meeting set however has been postponed due to lockdown and has now been scheduled for August.

The CoM should review current business processes with a focus on manual processes that are performed in relation to critical services or key activities. Once identified, the CoM should identify and assess: 1. Contingency measures in place to enable them to operate if they are impacted by disruptions (e.g. communication, remote working).	5.1	Will undertake an SLT session to identify manual business processes in relation to critical services or key activities. Relevant SLT to develop contingency measures identified.	Low	30/09/2021	Not Commenced	0%	this item has been scheduled for the June 2021 SLT	On Track	10%	Progressing with engagement with SLT to identify critical manual tasks.
Transformational plans to enable them to transition and operate in a remote working environment. Where technology is introduced, contingency measures in the case of a technological disruption should also be considered.	5.2	Will undertake an SLT session to identify manual business processes in relation to critical services or key activities. Relevant SLT to develop contingency measures identified.	Low	30/09/2021	Not Commenced	0%	this item has been scheduled for the June 2021 SLT	On Track	10%	Initial discussions have been held with Risk Team. Once recovery strategies have been reviewed, this will be scheduled with SLT probably in September/October.
As part of a lessons learnt review of the BCP response, the CoM should consider how alternates could have been better utilised in the IMT. It may also be beneficial to introduce some guidelines to manage fatigue of IMT members.	PIO1.1	Risk Team to review IMT alternate members and consider the introduction of guidelines to manage fatigue of IMT members.	Low	30/06/2021	On Track	10%	Meeting booked to progress action by due date.	Completed	100%	The responsibility statement of the IMT Planning Member has been strengthened to align with SafeWork Australia's Managing Fatigue in the Workplace guidelines. Notation has been included in the Plan as to who has responsibility for this.
The CoM should consider including within its 'BCP activation' phases and assessment of the most appropriate person to act as the 'IMT Commander'. Specifically, depending on the type of incident, certain roles within the organisation may be better suited to act as the IMT Commander due to their knowledge and experience with certain events.	PIO1.2	Consultation will be undertaken with the CEO on the preferred operating model, including consideration of the most appropriate IMT Commander.	Low	31/12/2021	Not Commenced	0%	Action has been scheduled into work plans upon the return of the substantive Risk Business Partner.	Completed	100%	Action has been discussed with Tony Harrison as the new CEO. He has confirmed his decision to move forward with the same IMT structure with the CEO as the IMT Commander.
In conjunction with (2) above, the CoM should consider whether the CEO is the preferred IMT Commander in all circumstances. In our experience, other organisations select other operational and/or executive staff to enable the CEO to perform their responsibilities and focus their time on communication and engagement with other stakeholders.	PIO1.3	Consultation will be undertaken with the CEO on the preferred operating model, including consideration of the most appropriate IMT Commander.	Low	31/12/2021	Not Commenced	0%	Action has been scheduled into work plans upon the return of the substantive Risk Business Partner.	Completed	100%	Action has been discussed with Tony Harrison as the new CEO. He has confirmed his decision to move forward with the same IMT structure with the CEO as the IMT Commander.
In continuing to develop the BCP suite of documentation, the CoM should consider the ease of use and applicability of documentation and templates. For example, the CoM should assess: What mechanism would be most appropriate to document and track actions for future events. This should ensure due dates are recorded with functionalities to sort, search and archive actions.	PIO2.1	Risk Team to engage IT & Governance to enable the use of Ecuria (or its replacement system) for IMT agendas, minutes and actions by December 2021.	Low	31/12/2021	Not Commenced	5%	A contactor has been engaged and implementation of new agenda and minute software is due to start in May 2021. A review of all CoM agendas and minutes will be conducted as part of this process and options to include IMT agendas and minutes in the new software will be considered.	On Track	25%	Ecuria's replacement, Doc Assembler, has administrator access issues with respect to quarantining confidential reports. The Risk Team is now developing a Sharepoint portal for the BCP and are investigating this occuring within this portal.
What tool is most appropriate for the creation and communication of Recovery Action Plans to avoid duplication of effort and enhance ease of use.	PIO2.2	Risk Team to incorporate the IMT risk assessments in the system specifications of the Enterprise Risk Management Software business case by June 2021.	Low	~~30/06/2021~~ Revised Due Date 31/03/2022	On Track	20%	Specifications and business plan commenced	Not on Track	20%	Specifications and business plan commenced. Extension of date required given the demand on resourcing of the team at present and the restructure. Extension requested to March 2022
Formats of risk assessments moving forward and consider how this information integrates into and interacts with other BCP activities and assessments.	PIO2.3	Risk Team to incorporate the IMT risk assessments in the system specifications of the Enterprise Risk Management Software business case by June 2021.	Low	~~30/06/2021~~ Revised Due Date 31/03/2022	On Track	20%	Specifications and business plan commenced	Not on Track	20%	Specifications and business plan commenced. Extension of date required given the demand on resourcing of the team at present and the restructure. Extension requested to March 2022
Whether further communication templates need to be developed and added to the suite of templates.	PIO2.4	Comms Team to work with the Risk Team to review the current suite of templates and create a document library for ease of use by June 2021.	Low	~~30/06/2021~~ Revised Due Date 31/03/2022	On Track	10%	Meeting scheduled for the team to review the current templates and develop a plan for improvement	Not on Track	40%	Risk team have met with Communications team and the revised templates will be incorporated into the new BCP portal over the coming months. Extension requested to March 2022

Assurance Mapping

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Ineffective organisational project and portfolio management (Risk#16) • Although robust internal measures have been put into place, due to the significant investment and impact on the organisation it would be recommended that third party assurance is considered for the Digital Transformation Program.	PIO1.1	It is agreed that the next step following this work is to develop a strategic risk register, and agree the desire residual risk rating for each of those risks based on further refinement and articulation of the three lines of defence model. Additionally, this work will be used as a tool to inform the City of Marion Internal Audit Plan for 2021/22. Those areas identified in Section 1.9 will be prioritised as part of the work involved with developing the Strategic Risk Register and considered as part of the Internal Audit Planning process for 2021/22.	High	~~30/06/2021~~ Revised Due Date 31/10/2021	On Track	50%	This item is included in the draft Strategic Risk Report and the draft Internal Audit plan 2021/23. This item is being considered by the FAC in May 2021.	Not on Track	75%	The work on the Strategic Risk Registers is progressing with ELT undertaken 2 workshops to define the strategic risks. There are currently 8 proposed strategic risks. The team is now working through populating the risk assessments and these will be presented to the Committee in October 2021 for consideration. Requested an extension until October 2021.
Risk of ineffective contractor management (Risk#5) • It is noted that due to the volume of procurement activity that is happening across the CoM, that further clarity over the role of contractor management post contract execution, including responsibilities relating to the management of contractor safety is performed.	PIO1.2		High	~~30/06/2021~~ Revised Due Date 31/10/2021	On Track	50%	This item is included in the draft Strategic Risk Report and the draft Internal Audit plan 2021/23. This item is being considered by the FAC in May 2021.	Not on Track	75%	
Data risk (Risk#19) • It is recommended that the CoM ITT Governance Framework is finalised and implemented across the organisation, noting that this will be a key enabler to the Digital Transformation Program in addition to being an area of focus considered more widely across all sectors.	PIO1.3		High	~~30/06/2021~~ Revised Due Date 31/10/2021	On Track	50%	The ITT Governance Framework is being considered further by ELT and included as part of the DTP. This item has also been listed as part of the draft Strategic Risk Report to be considered by FAC in May 2021	Not on Track	75%	
Risk of the CoM failing to attract and retain existing and new businesses (Risk#3) • Noting the challenges of the current economic and further challenges when government support payments will be ceased, it is recommended that the CoM consider implementing further monitoring and reporting across this are. This could be inclusive of the dashboards and other key metrics that are understood to currently be under development.	PIO1.4		High	~~30/06/2021~~ Revised Due Date 31/10/2021	On Track	50%	This item is included in the draft Strategic Risk Report which is being considered by the FAC in May 2021.	Not on Track	75%	

Asset Inspection Schedule

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
The CoM should consider creating an overarching inspection program/scheduling policy or procedure applicable to all 8 asset classes. This policy would outline clear expectations for scheduling, for example purposes: • Each individual asset should be included in the schedule. • Schedules should indicate which day certain assets are required to be inspected. • Consideration for weather when designing the inspection program.	1.1	Procedure documents will be created for Recommendations 1 and 2.	Moderate	~~31/12/2021~~ Revised Due Date 31/3/2022	Nil	Nil	Nil	On Track	10%	Development of L1 and L3 inspection matrix is ongoing and forms the basis for the preparation of the relevant procedures. It is intended that the AMIS (or a combination of integrated systems providing an optimised end user experience) will be configured to address the recommendations of the IA and will be utilised as the asset inspection program for CoM once implemented.

Any asset class/category specific scheduling criteria, such as frequency of inspections, should be outlined in an asset category policy or procedure document. This could include some of the following factors regarding inspection intervals: environmental, location, age, criticality and community outcomes.	1.2	Procedure documents will be created for Recommendations 1 and 2.	Moderate	~~31/12/2021~~ Revised Due Date 31/3/2022	Nil	Nil	Nil	On Track	10%	Development of L1 and L3 inspection matrix is ongoing and forms the basis for the preparation of the relevant procedures. It is intended that the AMIS (or a combination of integrated systems providing an optimised end user experience) will be configured to address the recommendations of the IA and will be utilised as the asset inspection program for CoM once implemented.
Align condition monitoring techniques with specific asset failure modes. This enables condition monitoring technicians to target their effort in the areas which are most important rather than identifying faults which do not pose a significant threat.	1.3	Asset Inspection frequency to be optimised in Asset Inspection Program.	Moderate	~~31/12/2021~~ Revised Due Date 31/3/2022	Nil	Nil	Nil	On Track	10%	Development of L1 and L3 inspection matrix is ongoing and will document the relevant inspection frequency. High risk assets are to be identified by relevant Asset Owners and Subject Matter Experts and incorporated into the inspection scheduling of the AMIS. It is intended that the AMIS (or a combination of integrated systems providing an optimised end user experience) will be configured to address the recommendations of the IA and will be utilised as the asset inspection program for CoM once implemented.
Develop metrics and benchmarks pertaining to number of inspections required to be conducted. Adopt the Open Space PowerBI dashboards to other asset classes.	1.4	In conjunction with governance, and as part of the Asset Management Information System, a set of metrics will be developed.	Moderate	~~31/12/2021~~ Revised Due Date 31/3/2022	Nil	Nil	Nil	On Track	10%	The intent is for metrics and dashboards to be available through the AMIS (an identified user requirement) providing Asset Owners and Subject Matter Experts with the information they require to manage and maintain their assets. It is intended that the AMIS (or a combination of integrated systems providing an optimised end user experience) will be configured to address the recommendations of the IA and will be utilised as the asset inspection program for CoM once implemented. In the interim the Asset Solutions Team are developing and piloting a solution for field capture of L1 asset inspections data via OS365 linked directly to SharePoint. This is currently being piloted with Bus Shelters and is a work in progress. It is important to note that this is an interim solution only and as the AMIS implementation progresses this solution may become irrelevant.
Investigate the feasibility and value in shifting the inspection activities of high risk, structural assets to an out-sourced model. This may result in financial benefit and a reduction in risk.	1.5	This will be placed on the Asset Steering Committee for investigation and decision.	Moderate	~~31/12/2021~~ Revised Due Date 31/3/2022	Nil	Nil	Nil	Not Commenced	0%	Discussion to be held at Asset Steering Committee to determine the viability and response to this recommendation.
Investigate system opportunities to implement an asset management system that supports effective record keeping for asset inspections, (see Finding 1).	2.1	To be developed as part of the AMIS implementation through the DTP. This will be progressed in conjunction with the Senior Project Manager – Financial Transformation.	Moderate	~~31/12/2021~~ Revised Due Date 31/3/2022	Nil	Nil	Nil	On Track	10%	Senior BA (Aaron Steele) assigned to DTP AMIS Project on 6/07/2021. His assignment includes investigating area of improvement opportunities and pain points to be addressed through the DTP AMIS Project. Asset Management Officer - Michael Bennett - has been nominated as the project lead from the Asset Solutions Team. Michael has been involved in the implementation of a number of Asset Management Information Systems and

Recommendation	No.	Response	Rating	Due Date				Status	%	Comment
										brings significant value and detailed knowledge to this key DTP Project. The AMIS project will take 12 - 18 months for implementation. The Asset Solutions Team are working on an interim solution for asset inspections (refer recommendation 1.4) to address this recommendation by the proposed deadline.
Implement an asset class inspection policy or procedure to provide a clearer understanding of documentation requirements, specific Level 1 inspection information and inspection officer responsibilities.	2.2	A procedure document will be developed as recommended.	Moderate	31/12/2021 Revised Due Date 31/3/2022	Nil	Nil	Nil	On Track	10%	Development of L1 and L3 inspection matrix is ongoing and forms the basis for the preparation of the relevant procedures.
Inspection forms should be completed after each inspection and stored in a central location.	2.3	All asset owners will be reminded of the requirement for inspection forms to be completed and stored. Consideration will be given to completing a spot audit to check compliance.	Moderate	31/12/2021 Revised Due Date 31/3/2022	Nil	Nil	Nil	On Track	10%	It is intended that recommendation 2.3 will be addressed in the procedure to be developed once the L1 and L3 inspection matrix has been completed. Development of L1 and L3 inspection matrix is ongoing. The requirement to house information in a central storage location will be addressed through the AMIS implementation.
The management of defects, repairs and maintenance should be outlined in a procedure document to ensure high risk/critical asset defects and repairs are risk/severity rated. This will drive the criticality of the associated repairs and maintenance task and inform the timeframes to complete the repairs and maintenance.	2.4	A procedure document will be developed as recommended.	Moderate	31/12/2021 Revised Due Date 31/3/2022	Nil	Nil	Nil	On Track	10%	Development of L1 and L3 inspection matrix is ongoing and forms the basis for the preparation of the relevant procedures. It is intended that the AMIS (or a combination of integrated systems providing an optimised end user experience) will be configured to address the recommendations of the IA and will be utilised as the asset inspection program for CoM once implemented. It is also the intent that Asset Owners will have the ability to interrogate completed maintenance tasks via the dashboard and metrics available through the AMIS.
In the interim, develop a formalised process to ensure that sufficient record keeping of asset defects and repairs is performed. This could include all repairs and maintenance requests having a CES tickets assigned, to ensure that asset owners are informed of work completion.	2.5	Determine if an interim solution is to be implemented or wait until implementation and integration of AMIS occurs through DTP.	Moderate	31/12/2021 Revised Due Date 31/3/2022	Nil	Nil	Nil	Not Commenced	0%	Discussion to be held at Asset Steering Committee to determine the response to this recommendation. It is the intent that Asset Owners will have the ability to interrogate completed maintenance tasks via the dashboard and metrics available through the AMIS.
Post repairs inspections should be required and outlined within the policy or procedure document mentioned above.	2.6	A procedure document will be developed as recommended.	Moderate	31/12/2021 Revised Due Date 31/3/2022	Nil	Nil	Nil	On Track	10%	Development of L1 and L3 inspection matrix is ongoing and forms the basis for the preparation of the relevant procedures. Discussion to be held at Asset Steering Committee to determine the response to this recommendation.
Decide upon and work to implement a new system that meets the organisation's requirements.	3.1	These recommendations are in progress as part of the digital transformation Project and AIMS procurement process.	Moderate	30/06/2022	Nil	Nil	Nil	On Track	80%	RFP for AMIS closed on 19/02/2021.Evaluation of preferred solution and vendor concluded by RFP Evaluation Panel in May 2021. Contract negotiation currently in progress (target by end July 2021 to conclude).
Due to the diverse asset categories under the CoM's management, each asset class should be considered, and specific functionality investigated to ensure all necessary requirements are met.	3.2	These recommendations are in progress as part of the digital transformation Project and AIMS procurement process.	Moderate	30/06/2022	Nil	Nil	Nil	On Track	10%	Senior BA (Aaron Steele) assigned to DTP AMIS Project on 6/07/2021. His assignment includes investigating area of improvement opportunities and pain points to be addressed through the DTP AMIS Project.

When sourcing a new asset management system the CoM should also take into consideration appropriate data analytics functionality.	3.3	These recommendations are in progress as part of the digital transformation Project and AIMS procurement process.		Moderate	30/06/2022	Nil	Nil	Nil	On Track	80%	RFP for AMIS closed on 19/02/2021.Evaluation of preferred solution and vendor concluded by RFP Evaluation Panel in May 2021. Contract negotiation currently in progress (target by end July 2021 to conclude).
Regular reports should be provided to relevant CoM Management on the current status of inspections against the schedule.	4.1	Current decentralised system will make completion of this recommendation challenging, however, post development and endorsement of asset inspection schedule and reporting will be developed.		Moderate	~~31/12/2021~~ Revised Due Date 31/3/2022	Nil	Nil	Nil	Not Commenced	0%	The intent is for metrics and dashboards to be available through the AMIS (an identified user requirement) providing Management with the information they require to monitor performance of their assets.

It is intended that the AMIS (or a combination of integrated systems providing an optimised end user experience) will be configured to address the recommendations of the IA and will be utilised as the asset inspection program for CoM once implemented.

As for assets that are inspected by other Asset Owners teams - discussion to be held at Asset Steering Committee to determine the response to this recommendation. |
| See Finding 1 for recommendations regarding a fit for-purpose asset management system which would track key inspection data to enable other staff to conduct inspections in lieu of the Technical Officer. | 5.1 | This item is progressing as part of the DTP – AMIS | | Moderate | ~~31/12/2021~~ Revised Due Date 31/3/2022 | Nil | Nil | Nil | On Track | 10% | Senior BA (Aaron Steele) assigned to DTP AMIS Project on 6/07/2021. His assignment includes investigating area of improvement opportunities and pain points to be addressed through the DTP AMIS Project.

Asset Management Officer - Michael Bennett - has been nominated as the project lead from the Asset Solutions Team. Michael has been involved in the implementation of a number of Asset Management Information Systems and brings significant value and detailed knowledge to this key DTP Project. The AMIS project will take 12 - 18 months for implementation. The Asset Solutions Team are working on an interim solution for asset inspections (refer recommendation 1.4) to address this recommendation by the proposed deadline. |
| See Finding 2 for recommendations regarding a formalised asset inspection policy or procedure which would enable other staff to conduct inspections in lieu of the Technical Officer. | 5.2 | A procedure document will be developed as recommended. | | Moderate | ~~31/12/2021~~ Revised Due Date 31/3/2022 | Nil | Nil | Nil | On Track | 10% | Development of L1 and L3 inspection matrix is ongoing and forms the basis for the preparation of the relevant procedures.

It is intended that the AMIS (or a combination of integrated systems providing an optimised end user experience) will be configured to address the recommendations of the IA and will be utilised as the asset inspection program for CoM once implemented.

Appropriate training in the new AMIS will address the key person risk associated with this recommendation.

Implementation of the AMIS may also provide an opportunity to restructure teams to align with the inspection responsibilities identified in the L1 and L3 inspection matrix. |
| Allocate an Inspection Officer to conduct inspections with the Technical Officer one day per week. This will allow for someone else to become proficient in conducting the high risk inspections. This will also allow for the Technical Officer to schedule more detailed inspections to be completed with the additional resource to assist in streamlining efficiency. | 5.3 | A process will be established to ensure that asset inspectors have appropriate and trained backup. | | Moderate | 31/12/2021 | Nil | Nil | Nil | Completed | 100% | Alternate officers have been identified and trained to undertake L1 inspections as a backup to key person risk in Asset Solutions Team. Ongoing opportunities will continue to be identified to cover when Asset Solutions Team Inspection Officer goes on leave. |

										Implementation of the AMIS will provide opportunities to align with the inspection responsibilities identified in the L1 and L3 inspection matrix.
While performing the data cleanse, special consideration should be taken to update any assets with multiple functions (e.g. culverts that act as bridges). This should be reflected in the system to ensure that both the culvert and the bridge would be inspected at the same time (where applicable).	PIO1.1	Consider adding a notation in the Asset Data clarifying asset dual function however ensure there isn't duplication within the system.	Moderate	31/12/2021	Nil	Nil	Nil	Completed	100%	Recommendation has been discussed with GIS ESRI Administrator and can be accommodated as part of data schema when CoM transitions data from the GIS to the AMIS.
In some cases, assets should be considered on a location basis rather than an asset class basis. This will reduce duplication of efforts and allow for a more streamlined approach to some inspections (particularly inspections that take place on reserves, parks, beaches, etc).	PIO1.2	This recommendation requires discussion on the structure and responsibilities for asset inspections.	Moderate	~~31/12/2021~~ Revised Due Date 31/3/2022	Nil	Nil	Nil	On Track	10%	Development of L1 and L3 inspection matrix is ongoing and forms the basis for the preparation of the relevant procedures that will identify opportunities to reduce duplication of effort and allow for a more streamlined approach to some inspections.

8.2 Australian Service Excellence Standards - Audit Outcome	
Report Reference	FAC210817R8.2
Originating Officer	Business Support Officer – Emma McDonald
Corporate Manager	Manager Community Connections - Liz Byrne
General Manager	General Manager City Services - Tony Lines

REPORT OBJECTIVE

To inform the Finance and Audit Committee about the Australian Service Excellence Standards (ASES) audit undertaken for the City of Marion and the outcome achieved.

EXECUTIVE SUMMARY

The City of Marion (CoM) was independently assessed in March 2021 and achieved 100% for the 3 sections, 8 standards and 99 requirements which encompassed Leadership & Management, Strategic and Business Planning, Sound Governance, People, Partnership & Communication and Service Provision.

The ASES accreditation is about measuring an organisation's commitment to quality through the lens of community development. This accreditation helps secure a substantial amount of external funding that is received by the Community Connections portfolio.

CoM receives up to $240,000 per annum of funding from the State Government through the Department of Human Services (DHS) to run the Community Hubs Program. The Community Wellbeing business unit manages the funding that delivers a variety of programs primarily through our Neighbourhood Centres.

In addition, CoM receives $1.5 million from the Commonwealth Government, Department of Health to support the Commonwealth Home Support Program (CHSP) and this ASES outcome goes part way to satisfying the requirements of the Aged Care Quality Standards.

The Community Hubs agreement was recently extended for a further 15 months, expiring in October 2022. (CoM will be receiving $278k). As part of this renewal, the City of Marion is required to remain accredited in Service Excellence.

Refer to Attachment 1.

RECOMMENDATION

That the Finance and Audit Committee:

1.   **Notes the report.**

DISCUSSION

The Australian Service Excellence Standards (ASES) program is specifically designed to develop the capacity of community organisations to strive towards continuous improvement in quality service delivery.

The City of Marion completed a comprehensive online self-assessment, and in March 2021 undertook a 3-day onsite assessment to achieve this nationally recognised accreditation that lasts for three years.

ASES is based on the following organisational principles:

1. Customer and outcome focus
2. Clear direction with accountability
3. Continuous learning and innovation
4. Valuing people and diversity
5. Working collaboratively
6. Sound governance
7. Strong financial and contractual stewardship
8. Data and knowledge management inform evidence-based decision making
9. Social, environmental, and ethical responsibility.

A desk top review was undertaken prior to the start of the on-site assessment to examine documentary evidence provided within the online self-assessment tool. The CoM website was also a useful source of information.

The assessment involved interviews with the CEO, executive leadership team, senior leadership team, unit managers, program managers, coordinators, staff, volunteers, and external stakeholders including consumers. The assessment team also visited seven sites to determine compliance with the required standards.

This is the second time CoM has been successful in achieving 100% in this accreditation.

Excerpts from the final report states:

'The CoM has robust corporate and service governance systems in place. These were recently tested through the COVID-19 crisis and were found to be agile and effective in keeping everyone safe and connected. CoM did not let this crisis overwhelm them: they swiftly activated their Business Continuity Plan.'

'All staff demonstrate a strong alignment with stated Vision and Values. Programs and service systems are outcome-focused and are built on evidence-based approaches such as community profiling, evaluation and community consultation. Further, community development principles and practice are well embedded, with co design and participant led approaches common across the wider range of community services.'

'The Assessment Team would like to commend the City of Marion on their engagement with the ASES accreditation program and their commitment to quality. All the requirements for the ASES Certificate Level accreditation were met. This is an outstanding result for the organisation and indicates effective leadership, high-level quality maturity and embedded CQI processes driving quality across the organisation.'

ATTACHMENTS

1.   ASES V.8 FINAL Report June 2021 [**8.2.1** - 66 pages]

highwiregroup

Australian Service Excellence Standards (ASES) External Assessment (EA) Report Certificate Level					
LEVEL ACHIEVED:	Certificate Level	**LAST REVIEW DATE:**	15.02.18	**FIRST REPORT DATE:**	26.03.18
CLIENT NAME:	**City of Marion**				
ASSESSMENT DATE/S:	23-25 March 2021				
KEY CLIENT CONTACT:	Liz Byrne		**PHONE:**	08 8375 6640	
			EMAIL:	Liz.Byrne@marion.sa.gov.au	
POSITION TITLE:	Manager Community Connections				
ADDRESS:	245 Sturt Road Sturt SA 5047				
EA PROVIDER:	Highwire Training and Development Pty Ltd				
EA TEAM LEADER:	Maree Davidson		**PHONE:**	**0417 761 368**	
			EMAIL:	**Maree@highwiregroup.com.au**	
EA TEAM MEMBERS:	Gill McFadyen Cheryl Johnstone (trainee)				
EA PROVIDER LOCAL OFFICE:	**MANAGER:**	Maree Davidson			
	ADDRESS:	139 Lord Street Port Macquarie NSW 2444			
	TELEPHONE:	0417 761 368	EMAIL:	maree@highwiregroup.com	
EA PROVIDER HEAD OFFICE:	**MANAGER:**	As above			
	ADDRESS:				
	TELEPHONE:		EMAIL:		

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1.   REVIEW SCOPE/FOCUS

This assessment covered The City of Marion (CoM) and was a whole of organisation review with a focus on the services and programs within the Community Connections Unit. It was conducted over three days with three assessors and was based on the Standards in the Certificate Level of the Australian Service Excellence Standards (ASES) (Version 8). The assessment involved interviews with the Acting CEO, Executive Leadership team, unit managers, program managers, coordinators, staff, volunteers and external stakeholders including consumers. A desk top review was undertaken prior to the start of the onsite assessment to examine documentary evidence provided in support of the online self-assessment on the BNG accreditation portal. The CoM website was also a rich source of information for the assessment. The Assessment Team visited seven sites to determine compliance with the Australian Service Excellence Standards. This is the second cycle of assessment for CoM against the ASES Certificate Level Standards.

Audit Trail

Interviews were conducted with:

- CEO (Acting)
- General Managers x 2
- Managers x 22
- Staff x 23
- Students x 2
- Community members x 14
- Volunteers x 2
- Community Partners x 4:
    - Baptist Care
    - Southern Cross Care
    - Carers SA
    - City of Onkaparinga.

Site visits:

1. City of Marion, 245 Sturt Road, Marion
2. Inclusive Playground, Hendrie Street Reserve
3. Marion Outdoor Pool
4. Living Kaurna Cultural Centre
5. Marion Heritage Research Centre

City of Marion   **ASES Certificate Level** External Assessment Report 2021

6. Cooinda Neighborhood Centre
7. Marion Cultural Centre Library

Listed Twice File audits:

- HR files x 5
- Client records x 5

Review of documentary evidence, including:

- Council meeting minutes
- HR records
- Client Records Management systems
- Management reports
- Audit reports
- Policies and procedures
- Risk and compliance registers
- Memoranda of Understanding (MoU) and partnership agreements
- Website and intranet
- CoM Connect
- CoMBI
- Skytrust
- Committee and reference group Terms of Reference, minutes and action plans
- Staff meeting minutes
- Research and evaluation reports
- Annual Reports and reports to funders
- Newsletters and community magazine
- Promotional material such brochures, calendars of events.

The Assessment Team would like to thank the staff and management of The City of Marion for their preparation, professionalism and openness throughout this assessment process. Particular thanks to Liz Byrne, Manager Community Connections and Emma McDonald, Business Support Community Connections for leading the process and coordinating access to all the right people, sites and documents ensuring a very successful accreditation assessment.

2. EXECUTIVE SUMMARY

The City of Marion is located in Adelaide's south-western suburbs, about 10 kilometres from the Adelaide CBD. The City of Marion resident population for 2020 is 94,879 (estimated).

The principal role of Council is to:

- Act as a representative, informed and responsible decision-maker in the interests of its community
- Provide and coordinate various public services and facilities, and to develop its community and resources in a socially just and ecologically sustainable manner
- Encourage and develop initiatives within its community for improving the quality of life of the community
- Represent the interests of its community to the wider community
- Exercise, perform and discharge the powers, functions and duties of Local Government under this and other Acts in relation to the area for which it is constituted.

The *Local Government Act 1999* (SA) and the accompanying regulations set out the legal framework in which South Australian councils operate. The residents and ratepayers of each ward across the City of Marion (CoM) elect a total of 13 Councilors to decide the overall direction and policies. The "Council" of Elected Members is led by the Mayor Kris Hanna.

CoM employs a Chief Executive Officer (CEO) who is the senior member of staff responsible for ensuring that the policies and decisions of the Council are implemented. The CEO also has a responsibility to act as an adviser to the Council and to ensure that CoM acts within the law.

CoM's Purpose, as documented in The Community Vison: Towards 2040, is to improve residents' quality of life: continuously, smartly and efficiently. Their Vision is for a community that is livable, valuing nature, engaged, prosperous, innovative and connected.

CoM employs 399 staff and 313 unpaid volunteers across 13 sites.

The CoM has robust corporate and service governance systems in place. These were recently tested through the COVID-19 crisis and were found to be agile and effective in keeping everyone safe and connected. CoM did not let this crisis overwhelm them: they swiftly activated their Business Continuity Plan which included evaluation measures such as regular staff surveys as pulse checks to remain responsive to their needs. They contracted KPMG to undertake a detailed review of performance to inform learnings from the crisis, enabling an even stronger response and minimal impact in the future. This is an example of leading practice and is commended by the assessors. They are also commended for their commitment to governance excellence and leadership across local government in South Australia.

All staff demonstrate strong alignment with stated Vision and Values. Programs and service systems are outcome-focused and are built on evidence-based approaches such as community profiling, evaluation and community consultation. Further, community development principles and practice are well embedded, with co design and participant-led approaches common across the wide range of community services. Community members are given resources and confidence to participate and lead.

Community Centres and Neighborhood Houses continue to be important hubs – it was great to see them coming back strong after long closures due to COVID-19. Participants and volunteers we spoke to commended the staff for their caring approach to maintaining contact and connections.

The Assessment Team would like to commend the City of Marion on their engagement with the ASES accreditation program and their commitment to quality. All the requirements for ASES Certificate Level accreditation were met. This is an outstanding result for the organisation, and indicates effective leadership, high-level quality maturity and embedded CQI processes driving quality across the organisation. The Assessment Team identified numerous strengths and achievements including:

- Agility through COVID-19: community engagement and ICT recovery plan
- Focus on organisational culture
- Strategic partnerships
- Risk and compliance management
- Digital transformation Program
- Financial transparency, management and monitoring
- Collaboration across teams
- Project management systems and processes
- A learning culture/workforce development
- Robust delegations
- Communication with the community – quality publications, website, City Limits, calendar
- Services are highly accessible/inclusion a focus.

Continuous Quality Improvement (CQI) opportunities identified by the Assessment Team include:

- Ease of monitoring financial requirements for funding bodies
- Review policies and procedures for accessible and consistent language
- Using technology: e tools and apps to improve level of feedback from the community
- Broader exposure to the information sharing guidelines and protocols/mandatory as part of induction
- Consistent approach to police checks
- Cultural training with a local focus
- Workforce diversity reporting
- Consistent promotion of values, diversity and inclusion across sites

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- Consistent approach to maintain supervision records
- Measuring the impact of community connections and volunteering on employment outcomes
- Consistent feedback and evaluation processes.

Accreditation Status

City of Marion has achieved 100% compliance with all 99 requirements in this assessment and are recommended by the assessors for three-year accreditation under the certificate level of the Australian Service Excellence Standards (Version 8). This is a fantastic result and one that the whole organisation can be extremely proud of.

Continuous Quality Improvement (CQI) recommendations should become part of an ongoing quality improvement program over the next three years.

3.   SUMMARY TABLE

Australian Service Excellence Standards (ASES) External Assessment (EA) Report SUMMARY TABLE					
Certificate Level	**Number of 'Essential' Requirements**				
Category/Topic	**Max. Achievable**	**Not in Place (NIP)**	**Partly in Place (PIP)**	**Fully in Place (FIP)**	**% Fully in Place**
Leadership and Management					
1 Planning	9			9	100%
2 Governance	25			25	100%
3 Financial and Contract Management	12			12	100%
People, Partnership and Communication					
4 People	19			19	100%
5 Partnerships	6			6	100%
6 Communication	7			7	100%
Service Provision					
7 Service Outcomes	8			8	100%
8 Consumer Outcomes	13			13	100%
TOTAL	99			99	100%

Note: "To be completed by External Assessor" appears next to SUMMARY TABLE heading in the table.

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4.   RECOMMENDATIONS FOR ACTION

Category/Standard	Standard/Requirement – Recommended Action *Identify clearly Essential and Continuous Quality Improvement elements*
Leadership and Management	
1 Planning	**C.1.1.1 CQI Recommendation:** The Vision and Values could be consistently promoted at all sites so that they are visible to staff and the community.
2 Governance	**C.2.2.2 CQI Recommendation:** As policies and procedures come up for review, consider how user friendly and accessible they are for a broad audience. Consistency of language and reducing the text complexity could make the documents easier to follow. **C.2.2.4 CQI Recommendation:** Continue with plans to review and update all Administration policies and procedures. **C.2.3.4 CQI Recommendation**: Continue with full implementation of the Digital Transformation Program.
3 Financial and Contract Management	**C3.1.3 CQI Recommendation:** monitoring financial requirements for funding bodies could be systemised utilising other compliance management systems. **C3.2.4 CQI Recommendation:** A checklist or set of practice standards could be developed to guide the facilities in consistently implementing sustainability measures aligned to the environmental plan. Implementation could be checked as part of the site inspections. Leading practice examples shared across sites.
People, Partnership and Communication	
4 People	**C.4.1.3a CQI Recommendation:** Introduce a more consistent approach to reviewing job descriptions with evidence included in employee files. **C.4.1.3b CQI Recommendation:** Continue with implementing a consistent approach to identifying which positions (outside of legislated or contractual requirements) require police checks taking into consideration risk and reputation. **C.4.1.9 CQI Recommendation:** Consider a more consistent approach to maintaining supervision records. **C.4.3.1 CQI Recommendation:** Consider the need to reinstate the Diversity and Inclusion Working Group. We do have Diversity and Inclusion Contact Officers who are employees of the organisation that receive training and become a safe space for all staff to speak with in relation to issues within the workplace.

Category/Standard	Standard/Requirement – Recommended Action *Identify clearly Essential and Continuous Quality Improvement elements*
	C.4.3.2 CQI Recommendation: Consider potential to use the Living Kaurna Cultural Centre to increase staff awareness of Aboriginal culture with a local focus. **C.4.3.3 CQI Recommendation**: Increase promotion of Aboriginal culture across sites – consider undertaking a cultural inclusion and engagement audit**.** **C.4.3.4 CQI Recommendation:** Consider strengthening the monitoring and reporting of workforce diversity data. Include the process in the Diversity and Inclusion Plan.
5 Partnerships	None Identified
6 Communication	**C.6.1.5 CQI Recommendation:** Consider using technology (e tools and apps) to improve level of feedback from the community. **C.6.1.7 CQI Recommendation:** Consider increasing exposure to the Information Sharing Guidelines and Protocols by use of the ISG Audit Tool to ensure ongoing compliance. Provide online training for all frontline staff and managers as part of induction.
Service Provision	
7 Service Outcomes	None Identified
8. Consumer Outcomes	**C.8.1.5 CQI Recommendation:** Consider ways of measuring and promoting the impact of community connections and volunteering on employment pathways. **C.8.1.6 CQI Recommendation:** Explore partnerships with Centrelink and Job Network Providers to support employment pathways through libraries and other facilities. **C.8.2.1 CQI Recommendation:** Improve the level of feedback from the community and the capacity to capture and analyse all feedback and complaints. Consider the use of technology, for example digital tools and apps. **C.8.2.5 CQI Recommendation:** Consider capturing trends in community feedback and complaints. Ensure that all feedback and complaints are recorded for analysis.

5. DETAILED FINDINGS AGAINST ASES STANDARDS

Ratings: FIP (Fully in Place), PIP (Partly in Place), NIP (Not in Place)

LEADERSHIP AND MANAGEMENT

1 Planning

C.1.1 Strategic Planning Standard

Standard: Strategic planning is undertaken to further organisational and service development.

Outcome: Stakeholders are confident in service development, planning and future directions of the organisation.

REQUIREMENTS	EA RATING	EVIDENCE
1. The role and values of the organisation are clearly identified and communicated.	FIP ☒ NIP ☐ PIP ☐	The CoM Purpose, Vision and Values have been defined and are prominently promoted within key guiding documents. They are included as a pillar in the Organisational Chart. It was evident to the assessors that values are driving a positive organisational culture. This was supported by staff at interview. They cited induction as an important opportunity to learn about values and expectations. Plans supporting future directions are well documented and promoted to a broad range of stakeholders in documents accessible on the website. Examples include the CoM Community Vision and CoM Strategic Plan 2019-2029. Observations at facilities indicate an inconsistent approach to promotion of the values. They are visible in some sites, not in others. **C.1.1.1 CQI Recommendation:** The Vision and Values could be consistently promoted at all sites so that they are visible to staff and the community.

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REQUIREMENTS	EA RATING	EVIDENCE
2. Planning is informed by review processes that identify threats, areas for improvement, opportunities for innovation, and potential alliances.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** CoM planning framework is comprehensive. The CEO and Executive Managers explained City Development as a robust process from planning through to implementation. Environmental scanning is structured and systemised. A PESTLE analysis is used to identify external issues such as political, regulatory and environmental impacts on planning. An example in practice is the CoM response to the reform around the planning and design code. Council played a lead role through the consultation phase – working with stakeholders to assess the impact of the proposed legislation on Council processes and plans. including in assessing what the community wants and implementation of new legislation. Terms of Reference of the Risk Working Group and the Infrastructure and Strategy Committee include environmental scanning to identify new and emerging risks across the six corporate themes. Formal Service Reviews are scheduled across CoM corporate functions, services and programs. The Finance and Audit Committee (FAC) oversees the schedule and reporting. The process is guided by the *Local Government Act 1999*. A Service Review Schedule and report to the FAC were provided as evidence of implementation indicating that in 20/21, reviews of Fleet Management and Maintenance, and Public Litter were undertaken.
3. A current Strategic Plan has been developed in consultation with key stakeholders.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** The Strategic Management Framework drives achievement of the Community Vision–Towards 2040. A 10-year Strategic Plan outlines CoM's contribution to the Community Vision. The Strategic Plan is developed with the community. The CEO explained the process which includes Elected Members, Executive, staff and community input via surveys, the website and community forums. A focus for the current leadership team has been improving engagement with those affected by new legislation or decisions. Described as 'incorporating community thinking into planning". Open consultations are listed on the Making Marion page of the website. Citizens also have an opportunity at specific Council meetings to contribute in person to open consultations.
4. The organisation identifies opportunities where early	FIP ☒	Early intervention is enabled though robust environmental scanning linked to the planning cycle. Organisational performance is rigorously monitored via internal audit and evaluation processes such

REQUIREMENTS	EA RATING	EVIDENCE
intervention and prevention will improve outcomes. For example: • Research • Audits • Community engagement • Review of service models to identify alternatives.	NIP ☐ PIP ☐	as management of KPIs and periodic service reviews. System monitoring is linked to Continuous Quality Improvement (CQI) at all levels. The FAC produces a quarterly report. This is scrutinised by Elected Members and three independent consultants to identify trends. Procurement processes are now more consistent and efficient – improved as a result of feedback and analysis. KPMG was contracted to analyse the CoM response to COVID-19: preparedness and enactment'. The review was comprehensive, and has identified strengths and opportunities for improvement. Managers and program staff are active participants in a range of forums to identify where early intervention via a specific program response will have positive outcomes.
5. Organisational objectives, strategies and strategic outcomes have been communicated to relevant stakeholders.	FIP ☒ NIP ☐ PIP ☐	The Strategic Management Framework evidences the ongoing commitment to quality outcomes and community engagement. The Community Vision, Strategic Plan and Business Plan are presented to a broad audience via publications, the website, community forums, posters, newsletters and magazines. The Annual Reports are available on the website. The results of the "Your Say" survey, used to develop the Community Vision, are shared with the community on the website.
6. There is a defined process and timeline for reporting and review against the Strategic Plan.	FIP ☒ NIP ☐ PIP ☐	On-going review and assessment of progress against the Strategic Plan is embedded within performance review processes. Annual Corporate KPIs are developed and implemented to monitor and measure performance. The Executive Leadership team described the process in practice as continuously asking "Where are we? How are we going?" Elected Members receive periodic summary reports indicating progress against strategic goals. An Annual Report against the Business Plan is prepared in accordance with requirements of the *Local Government Act 1999*.

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C.1.2 Business Planning Standard

Standard: Strategic planning is undertaken to define organisational and service development.

Outcome: Stakeholders are confident in service development, planning and future direction of the organisation.

REQUIREMENTS	EA RATING	EVIDENCE
1. An annual cycle of business planning underpins implementation of the objectives and actions developed in the Strategic Plan.	FIP ☒ NIP ☐ PIP ☐	High level strategic alignment is evident within the planning cycle, documented within the Strategic Management Framework. A 4-year Business Plan outlines CoM's delivery program over its term. Aligned to this, is a 4-year Work Area Plan (WAP) detailing how each team will deliver on Council's priorities. An Annual Business Plan identifies how the work is resourced. The Records Management Business Plan provided a very good example of this.
2. Business Plans include resources, milestones, timelines and personnel responsible.	FIP ☒ NIP ☐ PIP ☐	Review of Departmental WAPs identify resources, milestones, timeframes and personnel for each initiative within the 4-year Business Plan and Annual Business Plan.
3. Progress against the Business Plan, including performance measures and agreed actions, is reviewed regularly.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** Monitoring performance against expected outcomes was identified as a strength across the organisation. The system driving quality is consistently implemented across departments and programs. Those interviewed could express a clear line of sight between their work and the CoM strategic goals. Key projects and deliverables are clear and KPIs within Business Plans and WAPs are realistic measures of success. The Governance Unit prepares quarterly KPI reports to Council and its FAC. The presentation of these reports to General Council is aligned with quarterly Budget Reviews to support informed decision-making.

2 Governance

C.2.1 Sound Governance Standard

Standard: Commitments to leadership, mutual accountability and ethical conduct is evident.

Outcome: Stakeholders are confident that Governance supports long term organisational success.

REQUIREMENTS	EA RATING	EVIDENCE
1. Processes for appointments to the Governing Body and senior executive positions are documented.	FIP ☒ NIP ☐ PIP ☐	The *Local Government Act 1999* guides the process to be undertaken in the appointment of Elected Members. The CEO is responsible for the appointment of Executive Managers in accordance with the Act and in line with CoM recruitment policies, delegations and budgets.
2. A documented and implemented Corporate and Clinical governance framework is in place that outlines the: • Board's roles and responsibilities • constitution and reporting requirements • governance framework • objectives and outcomes • key performance measures • performance evaluation and monitoring • quality improvement • organisational culture • risks and opportunities • legislative obligations	FIP ☒ NIP ☐ PIP ☐	The *Local Government Act 1999* outlines the roles and responsibilities of Elected Members, the CEO and the Corporation. Interviews with the highly skilled Executive Leadership Team evidences a commitment to corporate governance excellence. The governance framework consists of committees, robust performance monitoring and reporting, finance and risk oversight with a particular focus on financial transparency. The CoM Delegations and Sub Delegations Schedule delegates responsibility through the organisational structure. The Governance structure is outlined for citizens on the website. All Council priorities, plans, policies and procedures are available for viewing. Review of the Elected Member Training and Development Register 2019-20 indicates that training for Elected Members supporting strong governance practice is routinely undertaken.

REQUIREMENTS	EA RATING	EVIDENCE
- financial literacy for financial viability - policy and practice - roles of office bearers and independence from operations.		
3. The Governing Body should demonstrate the following attributes and behaviours: - have the mix of skills required to fulfil its role - reflect lived experience - demonstrate clear understanding and commitment to the organisation's vision, values and strategic directions - understand and comply with relevant statutory obligations - recognise when to seek external advice - induct and mentor Board members.	FIP ☒ NIP ☐ PIP ☐	Elected Members are highly skilled and well-connected members of the community. The Council Members Professional Development Policy and supporting plans indicates a commitment to professional practice through skill development. The Executive Leadership Team, currently lead by the acting CEO, is highly regarded by all managers, staff and external stakeholders interviewed. To assist CoM in the performance of its functions, it has established committees to carry out audits, projects, manage property, oversee works, provide advice to Council and seek external advice. There are currently four committees providing expertise and oversight in the areas of: - Finance and Audit - Review and Selection - Asset and Sustainability – ceased in November 2020 - Planning and Development – ceased in November 2020 Review of the website indicates that Terms of Reference are clearly documented for each Committee.

REQUIREMENTS	EA RATING	EVIDENCE
4. Monitoring and evaluation of the Governing Body are undertaken.	FIP ☒ NIP ☐ PIP ☐	Review of the Elected Member Effectiveness Survey confirms that performance evaluation is undertaken annually. The survey completed by Elected Members and Committee Members produces a rating enabling monitoring of improvement from year to year. A development plan linked to the CoM training and development program is maintained by the Governance Unit. Elected Members are able to access Local Government Association (LGA) training and attend regular Elected Members Forums.
5. The Governing Body follows ethical practice.	FIP ☒ NIP ☐ PIP ☐	Conflict of Interest is comprehensively addressed within the Act and within CoM policies and procedures including: Elected Member Code of Conduct LGA Conflict of Interest Guidelines for Elected Members. Elected Members sign the mandatory Code of Conduct to ensure that all activities of Council are conducted legally, ethically, and with the strict observance of the highest standards of integrity and propriety. Signed Elected Member Undertaking of Oath were provided as evidence. Further, Codes of Practice, Meeting Procedures and guidance on "how we work together" indicates a commitment to the CoM Values and ethical practice in all activities.
6. A process is in place to address ethical dilemmas.	FIP ☒ NIP ☐ PIP ☐	Review of governance policies and procedures such as the Dealing with Ethical Dilemmas, Grievance Policy, Fraud and Corruption Policy, Investigating Elected Member Complaints, and guidance around accessing external advice indicate that processes are in place to resolve ethical dilemmas. The Mayor can convene a meeting with an individual to resolve an issue or seek external advice. In some cases, a Governance Panel may be convened via the LGA to assist in resolving more serious issues if required.

C.2.2 Policy and Procedures Standard

Standard: Policies and procedures are in place and consistently applied, reviewed and updated to address legislative, industry, contractual and organisational requirements.

Outcome: Good service is consistently provided to stakeholders.

REQUIREMENTS	EA RATING	EVIDENCE
1. The organisation has identified and documented its legislative obligations and related actions.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** Legal and Regulatory compliance is a strength across the organisation. The CoM Policy Framework is a quality guiding document underpinned by a range of standards and legislation, including the Aged Care Standards, State Records Act and *Local Government Act 1999*. The Risk and Corporate Governance unit is responsible for implementing systems to manage compliance across corporate operations. The CoM Service Management System, purchased from 'Alchemy' is used to monitor levels of compliance. Interview with the Risk and Corporate Governance Manager confirmed that a policy group meets regularly to review policies and procedures and the impact of legislative changes on CoM. Legislative references are included on each policy document.
2. Policies and procedures support consistent service provision and the safety of children, young and vulnerable people in accordance with organisational objectives, industry and legislative requirements.	FIP ☒ NIP ☐ PIP ☐	A range of policies and procedures were presented as evidence that quality guiding documents are in place to guide compliant work practice. All are accessible electronically and most available for public access via the website. Some are site-specific and available electronically at each site. A good example of this is the suite of procedures guiding safe work and customer service at the Marion outdoor pool. Review of policy templates indicates a commitment to consistent formatting of corporate documents. Some policy and procedures are text heavy and written in a language that may be difficult for some staff and community to interpret. **C.2.2.2 CQI Recommendation:** As policies and procedures come up for review, consider how user friendly and accessible they are for a broad audience. Consistency of language and reducing the text complexity could make the documents easier to follow.

REQUIREMENTS	EA RATING	EVIDENCE
3. Policies and procedures are: • appropriately authorised • securely and safely filed • current versions of documents are identifiable and readily available to staff and volunteers • obsolete documents are destroyed or identified to prevent unintended use.	FIP ☒ NIP ☐ PIP ☐	Interviews with staff indicate that policies and procedures are accessible and easy to locate via SharePoint. The Records and Information Management Policy guides the policy development and review process. Version control is evident on all documents. Obsolete documents are archived.
4. Documentation is subject to planned reviews to ensure it reflects and supports agreed work practices.	FIP ☒ NIP ☐ PIP ☐	Interview with the Manager Corporate Governance confirms that review and update of policies and procedures is on a rolling schedule. Legislative changes are also a trigger for review. Staff interviewed could cite the opportunities they had to input into the development and review of policies and procedures. Staff are notified of updates electronically providing a link to hard copy with the changes. Legislative changes or updates which affect policies are distributed to staff for consultation prior to adoption of the amended policy. Site level policies and procedures are developed with staff and volunteers. The dates on Administration policies and procedures indicates that some may be overdue for review. **C.2.2.4 CQI Recommendation:** Continue with plans to review and update all Administration policies and procedures.

REQUIREMENTS	EA RATING	EVIDENCE
5. Records are available to demonstrate consistent application of policies and procedures for all areas of operation of the organisation.	FIP ☒ NIP ☐ PIP ☐	A wide range of internal and external audit reports and records were presented as evidence of regular compliance monitoring. The Corporate Governance Unit develops the Audit Plan: a schedule of internal and external systems' monitoring and review. The plan is reviewed by the Executive Leadership Team and monitored by the Finance and Audit Committee. At the site level contractor induction, completed attendance records, inspection checklists and rigorous COVID-19 check-in procedures evidences a commitment to consistent implementation of safety procedures.
6. Records are legible and retrievable and are securely stored with defined retention times and disposal method.	FIP ☒ NIP ☐ PIP ☐	The Records Management Team is responsible for maintaining the Master Document Register, coding and archiving. Review of the document management system and tour of policies and procedures on SharePoint confirms that documents are easy to locate using a range of search and navigation methods. It was pleasing to note that staff across all the sites we visited had the same ease of access as those located at the Corporate sites. The Document Destruction Policy and Procedure has been developed in line with the State Records Act *1997* – Disposal Guidelines.
7. Privacy and confidentiality principles are consistent with the Australian Privacy Principles (APP) and applied in the collection, storage, use and disclosure of personal information and related records.	FIP ☒ NIP ☐ PIP ☐	CoM complies with various legislative instruments to ensure private and sensitive information is securely stored. These include The *Privacy Act 1988* (Cth), *Freedom of Information Act 1991* (SA), The Corporate Customer Experience Charter and Aged Care Charter. The principles are described within the Privacy Policy. Interviews with consumers and observation of client records including signed service agreements indicates that principles are applied in practice. The Client Records Management System is secure with access protocols such as passwords and a record of access. Clients are given information about how their personal information will be collected, stored and used. There is a process in place if clients do not wish to sign.

C.2.3 Data and Knowledge Management Standard

Standard: The organisation has effective processes to collect and use data, to create information, and to refine information into knowledge.

Outcome: Stakeholders can confirm that information is used effectively to improve organisational performance.

REQUIREMENTS	EA RATING	EVIDENCE
1. There are defined processes for the collection and analysis of information and data.	FIP ☒ NIP ☐ PIP ☐	CoM has defined its data collection requirements in line with Corporate KPIs and funder requirements and ensuring transparency for its citizens. The Business Plan and Service Profile (updated August 2020) was presented as evidence of this. Various reports are provided to Council to monitor performance including Monthly Financial Reports Quarterly/Annual Corporate KPI Performance and Budget Reports. The assessors viewed the PowerBI dashboard which reports on KPIs around program planning and projections to Elected Members. Interviews with various unit managers indicates that CoM is responsive to requests for data and reports from Elected Members. Some of the improvements within the Digital Transformation Program will make this process easier as it is reported to be "clunky" requiring managers to source data from a range of systems. Staff interviewed reported being able to access their own data to monitor performance against program outcomes. Many stated that team meetings include information on data trends and discussion leading to program improvements.
2. Accurate and timely management reports are generated for use in decision-making.	FIP ☒ NIP ☐ PIP ☐	Management reports are generated at all levels across the Corporation. Each function has a series of KPIs that they report on. Reports are progressed up through management and Executive. Reporting against key projects is consistent across all departments and programs. Have been automating and systemising reporting as part of the digital transformation program. This will have an impact on efficiency, consistency and quality of management reports. Review of a selection of reports to funders evidence a strong commitment to regulatory compliance and communication with key stakeholders.
3. Consumer information systems exist and are reviewed for data	FIP ☒ NIP ☐	CoM regularly undertakes community profiling to understand the changing profile of its community.

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REQUIREMENTS	EA RATING	EVIDENCE
security and online safety, and to improve understanding of consumers and their service usage.	PIP ☐	Range of client information systems are used to monitor community information and consumer profile. For example, the Making Marion site is used for collecting and collating information about customer contacts in relation to Community Consultations. Interviews with the General Managers report that CoM is moving towards a Customer Relationship Management (CRM) System capturing data on rate payers, residents and clients. This improvement is part of the Digital Transformation Program and is at the consultation stage to ensure it meets the various reporting requirements across CoM functions.
4. Information Technology (IT) infrastructure, protocols and procedures support effective and secure management of consumer and corporate data. • Data breach response plans • Cybersecurity self-assessments and progress reports • Cybersecurity audits • End user communication of issues • Report disclosure to funders, supplier agencies and end users • Staff cyber awareness training.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** The planning and implementation of the Digital Transformation Program is having a positive effect on all areas of the Corporation. The CoM has invested in expertise and systems to support regular ICT upgrade. This includes partnerships with other councils for cost sharing, reducing duplication and regular review of its service delivery infrastructure needs. The assessors noted that investment in improving technology over the past 3 years was a key success factor in the agile response to the COVID-19 crisis. Business continuity was supported by the detailed ICT Service Recovery Plan – a quality guiding document. An improved Cyber Security Program forms part of the digital transformation. Staff interviewed at various sites highlighted many strengths of the ICT system including SharePoint, easy access to documents, ICT training, Zoom, access to online forms, room booking system and use of MS Teams for collaboration on projects. Some managers interviewed still have huge challenges working across various systems to collate information. This was evident when sitting with HR to access a full personnel record. **C.2.3.4 CQI Recommendation**: Continue with full implementation of the Digital Transformation Program.

C.2.4 Risk Management Standard

Standard: Policies and procedures are in place to manage risk. Requirements of this standard are based on International and Australian Standard ISO 31000:2018 Risk Management –Principles and Guidelines.

Outcome: Organisational and consumer risks are minimised, and opportunities explored.

REQUIREMENTS	EA RATING	EVIDENCE
1. Risk management systems (Human Resources, IT, Financial, Work Health and Safety, Consumer Safety, Contracting, Brokerage, Insurances, Infection Control Disaster Management, Clinical Governance) are in place including: • Risk Management Policy • Risk Management Plan • Risk Register • Review Cycle.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** The CoM has implemented a robust system for managing risk. Risk management processes are fully embedded within all functions including strategic and operational planning, financial management, asset management, WHS management, project management, quality assurance programs and feedback processes. The Corporation has identified key risks aligned to strategy within the Corporate Risk Register. The follow documents were reviewed: • Risk Management Framework • SkyTrust Safety Risk Register • Corporate Risk Register • Risk Strategic Plan 2020-2023.
2. Risk management systems have been communicated to all staff and relevant stakeholders.	FIP ☒ NIP ☐ PIP ☐	Interviews with the CEO, General Managers and staff across the organisation indicate high level awareness of the systems for managing corporate and program risk. The current system using Skytrust has been clearly communicated to all staff enabling them to clearly explain their role in helping CoM manage risk. This was particularly evident when it came to site and program managers talking about what is implemented to help keep their clients and the public safe.

REQUIREMENTS	EA RATING	EVIDENCE
3. Business related incidents, accidents, adverse events and near misses (Human Resources, IT, Financial, Workplace Health and Safety, Consumer Safety, Contracting, Brokerage, Insurances, Infection Control Disaster Management, Clinical Risk Management): are identified, recorded and reported are investigated to determine the cause, with corrective action documented and monitored include engagement with staff and consumers for risk management improvements are analysed regularly at all levels of the organisation to identify trends for review and action.	FIP ☒ NIP ☐ PIP ☐	The Corporate Governance WHS and Risk Unit manages Skytrust – the CoM system for recording hazards, incidents and risks. The team have developed dashboard reports to monitor incidents. Monthly and 3-year rolling trend reports are routinely produced reporting risk trends to managers. The system enables diligent monitoring of data and follow up actions arising from incidents. Staff reported receiving training on "What is an incident?" and how to report incidents as part of their online induction. Across all sites staff could describe the process for reporting and recording incidents using Skytrust.
4. Clinical risks are identified, assigned and managed for each service user type and service type.	FIP ☒ NIP ☐ PIP ☐	Clinical risks across all programs and sites are identified as part of daily and operational risk planning processes. Interviews with managers at each site confirm that they are diligently managed. The assessors noted the COVID 19 precaution strategy implemented consistently across sites including a rigorous contractor check in process, sign in procedures and infection control notices and practice. The physical safety of staff and the public is addressed in risk plans and WHS procedures at each site. The induction procedure undertaken for all staff and volunteers is comprehensive and now includes special consideration of COVID-19 prevention.

REQUIREMENTS	EA RATING	EVIDENCE
5. Responsibility for assigning the risk is managed.	FIP ☒ NIP ☐ PIP ☐	Risk ownership is delegated within the Risk Management Framework across Strategic, Executive and Management levels. The CEO, Finance and Audit Committee and Risk Working Group have specific responsibilities depending on the level and project type. For example, high risk insurance and other renewal dates are monitored in Skytrust. The WHS and Risk Unit has responsibility for development and implementation of risk management systems. At the program level, manager job descriptions reference responsibility for managing operational risk. Responsibility for managing risk is delegated within job descriptions and more specifically within the Corporate Risk Register and Skytrust Safety Risk Register.
6. All significant projects and purchases have appropriate risk management strategies.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** Interviews with Managers across the organisation confirms that robust systems are in place to manage project risk from initiation through implementation and evaluation. Completed risk assessments confirms that projects, grants and events consider risk at the planning phase. The CAMMS project management system was cited as a key tool for monitoring and reporting on risk. The Local Government Act requires that CoM undertake a detailed risk assessment where: • expected operating expenses over 5 years is likely to exceed 20% of Council's average annual operating expenses over the previous 5 financial years OR • expected total capital cost of the project over the ensuing 5 years is likely to exceed $4million (indexed) OR • Council considers such a report necessary. The Asset Manager described the process for pre-purchase risk assessments. Review of completed Risk Assessment and Treatment Plans evidence a consistent approach to risk identification at the planning phase across programs. Project and event risk plans are monitored by managers at the program level.

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REQUIREMENTS	EA RATING	EVIDENCE
7. Audits (including document review, cybersecurity, child safe environments, technical inspections, training registers, maintenance and electrical testing and tagging) are carried out to provide assurance that risk management systems are in place and effective.	FIP ☒ NIP ☐ PIP ☐	CoM have implemented robust systems to test all internal controls. The Internal audit program including service reviews is on a two-year rolling schedule. Contractors and suppliers are audited for compliance with supplier agreements and contracts including evidence of sound risk management systems, WHS policies and procedures, current licenses and certificates. Technical inspections of facilities and equipment are routine including: • Test and Tag • Mandatory training audits • Screening checks • Site inspections • Equipment checks. Managers audit client records to ensure compliance with standards and legislation. Annual customer feedback review and tending of complaints are part of the system evaluating the customer experience. The most recent report indicated 22 opportunities for improvement highlighting the systems' effectiveness in mitigating reputational risk.
8. The organisation's core functions and critical systems have been identified, acceptable downtimes estimated, and continuity, contingency or recovery plans developed and tested.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** Workplace Emergency Management Plans and the Business Continuity Policy and Framework ensure ongoing sustainability and safety of the community, staff and volunteers. Interviews with staff confirm that the Incident Management Team were agile in their response to the COVID-19 crisis. Staff across the organisation consistently commended the early actions taken to keep them safe and enable important e-connections with clients and the community. An evaluation of the COVID-19 response and Business Continuity procedures is underway. The ICT Recovery plan is a quality guiding document.

REQUIREMENTS	EA RATING	EVIDENCE
		Observations and interviews at site visits indicated high level emergency preparedness. Staff were able to describe the plan in place for management of an unforeseen event or emergency. Recovery plans are in place including working from home arrangements, ICT and back-up power.
		Documents sighted include:
		• Business Continuity Framework
		• Business Continuity Plan
		• ICT Recovery plan
		• Workshop Services and Critical Functions
		• HSE Plan 2019-23

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3 Financial and Contract Management

C.3.1 Financial Management Standard

Standard: The financial management is transparent, accountable and ensures effective use of resources.

Outcome: The organisation is financially sustainable.

REQUIREMENTS	EA RATING	EVIDENCE
1. Budgets reflect business planning processes.	FIP ☒ NIP ☐ PIP ☐	CoM develops its Annual Business Plan in alignment with Strategic Plans. The framework and assumptions that underpin the development of Council's Annual Budget and Long Term Financial Plan are presented to Council via the Finance and Audit Committee for review on an annual basis. Council's Annual Budget then forms the basis of the Financial Plan, which is updated and adopted on an annual basis. CoM Financial policies, which comply with all legislative requirements are reviewed and adopted annually with the Budget. Once adopted, Council's Annual Budget is subject to three further reviews by Council throughout the year. The annual budget planning cycle was well described by the finance team at interview.
2. Responsibilities for financial management have been assigned to appropriate officers.	FIP ☒ NIP ☐ PIP ☐	Financial delegations are clear through the management structure and documented within the Corporate Delegations and Sub Delegations Instrument. The Finance and Audit Committee Terms of Reference details its role in advising the Council on financial risk matters. Budgets are reviewed quarterly by the Executive Leadership Team. Monthly meetings between the CEO and General Managers monitor performance against program budgets. Interviews with Manager Finance, Unit Manager Statutory Finance and Payroll, Unit Manager Finance Partnering and Rates confirm a comprehensive understanding of key financial roles particularly financial performance monitoring against the budget. External financial audits are routine.

REQUIREMENTS	EA RATING	EVIDENCE
3. Systems are in place to ensure compliance with financial requirements of the funding body.	FIP ☒ NIP ☐ PIP ☐	Managers interviewed reported receiving financial reports and approvals in a timely way which enabled accurate and timely acquittals and compliance with funder requirements. They also cited "Financial Partnering" as a successful approach to developing their capability and capacity to monitor and manage budgets programs and project budgets. CoM worked with Alchemy to develop a cashless system during the COVID-19 crisis. Interviews with managers indicate that the Alchemy system does not "talk" to the Marion Finance system requiring some double handling and inefficient monitoring and reporting. The process for monitoring due dates for reports and acquittals for funding bodies relies on outlook and an excel spreadsheet. The process appears effective and was appreciated by managers interviewed however it is not efficient or sustainable relying on one person. **C3.1.3 CQI Recommendation:** monitoring financial requirements for funding bodies could be systemised utilising other compliance management systems.
4. Performance against budget is monitored on a regular basis and reported to management, consumers and relevant stakeholders annually.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** Financial management and monitoring are strengths across the organisation. Financial Management systems at CoM are robust and audited to ensure transparency, best value and quality outcomes for the community. The digital transformation roll out will see improvements in visibility of performance data and ability to generate a wider range of report for stakeholders such as Elected members. General Managers described the range of reports presented as project and program updates by their teams. Monitoring of financial controls was evident within the Fraud and Corruption Control (Corporate) Report. Periodic financial audits are undertaken by KPMG. The Annual Report is a quality document and presents the picture of financial performance to a range of stakeholders. The community are invited to comment on Making Marion, CoM's dedicated community consultation website.

C.3.2 Asset and Physical Resource Standard

Standard: The management of assets and physical resources is responsible, competent and effective for economic, social and environmental sustainability.

Outcome: The organisation is sustainable and socially responsible.

REQUIREMENTS	EA RATING	EVIDENCE
1. Asset acquisition and disposal decisions are supported by well- developed business cases, which also reflect lifecycle costs.	FIP ☒ NIP ☐ PIP ☐	The Finance Unit was able to describe the rigorous process in place to support unfunded initiatives or those outside budget. New initiatives go to Elected Members with a business case after being assessed by the Executive Leadership Team. The Finance Unit will help the manager if it is substantial.
2. Non-asset alternatives are considered in procurement decisions.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** CoM are commended for their approach to collaborating and partnering with other councils and non-government organisations to reduce costs and minimise duplication. Best value and fit for purpose principles are documented and applied consistently. The Executive Leadership team cited this approach as fundamental in being able to present a "no increase" rate scenario to residents in 20/21. The Community Assets described a sound decision making process inclusive of leasing sharing, partnering or borrowing versus purchasing.

REQUIREMENTS	EA RATING	EVIDENCE
3. The organisation's physical resources are managed to ensure an effective, safe and efficient service (physical resources include buildings, equipment, furniture, vehicles and IT).	FIP ☒ NIP ☐ PIP ☐	CoM has developed electronic asset management systems such as *Civica - Authority* to help manage all its assets. The asset management system and financial management systems are aligned for ease of reporting. Asset Management Plans are detailed and ensure sufficient funds are available to maintain and upgrade assets over the life cycle. Assets are included in project and program start up processes with a checklist signed off by the appropriate manager. Review of reports prepared by Land and Property indicated that audits and technical inspections are routinely undertaken including site audits and test and tagging of electrical equipment. A robust system is in place to manage vehicles. Annual mechanical checks, daily driver checks and service alerts. A vehicle replacement schedule is maintained.

4. The organisation effectively manages and reviews its impact on the environment.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** Valuing Nature is one of the CoM Values

Area of Strength

Valuing Nature is one of the CoM Values

At the corporate level, a robust environmental risk management system has been established to proactively manage environmental risks and impacts. An internal Environmental Management Committee oversees the implementation of this system. Purchasing and procurement processes identify life cycle and suitability issues. A Climate Change Policy had been developed. There is evidence in practice through Strategic Partnerships, project development, procurement and asset planning of this commitment in practice.   Targets are driving results across all units.

At the Centres Community Development Officers shared the impact of Waste Education Officers' regular visits. Community gardens support the commitment to sustainability shared with the community.

At libraries, an environmental impact analysis has been undertaken leading to sustainability improvements including:

- paper re-cycling
- re-usable ties
- waste reduction
- staff member takes green waste away to appropriate re-cycling
- biodegradable cups and bags introduced
- replacing 'old' items with more environmentally friendly options as they are renewed
- increased plants both inside and out
- Re-cycling Guide and Bin posters displayed in a number of places in staff area.

The Environmental Officer has since reviewed the buildings promoting ongoing improvement.

There appeared to be a range of approaches to environmental sustainability across sites ranging from developmental to excellence.

C3.2.4 CQI Recommendation: A checklist or set of practice standards could be developed to guide the facilities in consistently implementing sustainability measures aligned to the environmental plan. Implementation could be checked as part of the site inspections. Leading practice examples shared across sites.

C.3.3 Contract Management Standard

Standard: Explicit purchasing and contracts reflect organisational values, enable disclosure and ensure integrity and value.

Outcome: The organisation is sustainable and socially responsible.

REQUIREMENTS	EA RATING	EVIDENCE
1. There is a fair and equitable process for the purchase of products or services, ensuring the best outcomes for the organisation, community and its consumers.	FIP ☒ NIP ☐ PIP ☐	The General Managers at interview explained fair and equitable processes for procurement enabling best value decisions. Open tendering processes are aligned to the *Local Government Act 1999* guidelines. A preferred provider list is maintained for quality. User Agreements for Centre hirers clearly explain the rights and responsibilities for community groups in the use of Council's facilities. Supporting documents sighted include: • Procurement and Contractor Management Policy • Professional services - Minor contracts template • Procurement Procedure (currently under review).
2. Procedures verify delivery of agreed products or services.	FIP ☒ NIP ☐ PIP ☐	The requisition system works well and is aligned to the Procurement and Contractor Management Policy. It describes the obligation for staff to ensure goods or services delivered are in line with purchase orders and contractual obligations in terms of quantity, quality, timeliness and cost. A robust project management methodology and supporting systems has been implemented to drive significant projects. Managers interviewed described the contract monitoring process. Large projects are monitored using CAMMS – the CoM project management system.
3. Suppliers are reviewed and their performance monitored on an ongoing basis.	FIP ☒ NIP ☐ PIP ☐	The Contractors Panel assesses contractors against a set of standards, and monitoring performance of contractors is undertaken. Monthly or quarterly meetings may be held with project managers and suppliers on large contracts, and this is written into contracts.
4. Record of key decisions, contracts and purchases are securely maintained.	FIP ☒ NIP ☐ PIP ☐	CoM tender and contract records are electronically stored within SharePoint. Tender records are secured and accessible to those involved in the evaluation process. A Preferred Contractor Register is maintained by the Corporate Services Contracts Management Team.

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PEOPLE, PARTNERSHIPS AND COMMUNICATION

4 People

C.4.1 Human Resources Standard

Standard: Human Resources ensure competent staff for effective service.

Outcome: Stakeholders are competent and confident in the organisational environment.

EQUIREMENTS	EA RATING	EVIDENCE
1. Processes for recruitment, selection, and appointment of staff and volunteers: • meet statutory and industrial requirements requirements (e.g., equal opportunity, employment and child safety screening) • ensure appropriate qualifications, skill and experience • uphold the safety and rights of consumers • document agreed conditions of employment.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** Interviews with the People and Culture Manager, program managers and new staff confirmed that a robust recruitment process with a number of 'check points' is in place. Review of the CoM Recruitment, Selection and Appointment Procedure and Guidelines evidences details of the recruitment process to ensure that: Statutory and industrial requirements are met including the principles of merit Requirements of prescribed positions are identified Appropriate qualifications, skills and experience are identified for all positions. A current Staff Enterprise Agreement was sighted which details conditions of employment. Employee file audit confirmed that signed letters of offer are kept.
2. Staff, students and volunteers have structured and comprehensive induction processes that: • assist the new staff, students and volunteers to integrate	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** The comprehensive WelCoM Manager First Day Induction Checklist is used to guide onboarding of new staff. It includes information on City of Marion Values, Vision and Purpose, key legislation and standards. Staff and volunteers confirmed a robust induction process with volunteers citing completion of a generic CoM induction followed by an induction to specific workplaces. Online induction is a step-through process with each topic required to be completed before moving to the next.

EQUIREMENTS	EA RATING	EVIDENCE
as quickly as possible to the work and social environment • include information on key legislation, industry standards, relevant policies and procedures, and rights and responsibilities • include an organisational, chart that identifies roles, delegations and reporting relationships • stipulate values, vision and purpose • ensure consistent practice in consumer records including clinical care and treatment plans.		At interview, the People and Culture Manager demonstrated the process with an example provided of the Child Safe Policy which must be read and acknowledged before accessing the next topic. eLearning induction includes topics such as WHS, cultural awareness, customer service and record keeping.

EQUIREMENTS	EA RATING	EVIDENCE
3. Documented role descriptions include individual accountabilities and responsibilities are: • provided for all staff and volunteers • subject to regular review to ensure they accurately reflect position expectations.	FIP ☒ NIP ☐ PIP ☐	Guidelines for Recruitment, Selection and Appointment detail the requirements for reviewing, updating and developing existing or new position descriptions. This process was confirmed by the People and Culture Manager. Review of employee files indicates that position descriptions are documented for staff and volunteers. A position description template details reporting structure, CoM Purpose and Values, role, purpose and outcomes, essential and desired outcomes. While the instructions page in the Personal Development Plan recommends reviewing position descriptions as part of the performance development process, it is not consistently implemented. Managers confirmed that they usually review the position description with the staff member and make notes that the position description has been reviewed and is accurate or requires update. **C.4.1.3a CQI Recommendation:** Introduce a more consistent approach to reviewing job descriptions with evidence included in employee files. **C.4.1.3b CQI Recommendation:** Continue with implementing a consistent approach to identifying which positions (outside of legislated or contractual requirements) require police checks taking into consideration risk and reputation.

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EQUIREMENTS	EA RATING	EVIDENCE
4. A Code of Conduct defines acceptable behaviours which are measured and includes the following: • the values of the organisation (e.g. integrity, respect and accountability) • rights and responsibilities of consumers, staff and volunteers • child safety and wellbeing culture • staff and consumer surveys.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** How We Work Together Policy and Procedures provides guidance on communication and interactions, particularly between employees and Elected Members. CoM's Expected Behaviours and Corporate Values Guidelines details Council values, accepted behaviour and responsibilities (including for child safety and wellbeing). They are signed by employees and volunteers and filed as part of the induction process. The Customer Service Charter clearly explains expectations of CoM and customers. Interview with Library staff confirms that they are conscious of maintaining integrity and accountability to both staff and clients: "We are very strong on the privacy of people's data and information." The Library has an 'incognito' system where clients can choose to be de-identified.
5. The rights of staff and volunteers are clearly defined, communicated and respected.	FIP ☒ NIP ☐ PIP ☐	Staff reported that their rights were clearly defined and communicated in a range of policies and procedures available on SharePoint. They were evident in practice through the induction process and ongoing support and encouragement by CoM leadership. They stated they felt comfortable to report issues at work and that they would be listened to. They also indicated that the Enterprise Bargaining process implemented every three years involving management, union and staff representatives provides clear and transparent information about employees' entitlements. The Enterprise Bargaining Agreement is available on intranet and is also a public document. Volunteer rights and responsibilities are clearly stated in the information provided to prospective volunteers at application and during induction.

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EQUIREMENTS	EA RATING	EVIDENCE
6. Compliance with Equal Employment Opportunity requirements is evident.	FIP ☒ NIP ☐ PIP ☐	Document review included the Recruitment, Selection and Appointment Procedure and Guidelines and the Inclusive Traineeship Program which provide evidence of CoM commitment to compliance with Equal Opportunity requirements. Interview with the People and Culture Team confirmed that cultural and gender diversity on recruitment panels is encouraged. Translators or interpreters are made available for interviews if required. Equal Opportunity and Diversity training is provided for managers and leaders.
7. The organisation facilitates flexible work practices that meet business and service requirements, while allowing employees to balance their career with their family and cultural responsibilities.	FIP ☒ NIP ☐ PIP ☐	The Flexible Working and Career Transition Policy supports the implementation of flexible working arrangements. All staff interviewed were able to cite examples of flexibility when situations change, for example staff with chronic health issues working from home during COVID-19 and flexibility in working hours to manage caring responsibilities.
8. A performance review and development plan is in place to assist staff and volunteers to meet personal and organisational objectives.	FIP ☒ NIP ☐ PIP ☐	Review of employee files confirmed that strengths-based Performance Development Plans are in place for all staff which align with strategic objectives and values, career and personal goals and development opportunities. Managers meet with staff twice a year to conduct the formal performance review process. Staff confirmed that CoM promotes professional development opportunities with a mix of internal training, external facilitators and attendances at conferences. The IAP2 Community Engagement program was cited as an example of professional development aligned to personal and organisational priorities.

EQUIREMENTS	EA RATING	EVIDENCE
9. Staff, volunteers and students are supported through direct supervision that monitors service quality and effectiveness.	FIP ☒ NIP ☐ PIP ☐	Role descriptions describe and guide reporting and supervisory relationships. Interviews with managers and staff confirmed that Leaders are responsible for supporting staff through direct supervision, regular meetings and informal catch-ups. The Volunteer Officer is responsible for providing overall volunteer support and management with day-to-day supervision provided by staff at external sites, for example Community Centres. Regular supervision and performance review was also evident within some employee files noting that there is currently a move to a new IT system. **C.4.1.9 CQI Recommendation:** Consider a more consistent approach to maintaining supervision records.
10. Legislative and mandated training requirements are met.	FIP ☒ NIP ☐ PIP ☐	Managers identify whether specific training is required to meet legislative and mandated requirements, for example Child Safe Environments training. Diligent monitoring of all training is undertaken by the People and Culture team. Employee file audit and observation of the database indicates that compliance is regularly monitored.

C.4.2 Workplace Health and Safety Standard

Standard: Workplace Health and Safety (WHS) systems are incorporated into business planning and work processes.

Outcome: Stakeholders are safe and feel confident in the organisational environment.

REQUIREMENTS	EA RATING	EVIDENCE
1. A Workplace Health and Safety policy has been developed, communicated and formally endorsed.	FIP ☒ NIP ☐ PIP ☐	The CoM Work Health and Safety and Return to Work Policy is supported by a WHS Definitions Glossary. The policy is formally endorsed and guides CoM in its approach to providing a safe and healthy workplace and to meet its legislated responsibilities. CoM Work Health and Safety and Return to Work Policy is communicated to all staff, volunteers and contractors through a comprehensive induction process.
2. Supporting Workplace Health and Safety procedures have been developed to describe control measures for higher risk activities.	FIP ☒ NIP ☐ PIP ☐	Site visits confirmed that WHS procedures are implemented in practice. Supporting WHS procedures, forms and checklists have been developed for higher risk activities. Evidence sighted include: • First Aid • Worksite inspections • Infectious Disease Prevention • WHS checklists • Out of Hours Procedures • Food Safety. Incident management and site evacuation plans describe control measures for managing emergencies and adverse events.
• Workplace Health and Safety system includes: • the duty of care to all persons including contractors, consultants, volunteers and visitors • physically accessible services	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** The CoM Workplace Health and Safety System is comprehensive. Review of documents, registers, interviews with staff and site visits confirmed a safe and physically accessible workplace. Evidence sighted includes: • The CoM Work Health and Safety and Return to Work Policy • The Incident Analysis Report 2019/2020

REQUIREMENTS	EA RATING	EVIDENCE
- roles, responsibilities and accountabilities - hazard identification, evaluation and control - contingency planning - incident reporting, investigation and corrective action - equitable claims management and a commitment to effective rehabilitation - employee training, including specialised equipment - A safe environment exists for all people especially children, youth and vulnerable people.		- Health, Safety and Environment Plan and Committee Minutes - Work Area Inspection Procedures - Workplace Health and Safety Training records - Workplace Health and Safety Committee reports - Site Induction Procedures - Workplace Health and Safety induction documents - Incident reports - Client Behaviour Alert System - Workplace Emergency Management Plan for Trott Park Neighbourhood Centre. - Similar plans were evident at the Marion Heritage Research Centre, Cooinda, Marion Outdoor Swimming Pool, Marion Cultural Centre Library and Living Kaurna Cultural Centre.
3. Periodic audits and inspections verify compliance with policies and procedures.	FIP ☒ NIP ☐ PIP ☐	External Workplace Health and Safety audits are scheduled to comply with the LGA Workers Compensation Scheme. The Internal Audit Procedure outlines the CoM's commitment to monitoring and assessing the effectiveness of Workplace Health and Safety Policy and Procedures implementation. Evidence sighted includes: - HSE Annual Report 2020– Appendix D Audit Program Summary - Site Evacuation Drill emails.

REQUIREMENTS	EA RATING	EVIDENCE
4. Provide a healthy workplace.	FIP ☒ NIP ☐ PIP ☐	CoM provides a holistic approach to provision of a healthy workplace. Staff interviewed cited examples, including access to Mental Health First Aid training, Employee Assistance Program, exercise and healthy diet programs, lifestyle programs, support to be smoke free and maintaining a safe workplace. Document review evidenced procedures in place to promote a healthy workplace, for example the Infectious Diseases Prevention and Work Area Inspection Procedures.

C.4.3 Diversity and Inclusion Standard

Standard: Valuing culture, diversity and inclusion in all activities including in the pursuit of individual outcomes and organisational improvement.

Outcome: Stakeholders are inclusive and included.

REQUIREMENTS	EA RATING	EVIDENCE
1. Embracing all forms of diversity.	FIP ☒ NIP ☐ PIP ☐	CoM Diversity and Inclusion Plan 2020-2024 has recently been endorsed by Council. Progress against the plan is reviewed as part of the process, and examples were given that demonstrate commitment to increasing females 'in the field' and of people who are LGBTQI. Document review evidenced a variety of polices, plans and programs that guide CoM's approach to embracing diversity: • Inclusive Traineeship Program • Disability Access and Inclusion Plan 2020 – 2024 • Equity, Access and Social Inclusion Policy • Stretch Reconciliation Action Plan 2020-2023. • Customer Experience Charter. **C.4.3.1 CQI Recommendation:** Consider the need to reinstate the Diversity and Inclusion Working Group.
2. A system is in place for Staff and Volunteers to become culturally capable.	FIP ☒ NIP ☐ PIP ☐	At interview the People and Culture Manager cited the monitoring of staff undertaking equity and diversity training as evidence of a system to improve cultural capability. Cultural diversity training is provided for all staff and volunteers. Review of the CoM Reconciliation Action Plan (RAP) 2020-2022 confirms that strategies are in place for increasing awareness and working respectfully with the Aboriginal community. **C.4.3.2 CQI Recommendation:** Consider potential to use the Living Kaurna Cultural Centre to increase staff awareness of Aboriginal culture with a local focus.

REQUIREMENTS	EA RATING	EVIDENCE
3. A culturally safe and inclusive environment exists across the organisation and its services.	FIP ☒ NIP ☐ PIP ☐	Site visits and interviews with staff, volunteers and participants indicated that CoM provides a culturally safe and inclusive environment across its sites and services. Evidence sighted included: • 'Welcome' boards written in different languages outside Community Centres • Banner in a Centre reception area recognising the Kaurna people and language • Diversity poster prominently displayed in the Library main area • Living Kaurna Cultural Centre Men's and Women's Groups and native garden • Client file audit which demonstrates staff are alerted through database record 'flagging' if clients may require help, for example require interpreter support or are vision or hearing impaired. **C.4.3.3 CQI Recommendation**: Increase promotion of Aboriginal culture across sites – consider undertaking a cultural inclusion and engagement audit**.**
4. The organisation measures its performance regarding the support for and promotion of diversity, inclusion, cultural safety and capability.	FIP ☒ NIP ☐ PIP ☐	CoM have documented a commitment to measuring inclusion and diversity within the: • Diversity and Inclusion Plan 2017-2020 • Disability Access and Inclusion Plan 2020-2024 • Stretch Reconciliation Action Plan 2020-2023 Interview with the People and Culture Manager indicated that CoM are conducting a staff diversity and inclusion survey. Staff provided examples of collecting data and feedback on diversity and acceptance for funded program reporting. **C.4.3.4 CQI Recommendation:** Consider strengthening the monitoring and reporting of workforce diversity data. Include the process in the Diversity and Inclusion Plan.

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5 Partnerships

C.5.1 Working Collaboratively Standard

Standard: Working collaboratively with other organisations on agreed goals that benefit consumers and the community.

Outcome: Better outcomes through collaboration.

REQUIREMENTS	EA RATING	EVIDENCE
1. Key partners are identified and objectives agreed.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** Collaboration is evident across CoM's operations. Executive and Program Manager interviews cited formal agreements across three councils for fleet management, irrigation and procurement, the Coastal Wellbeing Program, Cyber Security Strategy and the Inclusion Reference Group. Interviews with community partners and staff detailed collaborative activities. These included: • Southern Cross Care – Health and Wellness program • Carers SA – Support groups, coaching and community connection • Baptist Care – Increasing inclusion for people with disabilities • City of Onkaparinga – Southern Services Reform Group. The Southern Services Reform Group Terms of Reference was sighted as documentary evidence.
2. The need for protocols, performance measures and reporting requirements is considered.	FIP ☒ NIP ☐ PIP ☐	Interviews with Executive Mangers demonstrated that increasing productivity and improving community outcomes is the driver for cross-council collaborations with agreed performance measures and reporting requirements an integral part of the process. Data collection and reporting requirements are included in funding agreements and MoU's for program delivery. Terms of Reference for the Inclusion Reference Group and Southern Services Reform Group were sighted as documentary evidence.

REQUIREMENTS	EA RATING	EVIDENCE
3. Progress is regularly reviewed and developments communicated.	FIP ☒ NIP ☐ PIP ☐	Interviews with Executive, staff and community partners confirmed that: • Steering groups across the organisation monitor progress through meetings and formal reports including end of year reports with cost and action assessment. • Ongoing communication is conducted to jointly review partnership progress and adjust where necessary • The DHS funded project, Community Hubs, is monitored through regular 6-monthly reports, evaluation and continuous improvement. • Meeting minutes are documented and circulated to stakeholders with Inclusion Reference Group minutes sighted.
4. Regular reviews of partnerships are undertaken as part of planning cycle.	FIP ☒ NIP ☐ PIP ☐	Interviews with community partners, Executive and staff confirmed that all partnerships are regularly reviewed, some in line with funding requirements while others are reviewed as part of the planning cycle.

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C.5.2 Teamwork Standard

Standard: Staff and Volunteers are effectively engaged in implementing organisational objectives through a range of teamwork strategies.

Outcome: Better outcomes through collaboration.

REQUIREMENTS	EA RATING	EVIDENCE
1. Systems are in place to encourage staff to work collaboratively.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** Staff interviews cited systems which encourage staff to work collaboratively, including: • Regular Team/Toolbox meetings • Internal customer service training • Collaborative projects such as the European and native garden at Living Kaurna Cultural Centre. • The What's On quarterly publication was cited by staff as evidence of a coordinated approach to program development and promotion across CoM sites.
2. Collaborative activity aligns with common purpose and strategic direction.	FIP ☒ NIP ☐ PIP ☐	Shared purpose and alignment with strategic direction is evident in all collaborative activity. Executive interview cited the Digital Transformation Program, the advocacy lead role of CoM in the new State Planning Regulations and the strategic focus on customer service and community engagement as evidence of collaborative activity aligned to CoM purpose to improve resident's quality of life.

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6 Communication

C.6.1 Communication Standard

Standard: Communication systems and strategies ensure information is disseminated internally and externally to all key stakeholders.

Outcome: Communication informs and improves outcomes.

REQUIREMENTS	EA RATING	EVIDENCE
1. Internal and external target groups, communication processes and timelines are defined.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** Internal and external communication occurs in multiple forms aimed at 'maximum reach' to target groups. Evidence sighted includes website, online and social media, hard copy newsletters, program information and brochures. Interview with Executive described the virtual 'Water Cooler' internal communications platform which was created to fill a gap in communications created by COVID19. Interviews with staff cited the What's On program guide as evidence of defined external target groups, communication processes and timelines. Documents sighted include: • Communications and Marketing Plan (under review) • Community Engagement Framework • Customer Persona Tools.
2. All staff are expected to convey information accurately, succinctly and free of jargon.	FIP ☒ NIP ☐ PIP ☐	Customer Experience training provides guidance on communication expectations of staff. Interviews with staff cited training they received in deescalating challenging behaviour situations through the way information is conveyed. Documents sighted as evidence include: • Updates from the Incident Management Taskforce about Council response to COVID-19 • Volunteer and client information packs • Inclusion Reference Group Norms.

REQUIREMENTS	EA RATING	EVIDENCE
3. Internal and external communication is maintained.	FIP ☒ NIP ☐ PIP ☐	The maintenance of internal and external communication is evident throughout CoM operations. Interviews with managers and staff cited the CoM community consultation website Making Marion, Teamgage fortnightly staff survey and Tool Box meetings as specific examples. Evidence sighted included: • Making Marion current consultations • Teamgage collated survey results.
4. Meetings are effectively managed with: • appropriate notification • papers available in advance to allow preparation • minutes prepared and made accessible in a timely manner • agreed actions recorded, explained and monitored.	FIP ☒ NIP ☐ PIP ☐	Meetings are effectively managed throughout CoM. The *Local Government Act 1999* regulates processes for notification of Elected Member meetings and requirements for agendas, meeting papers and minutes. Interviews with managers and staff confirmed that agendas and minutes are prepared for internal and external meetings, with actions recorded and monitored through subsequent meetings.
5. Communication mediums are effective and appropriate for audiences and processes. This includes providing safe, secure and accessible communication channels for children, young and vulnerable people.	FIP ☒ NIP ☐ PIP ☐	The CoM Marketing and Communications Plan, Community Engagement Framework and Communication Customer Persona Tools detail the range of mediums used to effectively communicate with a variety of audiences. At interview staff confirmed the need for a range of communication mediums and the process and permissions required for children to access the internet safely and responsibly. **C.6.1.5 CQI Recommendation:** Consider using technology (e-tools and apps) to improve level of feedback from the community.

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C.6.1 Communication

REQUIREMENTS	EA RATING	EVIDENCE
6. Communication processes seek feedback and develop actions that foster continuous improvement.	FIP ☒ NIP ☐ PIP ☐	Interviews with managers and staff confirmed CoM commitment to seeking feedback for continuous improvement. Evidence sighted included: • Making Marion website • The virtual 'Water Cooler' • Teamgage • Client surveys.
7. Appropriate information sharing protocols are promoted and practiced.	FIP ☒ NIP ☐ PIP ☐	Consent to share information clauses are included in Client Service Agreements. A completed consent form was sighted as documentary evidence. At interview, staff confirmed that funding agreements detailed responsibilities for appropriate information sharing and cited a situation where consent was not given by the client to share information and the process that was followed. **C.6.1.7 CQI Recommendation:** Consider increasing exposure to the Information Sharing Guidelines and Protocols by use of the ISG Audit Tool to ensure ongoing compliance. Provide online training for all frontline staff and managers as part of induction.

SERVICE PROVISION

7 Service Outcomes

C.7.1 Outcomes Monitored Standard

Standard: Service outcomes are planned, monitored and subject to ongoing review.

Outcome: Stakeholders are satisfied with the service outcomes, which are reflective and responsive to need.

REQUIREMENTS	EA RATING	EVIDENCE
1. Services are responsive to consumer and community need.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** CoM uses REMPLAN as a data analysis tool for identifying and responding to community need. The Making Marion website provides a platform for engaging, seeking input and reporting back on topics of interest to the community. Interviews with staff confirmed that a range of methods are used to identify and respond to client and community need. Examples include: • Responsiveness to the impact of COVID-19 on service delivery • Outreach methods used to conduct a community needs survey • Support group initiated • Annual client surveys • At interview, neighbourhood centre volunteers and clients gave examples of changes made in response to feedback Documents sighted as evidence: • Customer Service Charter • Public Consultation Policy • Client note report identifying the need for maintenance support.

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SERVICE PROVISION: 7 Service Outcomes
C.7.1 Outcomes Monitored

	REQUIREMENTS	EA RATING	EVIDENCE
2.	Planned organisational outcomes are documented and communicated to key stakeholders.	FIP ☒ NIP ☐ PIP ☐	Document review evidenced a variety of plans which communicate CoM planned outcomes to the community and key stakeholders. These include: • 10-year Strategic Plan which documents broad organisational outcomes • 4-year Business Plan which provides overview of annual planned outcomes • 2020-2021 Business Plan which details annual planned outcomes • Stretch Reconciliation Action Plan 2020-2023 • Disability Access and Inclusion Plan 2020-2024. Information about planned projects and progress, CoM initiatives and events is included in the City Limits Magazine distributed bi-monthly to all residents. Community Hub staff interviewed cited the DHS funding agreement as the source for documented program outcomes.
3.	Planned service outcomes align with the organisation's strategic directions, reflect consumer and community needs, and are consistent with State and Commonwealth funding agreements.	FIP ☒ NIP ☐ PIP ☐	The CoM Community Vision is supported by the Strategic and Business Plans. Operational and program plans align with strategic directions with further evidence of alignment between client and community needs and planned service outcomes. Staff and community partners interviewed confirmed that program outcomes reflect client and community needs. Client surveys and external audits for state and commonwealth funded projects were sighted as documentary evidence.
4.	Measures and indicators of performance are established to monitor outputs and outcomes achieved.	FIP ☒ NIP ☐ PIP ☐	Indicators of performance are established across CoM services and strategy. Documentary evidence was sighted in a variety of plans, reports and templates. Executive interview confirmed that CoM monitors outputs and outcomes citing Customer Experience and Workforce Planning as examples. Interviews with staff confirmed that measures are in place to monitor and evaluate program performance.

REQUIREMENTS	EA RATING	EVIDENCE
5. Outcome performance is monitored with information used to improve efficiency and effectiveness of service provision.	FIP ☒ NIP ☐ PIP ☐	The CoM Annual Business Plan is a primary mechanism for monitoring performance. Core and stretch measurements for customer satisfaction, employee engagement, community engagement and communication, financial sustainability and carbon neutrality are monitored through the business planning and reporting process. CoM commitment to improving reconciliation outcomes is evidenced by the use of performance data to guide the development of the Reconciliation Action Plan 2020-2023. Community Hub and Positive Ageing staff interviewed cited the use of survey data to monitor and improve service provision.
6. Agreed service standards and guidelines are designed, piloted and evidence based.	FIP ☒ NIP ☐ PIP ☐	Agreed service standards apply across CoM operations. Standards cited at interview with managers and staff include: • The Aged Care Standards • National Standards for Volunteer Involvement in Not-for-Profit Organisations • Customer Service Standards. Review of Positive Ageing Program Client Information, Customer Experience Charter and Volunteer Information documents demonstrate practical application of standards. Positive Ageing Client Record Audit confirmed use of evidence-based guidelines. Interview with Positive Ageing staff cited the Southern Cross Care partnership as an example of designing and piloting an evidence-based program to map health and wellbeing.
7. Services are accessible.	FIP ☒ NIP ☐ PIP ☐	CoM provides services across the council area. Site visits to a Cooinda Neighbourhood Centre, the Living Kaurna Cultural Centre, Marion Cultural Centre Library, Marion Heritage Research Centre and Marion Outdoor Swimming Pool confirmed accessibility of services. Documented evidence of regular review to improve accessibility was sighted in the Disability Access and Inclusion, Cultural Inclusivity and Reconciliation Action Plans and minutes of the Inclusion Reference Group.

REQUIREMENTS	EA RATING	EVIDENCE
8. Service provision and practice is person centred with a focus on needs, goals and preferences of individual consumers. This includes: dignity, respectful and supportive care social support inclusive and accessible environment privacy and confidentiality self determination communication.	FIP ☒ NIP ☐ PIP ☐	**Area of Strength** Interview with Positive Ageing Program staff confirmed that client service is designed and provided to meet the needs, goals and preferences of individuals. Client Assessment Form, Service Implementation Case Note File, Formal Review Form and Home Modification Summary were sighted as documentary evidence of person-centred practice. Completed forms were sighted at Client Record Audit. During the site visit to Living Kaurna Cultural Centre, staff cited support to establish and maintain a vegetable garden as evidence of focus on the goals of an individual with intellectual disability.

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8 Consumer Outcomes

C.8.1 Consumer Participation Standard

Standard: Consumers are key partners in shaping service delivery and continuous improvement.

Outcome: Consumers services are effective in achieving agreed goals.

REQUIREMENTS	EA RATING	EVIDENCE
1. The organisation actively engages consumers to participate in service planning and provision	FIP ☒ NIP ☐ PIP ☐	The Community Engagement Framework underpins CoM's approach to citizen participation in service planning and provision. At interview, staff cited evidence of client participation in service planning and provision through: • DHS Community Hubs participant surveys • Community engagement in the Mitchell Park Sports and Community Centre development • Pop Up sessions at the local shopping centre to talk to people about services needed in the area.
2. Resources are allocated to support consumer participation in service planning at the organisation and individual level.	FIP ☒ NIP ☐ PIP ☐	The Community Engagement Framework details the principles guiding consumer participation in service planning. The Making Marion website is a key resource for CoM to engage directly with community and encourage participation in planning. Documentary evidence of resources allocated include: • Inclusion Reference Group Terms of Reference and minutes of meetings • Community Centre surveys • Positive Ageing annual Service and Wellbeing Survey for clients.

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REQUIREMENTS	EA RATING	EVIDENCE
3. Consumers, community, public advocates and carers have access to information including: • eligibility criteria • services available • service designs • any risks associated with service • privacy and confidentiality • rights and responsibilities • waiting lists (where applicable) • fees and charges • service standards • evidence based guidelines • quality of performance of the service • raising awareness to reduce stigma for individuals • prevention and control strategies for consumer safety and wellbeing such as infection control, and local safety procedures with police (where applicable).	FIP ☒ NIP ☐ PIP ☐	Clients interviewed confirmed that they are well informed about the range of services available, and that information was easily accessible through the CoM website, the What's On booklet, referral and direct enquiry. At interview, Positive Ageing staff stated that initial contact with a client is made by telephone to complete intake form, provide information on service and cost, complete WHS (including COVID-19 prevention strategies) and to book service. Evidence sighted included: • Positive Ageing Inclusion Pamphlet – features inclusive images and language and information on program eligibility, services, fees, standards and complaints mechanism • Detailed information on CoM website for all services and facilities, for example Outdoor Swimming Pool water safety • Adult Community Education Programs listed on Eventbrite – includes information on course content, fees, accreditation and RTO information, expressions of interest, eligibility, prior knowledge required and confidentiality.

highwiregroup

SERVICE PROVISION: 8 Consumer Outcomes
C.8.1 Consumer Participation

REQUIREMENTS	EA RATING	EVIDENCE
4. Consumers confirm practices are in place to support their individual needs and that these practices consider their culture, spirituality, age, literacy, ability, sexuality and life choices.	FIP ☒ NIP ☐ PIP ☐	At interview clients confirmed that their individual needs were considered, with appropriate equipment available for active ageing classes cited as an example. Annual Positive Ageing Client Review surveys were sighted which seek feedback on cultural considerations, respectful service and their ability to make choices.
5. Program design, delivery and review focus on positive consumer outcomes.	FIP ☒ NIP ☐ PIP ☐	A focus on positive consumer outcomes is evident through interviews with staff, volunteers and clients. Review of the CoM website, printed program information and observations at each site evidences a broad range of activities and opportunities. Many have been developed and designed with the community. Program design, delivery and review are focused on achieving measurable outcomes, as evidenced in program surveys, which include quantitative and qualitative data. Survey results are used to review and continuously improve programs. At interviews with staff, examples of employment outcomes for clients and volunteers were cited which are rarely captured – a missed opportunity to promote exceptional outcomes. **C.8.1.5 CQI Recommendation:** Consider ways of measuring and promoting the impact of community connections and volunteering on employment pathways.

City of Marion   **ASES Certificate Level** External Assessment Report 2021

REQUIREMENTS	EA RATING	EVIDENCE
6. The organisation collaborates with other service providers for consumers' continuity of care. This is demonstrated in intake assessments and exit and referral processes.	FIP ☒ NIP ☐ PIP ☐	Review of Positive Ageing client files provided evidence of intake, assessment, referral and exit procedures undertaken collaboratively with other service providers. Evidence of working with other service providers to improve client outcomes was cited during community partner interviews, including collaboration with: • Southern Services Reform Group – calendar project codesigned with older residents • Baptist Care – to provide health and fitness programs for Positive Ageing clients • Interskills – for the delivery of accredited ACE programs which require a pre and post foundation skills assessment and pathways planning. **C.8.1.6 CQI Recommendation:** Explore partnerships with Centrelink and Job Network Providers to support employment pathways through libraries and other facilities.
7. Consumer rights are demonstrated, including the right to: • be safe culturally, physically and psychologically • determine their care needs and goals • advocacy • enter services, exit and be referred to another services • make decisions about things that affect them • practice their culture, spirituality • make own life choices • provide feedback free from repercussions.	FIP ☒ NIP ☐ PIP ☐	Interviews with clients confirmed that their rights are communicated and promoted. The rights of clients were highlighted in interviews with Positive Ageing staff and evidenced in Positive Ageing Assessments and Care Plans. Documents sighted as evidence included: • CoM Equity, Access and Social Inclusion Policy • Disability Access and Inclusion Plan 2021-2024 • Customer Experience Charter • CoM Expected Behaviours and Corporate Values Guidelines. Customer Experience Training, Employee and Volunteer Screening Checks, Facility and In Home WHS Checks provide practical evidence of the rights and safety of clients and community members being upheld.

City of Marion   **ASES Certificate Level** External Assessment Report 2021

REQUIREMENTS	EA RATING	EVIDENCE
8. Consumer service standards are precise and measurable.	FIP ☒ NIP ☐ PIP ☐	Customer experience standards have been implemented and monitored across CoM by the Customer Experience Team. Staff interview confirmed that all staff undertake mandatory customer experience training where expectations and standards are clear. Additionally, the opportunity to learn about personality profiles and identifying strengths and traits in people has helped find better ways to respond to citizens' needs as well as enhancing teamwork.

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C.8.2 Consumer Feedback and Complaints Standard

Standard: Strategies to engage and respond to consumer feedback are effective. Feedback is valued and used as a continuous improvement tool.

Outcome: Consumers feel valued and listened to.

REQUIREMENTS	EA RATING	EVIDENCE
1. Consumer feedback is actively sought through a variety of means and is used to identify potential service improvements.	FIP ☒ NIP ☐ PIP ☐	Written feedback is regularly sought from program participants and clients. Evidence of this was provided in completed client surveys in the Positive Ageing and Inclusion Program. While feedback can be given through the CoM website, there did not appear to be an effective mechanism for analysing trends. During site visits it was observed that easy to complete feedback forms are available but not necessarily visible to consumers. **C.8.2.1 CQI Recommendation:** Improve the level of feedback from the community and the capacity to capture and analyse all feedback and complaints. Consider the use of technology, for example digital tools and apps.
2. A process for managing consumer complaints has been implemented. Complaints are: • recorded and acknowledged • investigated to determine the cause • acted upon, with outcomes reported to the complainant in a timely manner.	FIP ☒ NIP ☐ PIP ☐	The Complaints and Grievance Policy and Procedures details the process for managing complaints. All complaints are electronically recorded in the CoM Customer Event System which has a timeframe and process for responses and resolution, and ensures that relevant information can be analysed for any service improvement opportunities. The Customer Relationship Management System (CRM) to be implemented as part of the Digital Transformation Program will provide the opportunity to populate and identify 'trends' of incident/complaint types. Managers and staff showed clear understanding of the complaints process and need for resolution and reporting within timeframe. They demonstrated a genuine commitment to finding a positive solution. A document trail for the management of a complaint in relation to payment of fees which also involved the Aged Care Quality and Safety Commission provided evidence of the complaints process in practice.

REQUIREMENTS	EA RATING	EVIDENCE
3. Consumers are provided with information about feedback and complaints processes that are accessible and culturally appropriate.	FIP ☒ NIP ☐ PIP ☐	Information about providing feedback and complaints is readily accessible on the CoM website, in program information and program registration and review documents. Community members are able to provide feedback in a number of ways, including by completing the online feedback and complaints form, by telephone, via the website using Live Chat or in writing. The Complaints and Feedback Policy is available in Chinese, Arabic and Spanish. Interviews with clients confirmed that various avenues for providing feedback or complaints were readily available and reported confidence in using them if needed.
4. Alternative options are provided to the consumer if not satisfied with the outcome (i.e., Ombudsman, Health and Community Services Complaints Commissioner or other advocacy service).	FIP ☒ NIP ☐ PIP ☐	Alternative options are provided for progressing complaints which include a website link to the Ombudsman. Contact details for the Ombudsman, Aged Care Quality and Safety Commission, Older Persons Advocacy Network, Multicultural Communities Council of SA, Aged Rights Advocacy Service, Health and Community Services Complaint Commissioner, NDIS Quality and Safeguards Commission and the Disability Advocacy and Complaints Service of SA are included in the information pamphlet for the Positive Ageing and Inclusion Program.
5. Consumer complaint outcomes and trends are reported to senior management and the Board.	FIP ☒ NIP ☐ PIP ☐	An annual report is provided through to the Finance and Audit Committee regarding complaints escalated to an external body. All complaints are monitored and analysed by the Customer Experience Manager, who reports to the General Manager, Corporate Services, who then takes them to the Executive Leadership Team. **C.8.2.5 CQI Recommendation:** Consider capturing trends in community feedback and complaints. Ensure that all feedback and complaints are recorded for analysis.

ASES QUALITY ACTION PLAN

Organisations that have Essential Requirements to address must complete a Quality Action Plan within a defined time frame.

If Required the Quality Action Plan template will be provided with the final External Assessment Report.

9 Workshop / Presentation Items

9.1 CoM Security Position vs Western Australia Auditor General	
Report Reference	FAC210817R9.1
Originating Officer	Manager IT Operations – Micheal Bowden
Corporate Manager	N/A
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

To provide the Finance and Audit Committee (the Committee) with:
1. SA Auditor General's findings (comparison of results for City of Port Adelaide vs City of Marion)
2. NSW Financial Audit report 2020 on Local Government in that state
3. WA Auditor General findings (assessment of WA local government bodies vs City of Marion)
4. an update on where CoM is with our cyber security
5. Marion Security Future state (12-24 months)

EXECUTIVE SUMMARY

The DTP projects will mean considerable change for all of CoM's IT systems. This has given Management the ability to review current systems and implement new with a cybersecurity security focus. CoM is using the Microsoft 365 and Salesforce environments and both companies are heavily investing in the security of their products.

The cybersecurity framework which CoM is following, by using the best practice released by Microsoft for 365 E5 security packages, positions us well compared to the other councils. This service is providing two factor authentication (2FA), compliance and phishing protection for CoM. It also allows us to leverage training for staff, by sending phishing campaigns and online protection.

The papers attached were recent reports issued by various government auditors and Management considered the City of Marion security position in comparison, as part of our continuous improvement processes.While we are on the right track, this is an ongoing area of development and improvement, particularly around IT Operations and management of risks. Management are continuing efforts in the space and will bring regular updates to the committee.

RECOMMENDATION

That the Finance and Audit Committee note that Management will
1. **Continue external security audits**
2. **Maintain a security focus for all new system implementations**
3. **Continue the rollout of COM1 Digital literacy and cybersecurity awareness project to train our staff on security issues and test their learnings.**

ATTACHMENTS

1. Marion Council FAC security outline [**9.1.1** - 9 pages]
2. IT FAC report AUG2021 [**9.1.2** - 4 pages]
3. Report-23 Local- Government- General- Computer- Controls [**9.1.3** - 20 pages]
4. Report 1 of 2021 - Examination of cyber security - City of Port Adelaide Enfield [**9.1.4** - 42 pages]

5.   Report on NSW Local Government 2020 [**9.1.5** - 87 pages]

Marion Council
Security Overview

Report overview

SA Auditor General findings (Port Adelaide vs Marion)

NSW Financial Audit report 2020 on Local Government

WA Auditor General findings (WA vs Marion)

Marion Security Current state

Marion Security Future state (12-24 months)

SA Auditor General findings (Port Adelaide vs Marion)

	City of Port Adelaide	City of Marion
Security Governance	- Lack of policies/procedures - Gaps in user Security awareness - ICT risk registers does not exist - No ongoing review of ICT controls	- CoM currently reviewing IT Governance framework and revising policies and procedures related to security. - Security awareness training and random user security assessments are conducted. - ICT Risk register is maintained and feeds into corporate Risk register. - Periodic ICT controls audit in place.
System Security	- Weakness in password controls - Weakness in privileged access controls - Lack of user access reviews - Insufficient end user device security	- Password complexity written in policy but not enforced. - All users are registered for Multi-factor authentication. - Admin privileges reviewed and excessive privileges controlled. - Windows Defender used consistently for end user controls, protecting CoM devices from malware and ransomware attacks.
BCP / DRP - Incident response	- Gaps in Backups & ICT DRP process	- Daily back-ups for both on-prem and Cloud data. - Recent pandemic has successfully tested the IT elements of the Business Continuity Plan. - KPMG also has audited the disaster recovery plan.
Vulnerability assessment	- Software patching not controlled - Unsupported software/OS used	- Annual external pen testing conducted. Remediations are applied. - Windows servers and end user devices are regularly patched to keep devices secured. - Some unsupported software/Operating system still in use

2020 NSW Auditor General Financial Audit report 2020- 128 councils

- lack of IT policies and procedures,A

- lack of cybersecurity framework,

- lack of controls and poor user access management processes,A

- 64 councils did not formalise and/or regularly review IT policies and procedures,

- cybersecurity frameworks and related controls were not in place.

WA Auditor General Information Security report May 2021

- WA Auditor General's findings:

- none of the 11 councils met benchmark set by Auditor General on Information Security, based on protecting end user devices, network, servers and data communication through emails and network access.
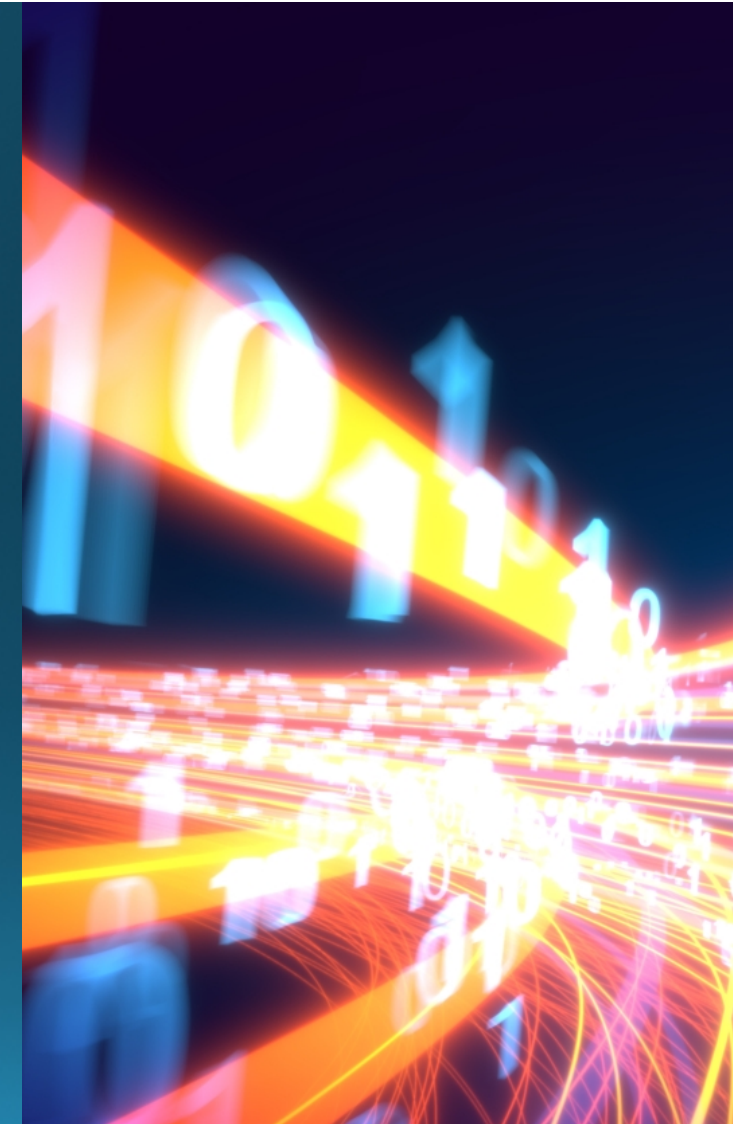
WA Auditor General (WA vs Marion)

CoM is trending better than other councils but still have room to improve. We have invested resources to improve our Information security with the DTP projects and staff upskilling
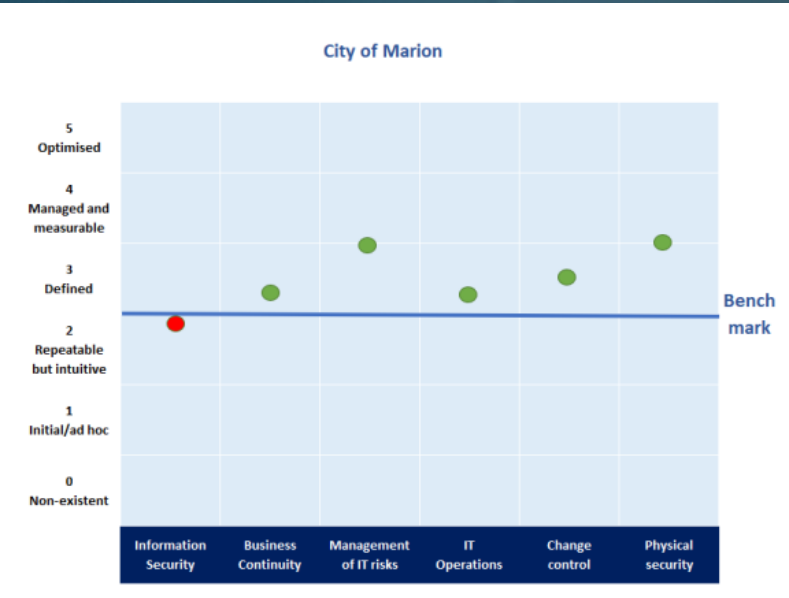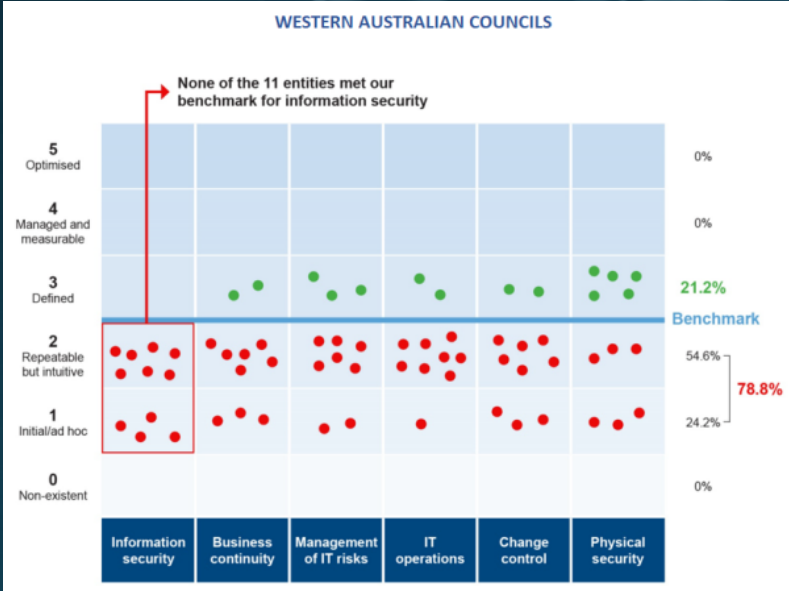
CoM Capability assessments
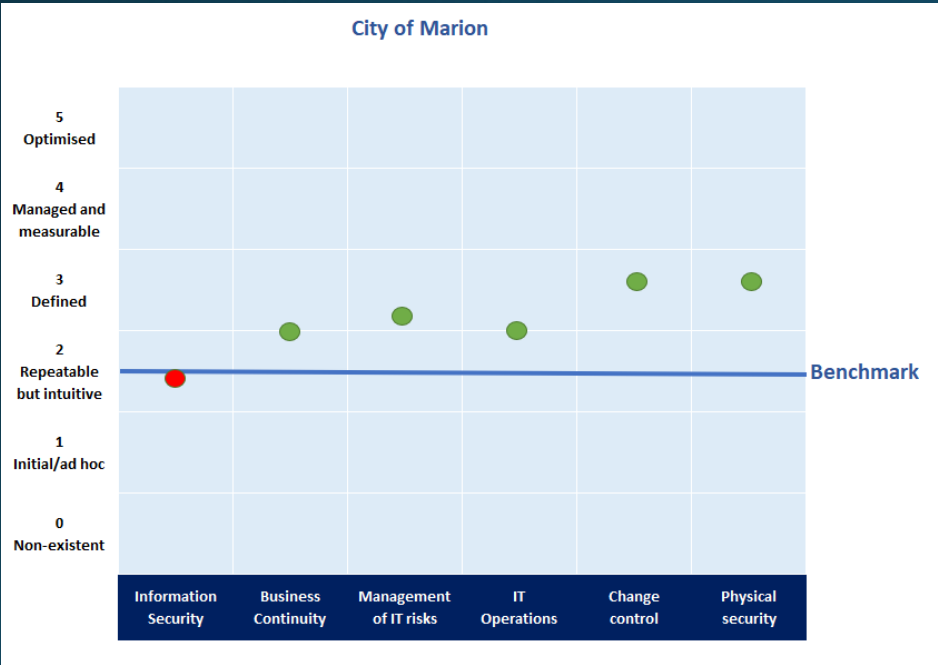
Marion Security Current state

- At CoM we have ageing equipment and systems. These are being transformed under DTP.

- Key areas in focus:
    - End user cyber security awareness
    - Enforced security policies
    - Hardware upgrade for aging network equipment (Wifi, Switches, Firewall) allowing greater visibility on the CoM network
    - Single sign on for all services with multi-factor authentication
    - New systems built around a security focus.

Marion Future state (12-24 months)
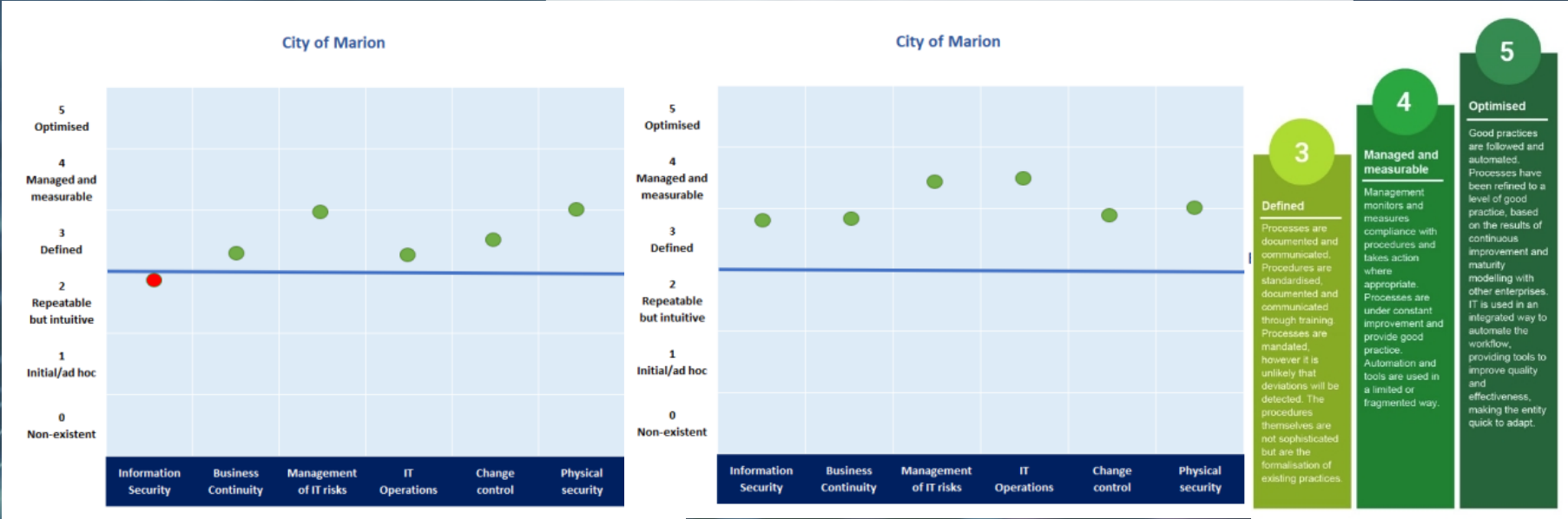
COUNCIL REPORT – CITY OF MARION

SA Auditor General findings (Port Adelaide vs Marion):

In February 2021 the Auditor General chose 3 councils in SA to conduct detailed information security auditing. We have reviewed Port Adelaide's findings against our current state and the result suggest CoM have better security controls in place.

Additionally, an ISO27001 assessment, conducted by KPMG in 2019, suggested our security scores are well above benchmark in comparison with other councils in SA.

	City of Port Adelaide	**City of Marion**
Security Governance	- Lack of policies/procedures - Gaps in user Security awareness - ICT risk registers does not exist - No ongoing review of ICT controls	CoM currently reviewing IT Governance framework and revising policies and procedures related to security. Security awareness training and random user security assessment is conducted. ICT Risk register is maintained and feeds into corporate Risk register. Periodic ICT controls audit is in place.
System Security	- Weakness in password controls - Weakness in privileged access controls - Lack of user access reviews - Insufficient end user device security	Password complexity is enforced and all users registered to use Multifactor authentication. Admin privileges reviewed and controlled excessive privileges. Windows Defender is used for end user controls which protects CoM devices from malware and ransomware attacks.
BCP / DRP - Incident response	- Gaps in Backups & ICT DRP process	CoM backs-up its on-premises and Cloud-based data daily. The recent COVID pandemic successfully tested IT elements of the Business Continuity Plan. KPMG audited the disaster recovery arrangement.
Vulnerability assessment	- Software patching not controlled - Unsupported software/OS used	Annual external pen testing is conducted and remediation actions are applied. Windows servers and end user devices are regularly patched to keep devices secured.

WA Auditor General's findings:

Auditor General at West Australia has conducted Information Security auditing at 11 selected councils and submitted a detailed report on the 12th May 2021. The report suggested, none of the 11 councils met the benchmark set by Auditor General on Information Security domain. Assessments are based on protecting end user devices, network, servers and data communication through emails and network access.

WESTERN AUSTRALIAN COUNCILS
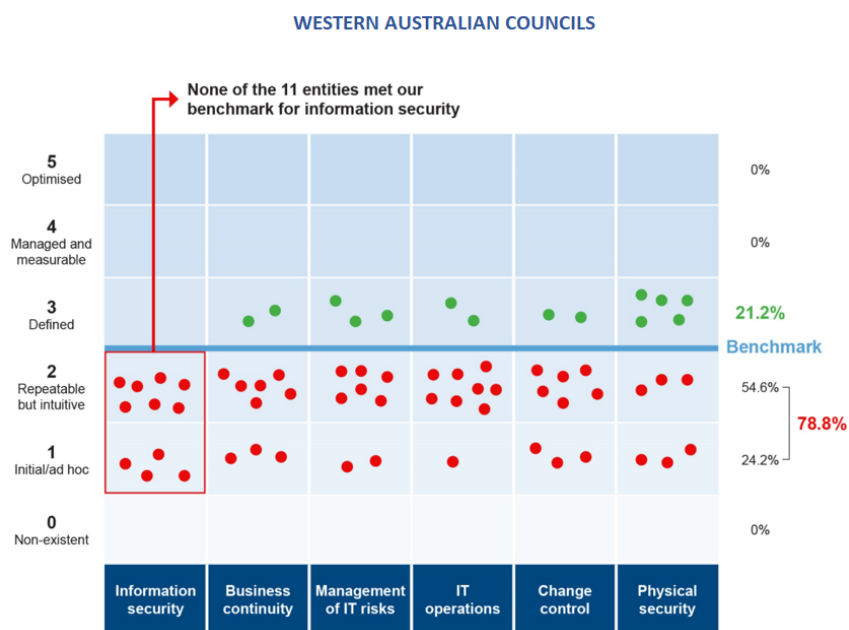
City of Marion's comparison against WA

On a detailed internal review, and also based on KPMG's internal audit report in 2019, City of Marion scores above the benchmark and also above overall rating compared to other WA councils. We have implemented Microsoft Office365 security for Emails/SharePoint and our endpoint devices which actively monitor and protect against ransomware and malware. We are actively training users on security awareness and conduct regular phishing exercises to monitor user behaviour.

City of Marion
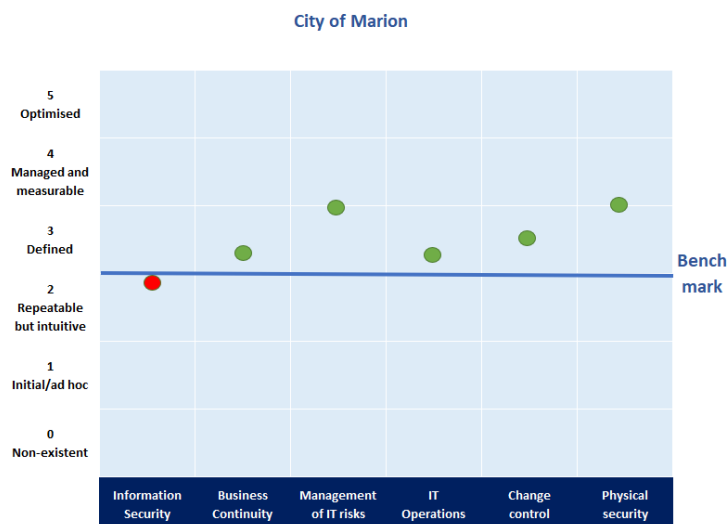
NSW Financial Audit report 2020 on Local Government

In 2020 the NSW Auditor General conducted Financial Auditing in 128 Councils. Some of the common findings were:

- lack of IT policies and procedures,
- lack of cybersecurity framework and controls
- poor user access management processes
- 64 councils did not formalise and/or regularly reviewed their key IT policies and procedures.
- Cybersecurity frameworks and related controls were not in place at 58 councils.

City of Marion has appointed a full time IT Governance/Cybersecurity Lead to review the IT Governance framework and associated policies and procedures. We ensure robust access management process is followed in City of Marion and IT risk register is maintained to ensure actions taken to mitigate identified risks to detect and prevent unauthorised access.

Microsoft's Office365 Security:

City of Marion utilizes Microsoft's security mechanism for its emails, which actively monitor and protect our email system and provides detailed reporting.

Microsoft Defender for Office 365 Threat Report
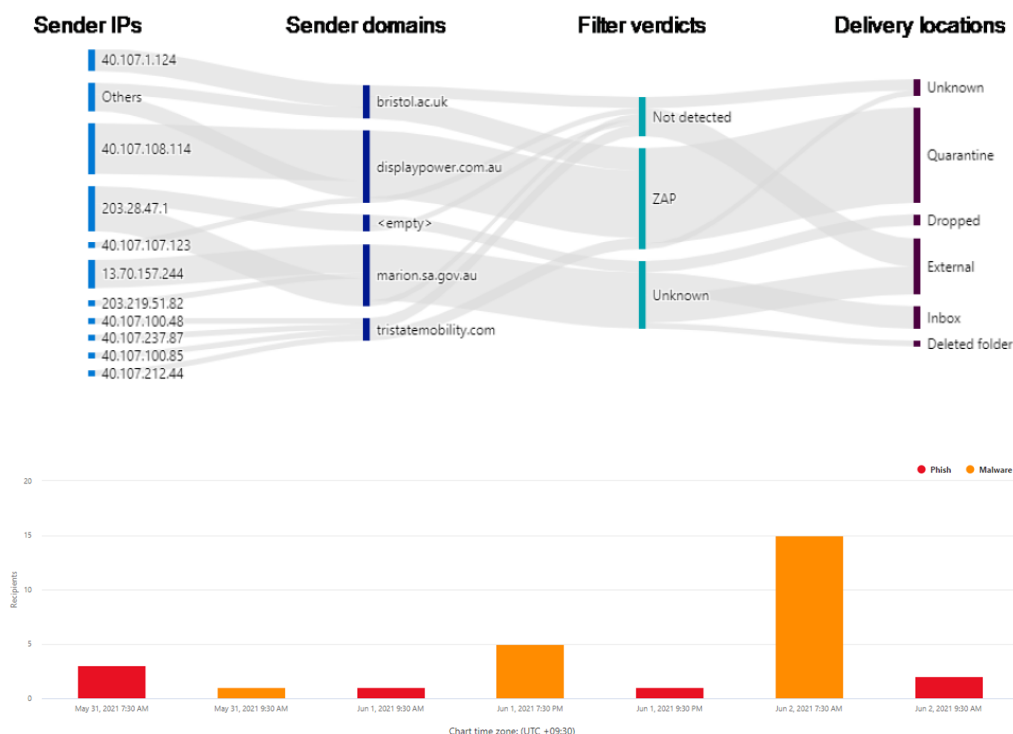
We have placed a tender to replace all our Network and Security devices to enhance security and controls.

As part of the Digital Transformation Program, end user security awareness is under review with new initiatives planned for FY21-22.

Western Australian
Auditor General's Report

Local Government General Computer Controls

Report 23: 2020-21
12 May 2021

Office of the Auditor General
Western Australia

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National Relay Service TTY: 133 677
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for
those with visual impairment.

The Office of the Auditor General acknowledges the traditional custodians throughout
Western Australia and their continuing connection to the land, waters and community. We
pay our respects to all members of the Aboriginal communities and their cultures, and to
Elders both past and present.

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Local Government General Computer Controls

Report 23: 2020-21
May 2021

THE PRESIDENT   **THE SPEAKER**
LEGISLATIVE COUNCIL   **LEGISLATIVE ASSEMBLY**

LOCAL GOVERNMENT GENERAL COMPUTER CONTROLS

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

Information systems audits focus on the computer environments of entities to determine if these effectively support the confidentiality, integrity and availability of information they hold.

This is the second local government annual *Information Systems Audit Report* by my Office. The report summarises the results of our 2020 annual cycle of information systems audits across a selection of 50 local government entities.

I wish to acknowledge the entities' staff for their cooperation with this audit.

CAROLINE SPENCER
AUDITOR GENERAL
12 May 2021

Contents

Auditor General's overview

This is the second local government annual *Information Systems Audit Report* by my Office. The report summarises the results of our 2020 annual cycle of information systems audits across a selection of 50 local government (LG) entities.

Information systems underpin most aspects of LG entity operations and services. It is important that entities implement appropriate controls to maintain reliable, secure and resilient information systems. These controls are equally important in smaller LG entities who may not have dedicated IT staff but rely on contractors to provide the necessary support.

In the 11 LG entities where we performed capability maturity assessments, none met our benchmark in all areas, with information security remaining a significant area of concern where no audited entities achieved our minimum capability maturity.

Throughout the report, we have included a number of audit case studies to help highlight the risks associated with weak information system controls. Included in the case studies are real life examples of how extremely poor general computer controls can result in system breaches, loss of sensitive and confidential information and financial loss. They serve as important reminders of the need to remain ever vigilant against constant cyber threats.

While legacy systems can take some time to replace or upgrade, not all controls require expensive technology investments. Well implemented processes and fine-tuning existing practices can achieve a good baseline to build resilience to internal and external threats. Educating staff on cyber risks and periodically testing their responses to simulated threats will give valuable feedback to entity executive and council.

I have chosen to not identify the audited LG entities given the nature of the findings, a custom extended from my Office's similar audits in the State sector. Over time, this practice may change to identify entities so as to provide an incentive to public entities to more promptly address identified control shortcomings.

Introduction

Local government (LG) entities rely on information systems to prepare their financial statements and to deliver important services to the public. Our general computer controls (GCC) audits assess whether LG entities' system controls effectively support the confidentiality, integrity and availability of their information systems and financial reporting. They are performed as an integral part of, and inform, our financial audit program.

This report presents a summary of the findings reported to 50 local government entities in 2019-20. For 11 LG entities we performed capability maturity assessments. A GCC audit with a capability maturity assessment is the most comprehensive information systems audit we undertake. We use the findings to inform our audit risk assessment and work program for the sector.

For our capability maturity assessments, we asked the 11 LG entities to self-assess against the provided capability maturity model. We then compared their results to ours (which were based on the results of our GCC audits). These assessments are a way to see how well-developed and capable entities' established IT controls are.

For the remaining 39 LG entities, the GCCs were examined by contract audit firms or by our financial audit teams who did not undertake the capability maturity modelling. Information system findings identified during these audits are included in this report.

The methodology we have developed for our GCC audits is based on accepted industry good practice. Our assessment is also influenced by various factors including the:

- business objectives of the LG entity

- level of dependence on IT

- technological sophistication of computer systems

- value of information managed by the LG entity.

We focused on the following 6 categories (Figure 1) for both our GCCs and capability assessments.

Information security   IT operations

Business continuity   Change control

Management of IT risks   Physical security

Source: OAG

Figure 1: GCC categories

Throughout the report we have included real life case studies that illustrate the significant impact poor controls can have on LG entities. All case studies, except case study 7, are from metropolitan LG entities.

Local Government General Computer Controls **| 3**

Conclusion

LG entities need to improve their general computer controls. We reported 328 control weaknesses to 50 LG entities, with 10% (33) of these rated as significant and 72% (236) as moderate. As these weaknesses could significantly compromise the confidentiality, integrity and availability of information systems, the LG entities should act promptly to resolve them.

Our capability assessment results show that none of the 11 audited LG entities met our expectations across 6 control categories, with 79% of the audit results below our minimum benchmark. We found weaknesses in controls for information security, business continuity, change management, physical security and IT operations. Entities also need to improve how they identify and treat information risks. Five of the entities were also included in last year's in-depth assessment and could have improved their capability by promptly addressing the previous year's audit findings but, overall, did not discernibly do so.

What we found: Capability assessments

We conducted in-depth capability assessments at 11 LG entities, 5 of which were also audited in 2018-19. We used a 0 to 5 rating scale[1] (Figure 2) to evaluate each entity's capability maturity level in each of the GCC categories. The model provides a reference for comparing entity results from year to year. We expect entities to achieve a level 3 (Defined) rating or better across all the categories.

Source: OAG

Figure 2: Rating scale and criteria

None of the 11 LG entities met our expectations across all control categories. In the area of information security, all 11 entities were below our benchmark.

Entities did not have adequate controls to effectively manage information security, change management, IT operations, physical security and business continuity. Poor controls in these areas left systems and information vulnerable to misuse and could impact critical services provided to the public. We have included specific case studies that provide more detail where we identified weaknesses in controls that could potentially compromise entities' systems.

Figure 3 shows the results of our capability assessments across all 6 control categories for the 11 entities we assessed in 2019-20.

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[1] The information within this maturity model assessment is derived from the criteria defined within COBIT 4.1, released in 2007 by ISACA.

None of the 11 entities met our
benchmark for information security

	Information security	Business continuity	Management of IT risks	IT operations	Change control	Physical security	
5 Optimised							0%
4 Managed and measurable							0%
3 Defined							21.2%
			Benchmark				
2 Repeatable but intuitive							54.6% 78.8%
1 Initial/ad hoc							24.2%
0 Non-existent							0%
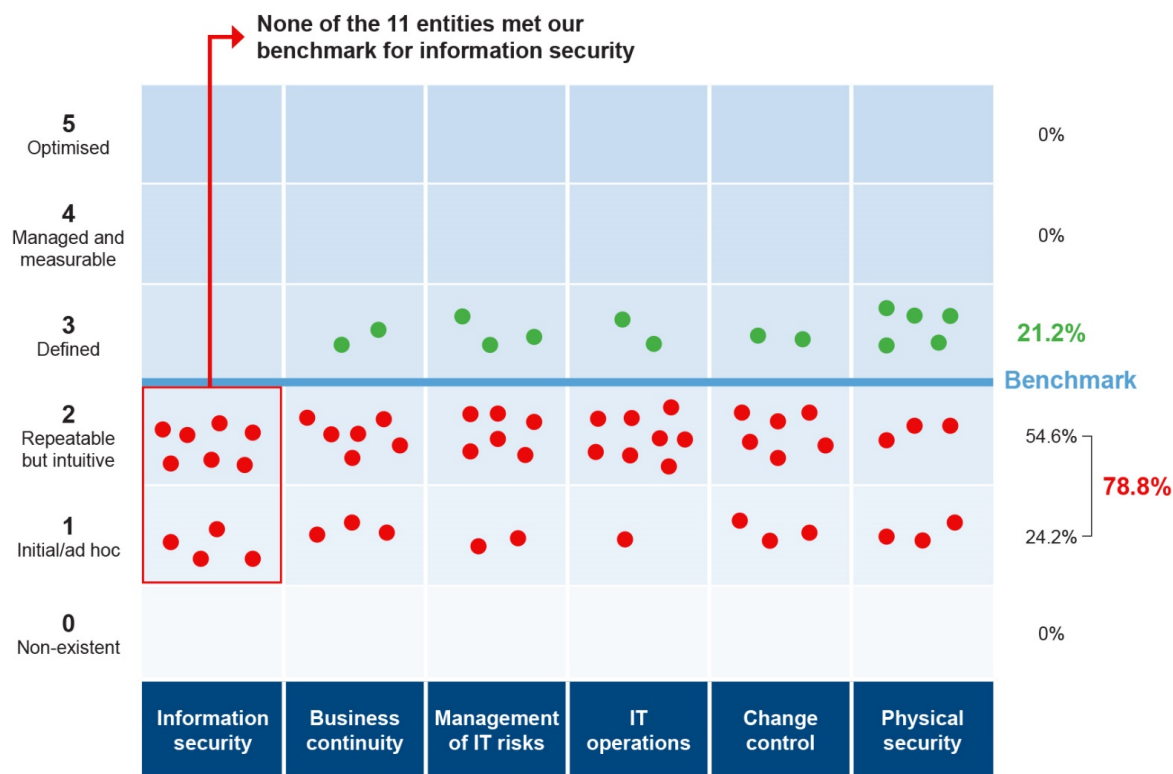
Source: OAG

Figure 3: 2019-20 capability maturity model assessment results

What we found: General computer controls

We reported 328 general control weaknesses to 50 LG entities, with 10% rated as significant requiring prompt action, 72% as moderate which should be addressed as soon as possible, and the remaining 18% as minor. Like last year, nearly half of all issues were about information security.

We reported these weaknesses to LG entities in a management letter. However, as management letters are often made public, we removed sensitive technical details which could increase the risk of cyber-attacks to entities. We reported these details separately through confidential letters to assist entities in addressing weaknesses. Entities generally agreed to implement our recommendations.

Figure 4 summarises the distribution of the significance of our findings across the 6 control categories.

While the majority of our findings are rated as moderate, a combination of these issues can leave entities with more serious exposure to risk.
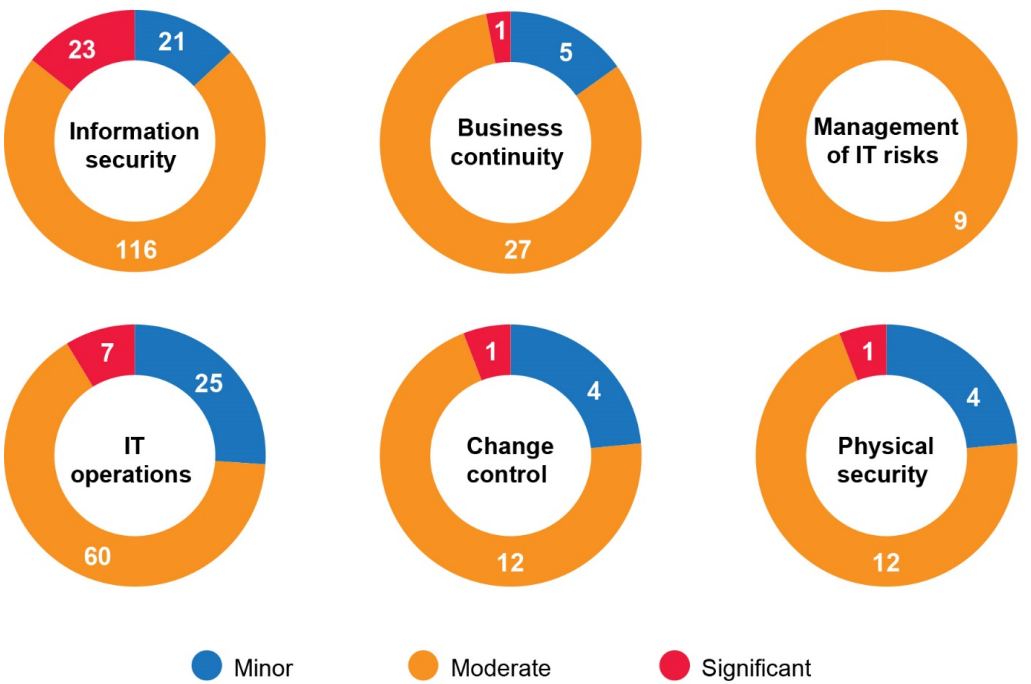
Source: OAG

Figure 4: Distribution of ratings for GCC findings in each control category we reviewed

Information security

Good information security practices are critical to protect the information held in key financial and operational systems from accidental or deliberate threats and vulnerabilities.

Our GCC audits and capability maturity model include an assessment against better practice controls for information and cyber security. Figure 5 lists some of the important better practice controls for information security.

Information
security policy

Security awareness
program

Vulnerability
management

Multi-factor
authentication

User account
management

Strong passwords/
passphrases

Data
encryption

Limit admin
privileges

Network
segregation

Security
gateway

Prevent unauthorised
devices

Database
security

Malware
protection

Patch
applications

Patch operating
systems

Web gateway and
content filter

Information
classification

Removable
media control

Secure cloud
and storage

Email
security

Cyber security
monitoring

Segregation of
duties

Application hardening
and control

Source: OAG

Figure 5: Information security – Better practice controls included in our GCC audits

Many entities either lacked or had inadequate information security polices to inform staff of their responsibilities to protect entity information, which also includes the personal information of ratepayers. Staff and contractors were often not given sufficient training to understand the potential risks and threats to entity information. Case study 1 highlights the risks associated with a poor awareness of cyber threats.

Case study 1: Poor awareness and a lack of security controls results in a loss of confidential information

One entity we audited did not have an effective security awareness program to guide and educate staff on cyber and information security risks. A user's account details (username and password) were stolen because of a phishing attack which was not detected or prevented by the entity's security controls. The attack resulted in a fraudulent credit card transaction on the user's corporate credit card, which was immediately cancelled. Further investigation by the entity revealed the attacker downloaded 10GB of entity information in the form of sensitive emails.

If effective controls are not in place to detect and prevent attacks, this could result in loss of sensitive and confidential information. Along with technical controls, staff education and awareness are important to combat these threats. Without ongoing information security awareness training there is an increased risk that individuals will not understand the risks to the entity and their responsibilities to protect information. This may result in inappropriate actions which could compromise the confidentiality, integrity and availability of information.

Another common weakness was that entities did not have policies, procedures and processes to effectively manage technical vulnerabilities. Our vulnerability scans of key entity systems identified a range of critical and high severity vulnerabilities which had not been patched. These vulnerabilities can be exploited by malicious attackers to compromise entity systems.

Network segregation adds a layer of security to protect systems from cyber intrusions. It is most common to separate internal networks from external-facing systems. The network is divided into smaller zones with rules to restrict communication between areas and services. This strategy limits the impact of cyber intrusions by restricting attackers' ability to discover critical systems and gain access to sensitive information. We found many entities did not appropriately segregate their network, which makes it easier for an attacker to locate and access sensitive information once the network is compromised.

Case study 2 highlights the risks to information when networks aren't segregated.

Case study 2: Network security issues increase the risk of successful cyber attacks

One entity had not segregated its internet facing systems from the internal network. There was insufficient physical or logical segregation of its internal and external network. This meant that public facing and internal systems sat in the same network which is a serious situation.

Internet facing systems are under constant cyber threats, the current network design would allow a potential attacker or malicious software application (i.e. malware) full access to the network once the perimeter is breached. It would be difficult for the entity to contain any breach because communication between network segments was not controlled.

We also found that the entity did not have adequate controls in place to prevent or detect the use of unauthorised devices on the network. There is an increased risk that

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> unauthorised devices could be used to attack internal systems or could result in the spread of malware to the entity's network and systems.

Multi-factor authentication (MFA) adds a layer of security to protect systems from unauthorised access. We found many entities did not have MFA for remote access to their network and allowed access with a username and password only (Case study 3). This leaves entities at risk of attacks such as phishing and password spraying.[2]

> **Case study 3: Information at risk due to poor remote access controls**
>
> At 1 entity we found the following issues relating to remote access into the network:
>
> - MFA was not used to access the network and systems remotely over the virtual private network (VPN) and remote desktop services (RDS). MFA adds a layer of security to protect systems from unauthorised access and brute force attacks.
>
> - There were no audit trails to detect whether staff working remotely had copied entity information to personal devices increasing the risk of information loss.
>
> When remote access is not appropriately managed, there is an increased risk of inappropriate or unauthorised access to the entity's IT systems and information. In addition, without controls to prevent or monitor information copied to personal devices, there is an increased risk of unintentional or inappropriate disclosure of critical information.

We found many entities were not managing privileged access to their networks and systems. There were many instances where large numbers of staff were given the highest level of access privilege, allowing them to make changes to system configuration and information.

At several entities the highly privileged default administrator account had not been renamed and the password not changed for many years, even after staff turnover. When such an account gets compromised it can give an authorised user or malicious attacker complete control of the network.

> **Case study 4: Privileged access rights are not appropriately restricted and controlled**
>
> At 1 entity the allocation and use of privileged access rights to the network (active directory) were not appropriately restricted and controlled.
>
> The entity had not changed the password for the default network administrator account since 2002, even though a number of IT staff who knew the password had left. We found instances where this account was used out of office hours and the entity was unable to explain this use.
>
> We also found individuals assigned with the highest level of privileges which, were not appropriate for their role and responsibilities.
>
> Without appropriate management of privileged access there is an increased risk that unauthorised or unintentional modifications of IT systems will occur. This could impact the confidentiality, integrity and availability of the entity's systems and information.

---

[2] Password spraying is a technique where cybercriminals try common passwords on user accounts to gain unauthorised access to systems. Each password is used on multiple accounts before attempting the next password.

Cybercriminals frequently use email scams to compromise entity system and information. Therefore, it is vital for entities to secure their email systems by implementing controls to check the integrity and authenticity of the emails (Case study 5).

Case study 5: Inadequate controls to secure emails and business information

At 1 entity we found there were inadequate controls to check the integrity and authenticity of emails. This means malicious users could impersonate genuine individuals to gain unauthorised access to systems and information. Without appropriate controls to secure emails the entity is at increased risk of successful cyber-attacks

The entity also did not monitor the use of public cloud storage as staff were using many different cloud storage services to share entity's business information. This puts the entity's sensitive information at risk.

Business continuity

Good continuity planning helps ensure that key business functions and processes are restored promptly after a disruption. Business continuity and disaster recovery plans should be regularly tested. This minimises the risk of extended outages which could disrupt the delivery of important services.

Weaknesses we found included:

- entities did not have up-to-date business continuity and disaster recovery arrangements in place. While many had developed continuity plans in response to COVID-19, they only covered the pandemic

- entities that did have continuity plans did not regularly test them.

An up-to-date business continuity plan, disaster recovery plan and incident response plan play a crucial part in enabling the entity to operate during a disruption and restore business services timely.

Management of IT risks

Entities should be aware of the nature of risks associated with IT and have appropriate risk management policies and practices in place such as risk assessments, registers and treatment plans.

Weaknesses we found included:

- no policies and procedures to document, assess, review and report IT risks

- key risks were not documented. This meant entities were unaware if appropriate controls were in place to protect their information

- entities had not reviewed their risk registers within a reasonable time.

Without appropriate IT risk policies and practices, threats may not be identified and treated within reasonable timeframes. When risks are not identified and treated properly, entities may not meet their business objectives.

IT operations

IT operations include day-to-day tasks designed to keep services running, while maintaining data integrity and the resilience of IT infrastructure. We tested whether entities had formalised procedures and monitoring controls to ensure processes were working as intended.

Weaknesses we found included:

- a lack of user access reviews. Regular review of access ensures that only current authorised individuals have access to networks and key systems and the privileges assigned are appropriate for the tasks they perform

- no logging of user access and activity to key systems and sensitive information. This could result in malicious activity going undetected

- network logs not kept for adequate duration

- a lack of incident management procedures

- IT staff were not required to complete a background check (e.g. police clearance). These staff had highly privileged access to the entities IT systems and information.

Without appropriate plans and supporting procedures, IT operations may not be able to respond to business needs and recover from errors or failures.

The following case study highlights the risk to entities when user access is not appropriately controlled and monitored.

> **Case study 6: Shared generic accounts increase the risk of fraud**
>
> At 1 entity, staff could redirect payments for council rates, infringements, licence and application fees to another bank account by changing a file hosted on a shared server. Access to the server was not appropriately controlled because staff used a shared generic account to access and manage the server. This issue was further compounded because changes to the file and user activity were not logged and monitored. This meant that it would be difficult for the entity to identify and hold someone accountable, in the event of a fraudulent change.

Change control

We reviewed whether changes to IT systems were authorised, tested, implemented and recorded in line with management's intentions.

Weaknesses we found included:

- a lack of appropriate policies and procedures to implement changes

- change procedures were applied inconsistently

- a critical system was not covered by change procedures.

If changes are not controlled, they can compromise the integrity and availability of systems. As a result, systems will not process information as intended and entities' operations and services may be disrupted.

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An overarching change control framework is essential to ensuring changes are made consistently, reliably and efficiently. When examining change control, we expect entities to be following their approved change management procedures.

The following case study highlights the risk to entities when changes are not controlled and monitored.

Case study 7: Poor monitoring of user activity and changes could result in incorrect rate statements

We discovered an instance where unauthorised changes were made to property valuations used to calculate rates. This resulted in the LG entity spending additional time and resources to identify the discrepancies and to ensure rate statements being issued for 2020-21 were correct. The entity had not implemented a process to regularly review audit logs to identify unauthorised changes made to rates, despite us raising this issue with them in 2 previous audits.

Without independent reviews of system and information changes, there is an increased risk of financial loss to the entity or incorrect fees being charged to customers because of erroneous or fraudulent data entry.

Physical security

We examined if IT systems were protected against environmental hazards and related damage. We also reviewed if entities had implemented and monitored physical access restrictions to ensure that only authorised individuals had the ability to access or use computer systems located at entity premises.

Weaknesses we found included:

- a lack of policies and appropriate environmental controls to protect IT infrastructure. This could result in system damage or malfunction due to heat or humidity and service outages

- no reviews of staff and contractors' access to server rooms. This increases the risk of unauthorised access to systems and information

- no backup power to maintain systems in case of power outage, increasing the risk of service outages.

Case study 8: Server rooms not well protected

One entity did not have an effective process to review who had access to the server room. We sampled 3 visitor access cards and found all allowed access to the building and server room. This had previously been identified by internal audit and entity management thought the issue had been resolved, but it had not been at the time of our audit. In addition, we found combustible materials such as non-essential equipment and cardboard boxes in the server room. Server rooms should be independent, restricted access rooms.

Recommendations

1. Information security

   To ensure security strategies align with, and support, business objectives senior executives should implement appropriate frameworks and management structures.

   Management should ensure good security policies and practices are implemented for all control areas identified in figure 5 and continuously monitored.

2. Business continuity

   LG entities should have an appropriate business continuity plan, disaster recovery plan and incident response plan to protect critical services and systems from disruptive events. These plans should be tested on a periodic basis to ensure unexpected events do not affect business operations.

3. Management of IT risks

   LG entities need to identify threats and risks to their operations arising from information technology. These should be assessed and treated within appropriate timeframes. These practices should become a core part of business activities and have executive oversight.

4. IT operations

   LG entities should use good practice standards and frameworks as a reference to implement good controls for IT operations. Entities should have appropriate policies and procedures in place to manage incidents, IT risks, information security and business continuity.

   Additionally, entities should ensure IT strategic plans and objectives support their overall business strategies and objectives.

5. Change control

   Change control processes should be well developed and consistently followed when applying patches, updating or changing computer systems. All changes should be subject to thorough planning and impact assessment to minimise the occurrence of problems. Change control documentation should be current, and approved changes formally tracked.

6. Physical security

   LG entities should develop and implement physical and environmental control mechanisms to prevent unauthorised access or accidental or environmental damage to computing infrastructure and systems.

Under section 7.12A of the *Local Government Act 1995*, the 50 audited entities are required to prepare an action plan addressing significant matters relevant to their entity for submission to the Minister for Local Government within 3 months of this report being tabled in Parliament and for publication on the entity's website. This action plan should address the points above, to the extent that they are relevant to their entity.

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Auditor General's 2021-22 reports

Number	Title	Date tabled
22	Opinion on Ministerial Notification – Hospital Facilities Services	6 May 2021
21	Regulation and Support of the Local Government Sector	30 April 2021
20	Opinions on Ministerial Notifications – Policing Information	28 April 2021
19	Opinion on Ministerial Notification – Bennett Brook Disability Justice Centre	8 April 2021
18	Regulation of Consumer Food Safety by the Department of Health	1 April 2021
17	Department of Communities' Administration of Family and Domestic Violence Support Services	11 March 2021
16	Application Controls Audits 2021	8 March 2021
15	Opinions on Ministerial Notifications – Tax and Funding Information Relating to Racing and Wagering Western Australia	26 February 2021
14	Opinion on Ministerial Notification – Hotel Perth Campaign Reports	24 February 2021
13	Opinion on Ministerial Notification – Release of Schedule of Stumpage Rates	24 February 2021
12	Grants Administration	28 January 2021
11	COVID-19 Relief Fund	21 December 2020
10	COVID-19: Status of WA Public Testing Systems	9 December 2020
9	Western Australian Registry System – Application Controls Audit	26 November 2020
8	Regulating Minor Pollutants	26 November 2020
7	Audit Results Report – Annual 2019-20 Financial Audits of State Government Entities	11 November 2020
6	Transparency Report: Major Projects	29 October 2020
5	Transparency Report: Current Status of WA Health's COVID-19 Response Preparedness	24 September 2020
4	Managing the Impact of Plant and Animal Pests: Follow-up	31 August 2020
3	Waste Management – Service Delivery	20 August 2020
2	Opinion on Ministerial Notification – Agriculture Digital Connectivity Report	30 July 2020
1	Working with Children Checks – Managing Compliance	15 July 2020

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Office of the Auditor General for
Western Australia

**Report of the
Auditor-General**

Auditor-General's
Department

Report 1 of 2021

Examination of cyber security:
City of Port Adelaide Enfield
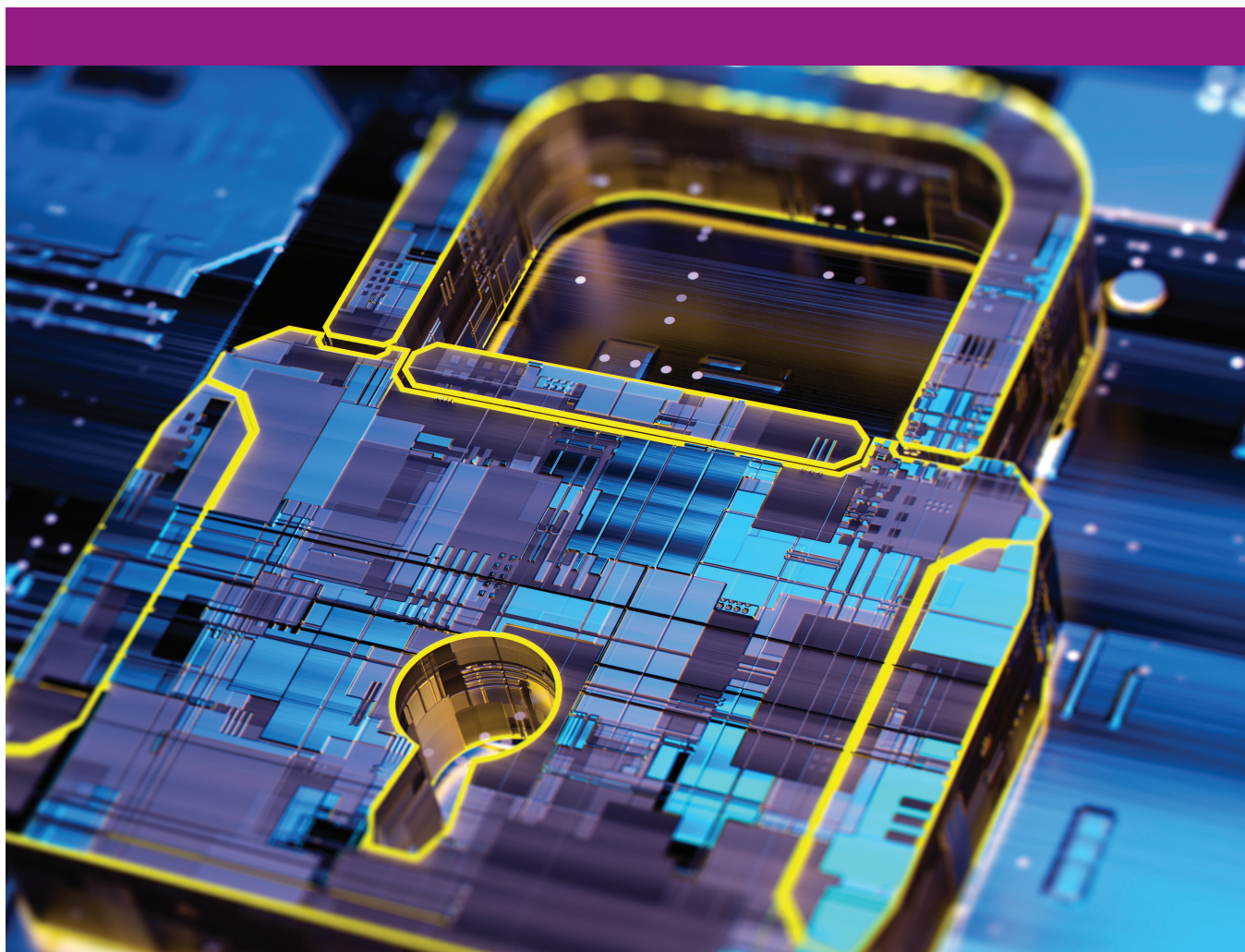
**Government of
South Australia**

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Report of the Auditor-General

Report 1 of 2021

Examination of cyber security: City of Port Adelaide Enfield

Tabled in the House of Assembly and ordered to be published, 2 February 2021

Second Session, Fifty-Fourth Parliament

By authority: S. Smith, Government Printer, South Australia

2021

*The Auditor-General's Department acknowledges and respects
Aboriginal people as the State's first people and nations, and
recognises Aboriginal people as traditional owners and occupants of
South Australian land and waters.*

Auditor-General's
Department

Government of South Australia

Auditor-General's Department

1 February 2021

President   Speaker
Legislative Council   House of Assembly
Parliament House   Parliament House
ADELAIDE SA 5000   ADELAIDE SA 5000

Dear President and Speaker

Report of the Auditor-General:
Report 1 of 2021 *Examination of cyber security: City of Port Adelaide Enfield*

Under section 32(1) of the *Public Finance and Audit Act 1987* (PFAA), I have conducted an examination of the way cyber security is managed by the City of Port Adelaide Enfield.

The objective of the examination was to assess the effectiveness of cyber security management.

I present to each of you my independent assurance report on the findings of the examination.

A copy of this report has also been provided to the City of Port Adelaide Enfield.

Content of the Report

We examined the arrangements established by the City of Port Adelaide Enfield to manage cyber security.

For the period that we examined we concluded that important internal control elements to mitigate cyber security and technology risks within the City of Port Adelaide Enfield were not operating effectively. We do acknowledge that the City of Port Adelaide Enfield has implemented some controls over its core Enterprise resource planning system.

In my opinion, the City of Port Adelaide Enfield has some way to go to achieve ICT security standards that appropriately mitigate the risk of cyber security threats.

The City of Port Adelaide Enfield responded positively to our recommendations and commenced improvement activities during our examination. We also noted that the City of Port Adelaide Enfield maintains:

- a process where new starters are made aware of its ICT policies and some user awareness material is available on the intranet
- frequent security patching of its core Enterprise resource planning system
- a documented disaster recovery plan which also includes details of its backup arrangements
- fundamental security controls over its end user devices, including restricting administration privileges and using antivirus software and advanced endpoint protection.

My responsibilities

Examinations conducted under section 32(1)(a) of the PFAA are assurance engagements that assess whether a publicly funded body is achieving economy, efficiency and effectiveness in its activities. These engagements conclude on the performance of the activities evaluated against identified criteria.

The Auditor-General's roles and responsibilities in undertaking examinations are set out in the PFAA. Section 32(1)(a) of the PFAA empowers me to conduct this examination while section 32(3) deals with the reporting arrangements.

The examination was conducted in line with the Standard on Assurance Engagements ASAE 3500 *Performance Engagements*. We complied with the independence and other relevant ethical requirements for assurance engagements.

Acknowledgements

The audit team for this report was Andrew Corrigan, Tyson Hancock, Brenton Borgman and the Local Government team. They were assisted in the review by Deloitte Risk Advisory Pty Ltd.

We appreciate the cooperation and assistance given by the staff of the City of Port Adelaide Enfield.

Yours sincerely

Andrew Richardson
Auditor-General

Contents

1   Executive summary

1.1   Introduction

South Australia has 68 councils that govern and manage their local areas in line with the *Local Government Act 1999* (LG Act). Each council is primarily accountable to its community for its use of public money and its performance in providing services and carrying out its activities.

Information and communications technology (ICT) systems play an important role in the day-to-day operations of a council and in servicing ratepayers.

Due to the operational and personal nature of the information handled in a council environment, cyber security is an important area of inherent risk that must be managed. Strong cyber security controls are critical to a council delivering on its commitment to protect its community, employees and operations from cyber threats.

Avoiding disruption to operations from security threats such as ransomware, maintaining the integrity of operational ICT systems and protecting personal information and commercial data are vital to the City of Port Adelaide Enfield (the Council) being able to deliver its services securely while also maintaining the public's trust. As the community demands greater connectivity and more personalised interactions, cyber security is no longer just nice to have – it is simply expected.

In this examination we sought to understand the cyber maturity of the Council's ICT environment and to examine whether the Council effectively managed its ICT resources through appropriate internal controls. These controls are needed to mitigate cyber security and technology risks within the Council.

We examined whether the Council had established and adhered to appropriate processes and structures for managing cyber security, including security governance, system security, change management, backup operations and disaster recovery. Our examination also involved a vulnerability assessment of the Council's external facing website and associated webserver(s) which is hosted and managed by the Local Government Association of South Australia (LGA).

Our examination testing was conducted over the December 2019 to March 2020 period.

This Report uses a number of technical terms. Section 9 explains them in more detail.

1.2   Conclusion

For the period that we examined we concluded that important internal control elements to mitigate cyber security and technology risks within the Council were not operating effectively.

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We do acknowledge that the Council has implemented some controls over its core enterprise resource planning (ERP)[1] system.

In my opinion, the Council has some way to go to achieve ICT security standards that appropriately mitigate the risk of cyber security threats.

The Council responded positively to our recommendations and commenced improvement activities during our examination. We also noted that the Council maintains:

- a process where new starters are made aware of its ICT policies and some user awareness material is available on the intranet

- frequent security patching of its core ERP system

- a documented disaster recovery plan which also includes details of its backup arrangements

- fundamental security controls over its end user devices, including restricting administration privileges and using antivirus software and advanced endpoint protection.[2]

1.3   What we found

Our key findings are summarised in figure 1.1 and more details are provided in sections 4 to 8.

Figure 1.1: Key findings

Area	Findings
Security governance (section 4)	• Insufficient coverage of information security related policies, procedures and standards.
	• Gaps in security user awareness training program.
	• Insufficient management of risks and contracts over third party service providers.
	• ICT risk register and reporting does not exist.
	• No ongoing review or assurance over ICT controls.
System security (section 5)	• Weaknesses in password and authentication controls.
	• Weaknesses in privileged access management practices.
	• Insufficient user access reviews.
	• Security updates not regularly installed.
	• Insufficient end user device security.

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[1] The ERP system is used by the Council in the management and integration of its financial, supply chain procurement, accounts payable, budgeting, records management, property and rating, development assessment, health inspections, expiations, receipting, performance planning and reporting, customer service requests, human resources and payroll activities.

[2] The practice of protecting endpoints or entry points of end-user devices (such as desktops and laptops) from being exploited by hackers.

Area	Findings
Change management (section 6)	• Insufficient change management controls.
Backup operations, disaster recovery and incident response (section 7)	• Gaps in backup and ICT disaster recovery arrangements. • Information security incident response plans not established.
Vulnerability assessment (section 8)	• Some unsupported software and some software and operating system security patch levels required updating. • The web application was using vulnerable software libraries and we identified exposures related to the administrative portal. Certain documents within the application required greater security to be applied and some underlying software disclosures needed to be reduced. • Some fundamental security aspects required strengthening so that other potential vulnerabilities are not exploited.

1.4   What we recommended

Our key recommendations are summarised in figure 1.2.

Figure 1.2: Key recommendations

Area	Recommendations
Security governance (section 4)	• Enhance the existing information security related policies and develop a cyber security strategy. • Formalise an introductory and ongoing information security user awareness program. • Formalise a security risk management approach to identify and manage third party service provider risks, with an ongoing security performance review for high risk service providers. • Formalise the ICT risk register with risks periodically reviewed and reported to a governance committee(s) responsible for ICT. • Increase the frequency and scope of periodic security testing and audits with the results documented and tracked in the ICT risk register.
System security (section 5)	• Ensure password controls are applied to all accounts in line with the Council's password policy and strong password practices are encouraged. • Review, at least annually, the password settings configured in Active Directory and apply multi-factor authentication for all users with remote access.

Area	Recommendations
	• Review privileged accounts and ensure activities that require a heightened level of access are conducted using individual privileged accounts.
	• Restrict domain administration accounts from being able to access internet services and implement stronger password controls for privileged accounts.
	• Update the security management policy to ensure it includes user access review requirements for all Council ICT systems.
	• Conduct user access reviews regularly, and at least annually.
	• Apply more rigour to vulnerability management processes and regular patching of all Council systems.
	• Vulnerability assessments should be undertaken periodically to identify any potential missing patches.
	• Develop and implement a policy for securing end user devices and consider implementing a well configured mobile device management solution.
Change management (section 6)	• Develop a change management policy and procedure that is applicable to the Council's ICT environment.
	• Evaluate all changes and patches released by vendors in a separate test environment before releasing them into production. Segregate the duties of the developer, approver and promoter of system changes.
Backup operations, disaster recovery and incident response (section 7)	• Review the disaster recovery plan to ensure it accurately reflects the Council's current recovery arrangements, includes key recovery metrics and expands on its recovery procedures for all key business systems.
	• Ensure the business continuity plan includes identified Maximum Allowable Outage Times for all of the Council's key business systems.
	• Clearly define and implement a formal approach to test backup restorations and disaster recovery plans.
	• Define an information security incident response plan.
Vulnerability assessment (section 8)	• Remediate issues highlighted in our vulnerability testing of the Council's external website environment.

1.5   Response to our recommendations

The Council stated the following:

> *The City of Port Adelaide Enfield welcomes the report from the Auditor-General which will assist Council to further strengthen our existing cyber*

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security controls. Although the Council has implemented a number of effective cyber security controls, the audit identified where Council can improve its cyber security across all systems and strengthen our strategy, policies and procedures.

A key finding in the audit was our risks and controls are not clearly documented within Council's policies, procedures and business continuity plans. As a result of the audit Council will be allocating an additional resource to fully document our cyber security controls and ensure that they are applied across all systems. As a result of the audit Council will develop a strategy which will be based on the maturity levels defined in the Australian Cyber Security Centre's essential eight maturity model.

Council agrees with the audit's recommendations to strengthen end user training and this aligns with Council's plans for 2020-21. Human error is often involved in cyber security attacks. Training our staff to understand and avoid common security threats will significantly reduce cyber security risks.

The Auditor-General's report, together with an action plan developed by the Administration has been presented to and reviewed by Council's Audit Committee and the Council. Council has endorsed the action plan to address the findings within the audit.

Council is committed to continual improvement of cyber security controls to mitigate the risk of damage to Council's information systems and operations and will implement the improvements using a risk based approach.

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2   Background

2.1   Cyber security overview

Cyber security is the practice of protecting networks, computer systems and data from unauthorised access or malicious attack.

Councils provide a valuable service to the public through their multiple ICT systems. The Parliament and the public would expect councils to have clear strategies to maintain a reasonable level of security controls for their ICT services, commensurate with a council's assessed risks. Achieving and maintaining appropriate cyber security arrangements is critical to protecting sensitive information, including the public's personal data.

A 2018 report from a global professional services firm[3] indicated that cyber security was a top four risk to the Australian local government sector.

The SA Government maintains its own cyber security framework. It provides SA Government agencies with direction and guidance through an approach for establishing, implementing, maintain and continually improving their cyber security controls. The framework was developed with SA Government agencies to help them implement cyber security measures that are deemed appropriate for their risk profile.[4]

The local government sector does not have any mandatory cyber security arrangements, such as ICT control frameworks or standards. Despite this, individual councils should develop ICT control policies and procedures outlining expected basic controls. We consider that key references and better practice guides for examining the effectiveness of cyber security are:

- the South Australian Cyber Security Framework
- guides developed by the Commonwealth Government's Australian Signals Directorate (ASD).

We acknowledge that some councils relate with each other to get a better understanding of ICT activities, trends and controls. But largely there are opportunities to increase ICT communications across the sector.

South Australian councils, together with the LGA and Regional Local Government Association, should consider their position moving forward regarding cyber security direction and guidance and sector ICT communications.

2.2   Cyber security questionnaire

In July 2019, we wrote to all South Australian councils[5] requesting a response to a high-level

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3   AON 2018, *2018 Risk Report – A focus on Local Government,* <https://www.aon.com.au/australia/local-government/files/risk-report-for-local-government-2018.pdf>, viewed 30 April 2020.

4   Department of the Premier and Cabinet, *Cyber security*, <https://www.dpc.sa.gov.au/responsibilities/protective-security-framework/cyber-security>, viewed 12 March 2020.

5   Except the District Council of Coober Pedy, as we have previously examined ICT arrangements for this council.

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questionnaire about each council's ICT environment and security arrangements. The purpose of this questionnaire was to get a better understanding of ICT arrangements and challenges in the local government sector.

We were pleased by the 100% response rate to our questionnaire.

Council responses, understandably, varied with respect to the level of detail given for each question. We have, accordingly, applied a degree of interpretation. We did not assess the accuracy of their responses and provided no assurance as to the cyber security arrangements across local government or in individual councils as a result of this questionnaire.

In September 2019, we provided a high-level summary of questionnaire responses and our observations to all councils, the LGA and Local Government Risk Services. We encouraged each council's management to discuss the observations in the context of its own ICT cyber security maturity and risk profile.

Questionnaire responses suggested that councils use a broad range of ICT systems. These systems are managed either by each council's internal ICT support team and infrastructure or by engaging external support and hosting arrangements (including hosting in a Cloud environment).

Other observations we made from the questionnaire responses included:

- completing ICT projects on time, within budget and with the required functionality, limited ICT resources and upgrading legacy systems were the top three ICT challenges

- spear phishing, malware and ransomware were the top three cyber security threats

- 40 councils (60% of the total) reported that they had experienced a cyber security threat in the past two years. Of these 40 councils, seven (10% of the total) reported that they had experienced a cyber security incident in the past two years

- 25 councils (37% of the total) were still developing or did not have a formal ICT risk register

- 13 councils (20% of the total) were still developing or did not have a formal risk treatment plan

- ICT operational and support resources, improving ICT security controls, documenting policies and procedures and upgrading legacy systems/hardware were nominated as the top areas of focus if extra funding was provided to council ICT budgets

- 20 councils (30% of the total) had not either conducted an independent ICT security assessment in the last two years or made any plans to do so.

Responses to our questionnaire did generally indicate that the local government sector was proactively working towards performing independent ICT security assessments. 47 councils (70% of the total) had either planned, started or had an independent ICT security assessment.

The questionnaire responses also indicated that many councils had participated in a voluntary risk mitigation program run by the LGA. This involved assessing a council's ICT

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vulnerabilities against the Essential Eight[6] and/or conducting penetration testing through an independent security vendor.

2.3   City of Port Adelaide Enfield

2.3.1 Overview

The Council area covers over 94 km^2 with a population of around 126 000 people. The area is located across the inner north and north-western suburbs of Adelaide and extends from the River Torrens to Outer Harbor. It is one of the largest metropolitan councils in South Australia and was established in 1996 by the amalgamation of the City of Port Adelaide and the City of Enfield.

The Council provides a diverse range of community services. These include:

- parks and reserves, sports facilities, venues and halls
- coast and marine management
- library, information and children's services
- bus services and other support programs
- roads, footpaths, street trees, street lighting
- stormwater drainage and flooding
- rubbish collection and disposal.

The Council is also responsible for a range of administrative services, such as town and building planning and development, some public health services, rates administration, human resources, governance and preparation of strategic plans, records management and dog, cat and horse management.

2.3.2 Council challenges

In conducting this examination, the Council wanted to highlight various challenges and competing priorities that it experiences in its daily operations. These can impact the available resources and funding the Council can apply to managing its ICT environment.

In particular, the Council stated that it manages a large and diverse geographical area that has a range of internal and external challenges.

When compared to Greater Adelaide, the Council advised that its region has a higher proportion of low-income households, which requires it to deliver specific services and

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[6]   In August 2017 the Commonwealth Government, through the Australian Cyber Security Centre, developed a strategy to mitigate potential cyber security incidents. While no single mitigation strategy guarantees the prevention of cyber security incidents, entities were encouraged to implement eight essential mitigation strategies as a baseline. This baseline, known as the 'Essential Eight, reduces the opportunity for adversaries to compromise systems and inappropriately gain access to data.

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programs that help strengthen community resilience. The Council is also currently seeking to stimulate the local economy and provide hardship support due to the impacts of the COVID-19 pandemic.

The region is home to unique natural environments including large constructed tidal wetlands, nature reserves, dolphin and bird sanctuaries, coastal beaches, extensive mangrove and samphire areas and freshwater rivers and creeks. The Council's preservation of its cultural environment is challenged by the impacts of climate change, heatwaves, coastal erosion and inundation and flooding.

The area also has a significant amount of strategic economic infrastructure, including port facilities, industrial land, commercial and retail areas and tourism assets. The Council advised us that it continues to support the economic growth of defence related industries by helping to secure local job opportunities.

In addition, due to changes to the waste management market, the Council advised us that it was collaborating with another council to construct a waste material recovery facility.

The SA Government is undertaking significant legislative reform in its planning system, which the Council considers will impact its urban development, heritage and environmental protection activities. The SA Government is also undertaking local government reform that aims to strengthen transparency and accountability, drive efficiency and deliver good governance.

2.3.3 Budget

The Council reported an operating surplus of $4.4 million in its 2018-19 audited financial statements. This was up from a surplus of $2.7 million in 2017-18.

Figures 2.1 and 2.2 show the Council's sources of income and expenditure incurred to deliver services to its local community in the past two financial years.[7]

Figure 2.1: Sources of income and expenditure incurred in 2018-19

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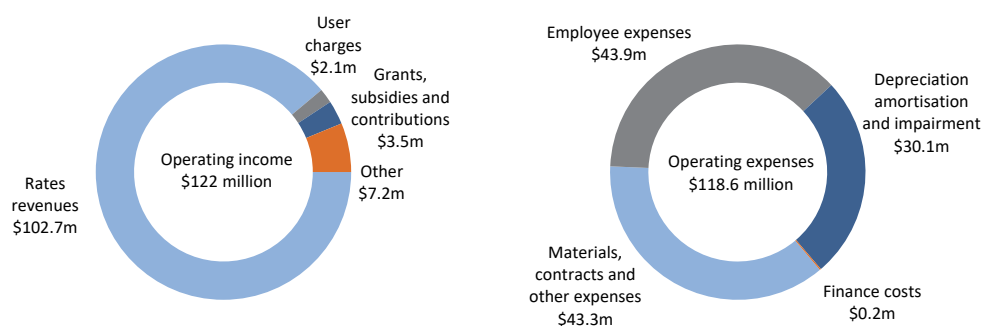
[7]   Data sourced from the Council's audited financial statements for the years ended 30 June 2018 and 2019.

Figure 2: Sources of income and expenditure incurred in 2017-18

Left chart — Operating income $118 million:
- User charges $2m
- Grants, subsidies and contributions $10.1m
- Other $7.8m
- Rates revenues $98m

Right chart — Operating expenses $115.2 million:
- Employee expenses $42.8m
- Depreciation amortisation and impairment $30.9m
- Finance costs $0.3m
- Materials, contracts and other expenses $41.2m
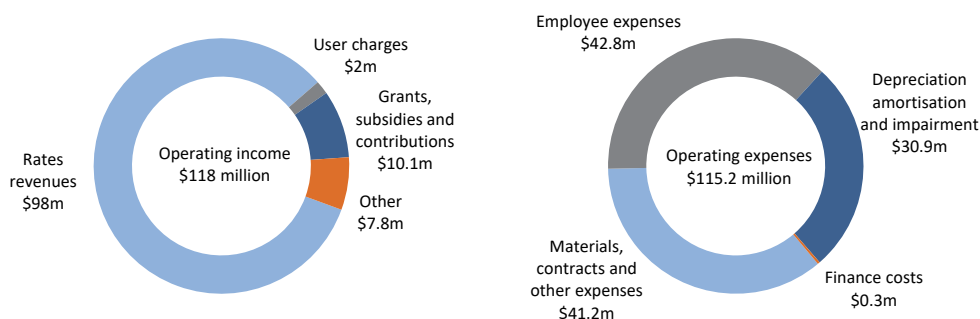
The Council's ICT spend for 2018-19 was $3.1 million which was down from $3.2 million in 2017-18.

In 2019-20, the Council allocated $3.99 million to ICT, split between operating expenditure ($3.44 million) and capital expenditure ($544 000).

These ICT spend amounts include wages and on-costs, software licences and upgrades, leases, internet and data costs, backup equipment and media, purchase of equipment and depreciation.

2.3.4   Information and communications technology

The Council has approximately 465 staff for its general operations, of which the Information Technology (IT) team has 16 members. The Corporate Information Manager leads this team and has primary responsibility for information security management. This includes providing the community with the ability to interact with the Council electronically.[8]

The IT team performs a range of critical functions to provide support, management and control of multiple computer systems (ICT applications and hardware) used by various Council departments. These functions include maintaining and upgrading the Council's website, software applications, information databases and hardware.

Several ICT specific projects are currently in progress or completed, including a backup system refresh, implementing computer system monitoring alarms, a server and storage refresh, conversion of an internet content management system, replacing the email and web scanning service, replacing Council workstations including those used by the public in libraries, and upgrading a major line of business software system.[9]

In response to our 2019 questionnaire (discussed in section 2.2), the Council indicated that most of its key ICT systems are supported by external vendors while being hosted internally. The Council also said that it continues to work on several ICT areas that are posing a challenge operationally.

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[8]   Refer to City of Port Adelaide Enfield Annual Report 2018-19.
[9]   Refer to Port Adelaide Enfield Council Annual Business Plan and Budget 2019-20.

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2.3.5   Relevant law and guidance

South Australian councils are established and governed by the LG Act.

A key internal control relates to how councils secure their ICT infrastructure and associated data. Section 125 of the LG Act states that:

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

There are no specific legislative requirements or current sector-wide guidance on how ICT controls should be applied. Councils are individually elected bodies, responsible and accountable for making their own decisions within the LG Act framework. Consequently, it is important that individual councils have their own policies, practices and procedures to implement adequate ICT controls to suit their environment and risk profile.

As mentioned in section 2.1, in the absence of specific legislative requirements or current sector-wide guidance within local government, we have used the South Australian Cyber Security Framework and ASD guides as references for our examination.

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3   Audit mandate, objective and scope

3.1   Our mandate

The Auditor-General conducted this examination under section 32(1)(a) of *Public Finance and Audit Act 1987* (the PFAA). This section allows the Auditor-General to examine the accounts of a publicly funded body and the efficiency, economy and effectiveness of its activities.

The PFAA provides for the examination of the degree of efficiency, economy and effectiveness with which public resources are used. Public resources include public money, assets, facilities and staff labour.

The Council is a publicly funded body under section 4 of the PFAA, which defines such a body to include a council constituted under the LG Act.

3.2   Our objective

Our objective was to examine whether the Council effectively managed its ICT resources through appropriate internal controls established to mitigate cyber security and technology risks within the Council. This included the protection of ratepayer data on these systems.

3.3   What we examined and how

We sought to understand the cyber maturity of the Council's ICT environment, and proposed remediation recommendations where we identified opportunities for improvement in controls.

We examined whether the Council established and adhered to what we considered to be appropriate structures (refer to section 2.1) for managing cyber security, including:

- **Security governance** – policies, procedures and standards; contract management; risk management; ICT steering committee; auditing and compliance

- **System security** – password and account settings; system access; user account management; audit logging and monitoring; patch management; physical security; network segmentation; end user device security

- **Change management** – secure systems life cycle; change management repository; environment segregation

- **Backup operations and disaster recovery**.

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Our examination also involved a vulnerability assessment of the Council's external facing website and associated webserver(s). This testing included areas such as detecting default configurations, general security controls such as patching and user access management, and controls to protect against malicious user input.

Our testing covered the period from December 2019 to March 2020.

3.4   What we did not examine

As part of our external website vulnerability assessment we did not conduct a denial of service test. This tests the resilience of the network by attempting to see if a hacker could overload the Council's website with superficial requests to prevent legitimate requests from being processed.

4   Security governance

4.1   Detailed findings

4.1.1   Insufficient coverage of information security related policies, procedures and strategy

Recommendation

The Council should enhance its existing information security policies to address the missing control aspects.

The Council should also develop a cyber security strategy that has a clear action plan to track and mitigate its cyber risks.

Finding

The Council has several information security and risk management policies, including:

- an ICT systems security policy
- a business continuity plan
- a risk management policy and procedure
- an ICT disaster recovery plan.

The Council also has a manual that clearly defines the roles and responsibilities for managing its different application systems.

Despite this, we noted that there were no policies and procedures that adequately covered the following areas of information security control:

- details of the patch management process and scheduling

- change management

- incident management to address cyber security events such as phishing, unauthorised access or virus/malware

- third party ICT security risk management prior to procurement and throughout the contract life cycle

- requirements for auditing and monitoring security events

- security controls/requirements to reduce vulnerabilities

- testing of security controls to ensure they are operating effectively.

We also noted that there was no information security strategy or roadmap that defined the Council's capabilities, direction and cyber security priorities.

Why this is important

Without established policies or strategies there is a high reliance on the experience and skills of key personnel for the implementation and management of cyber security controls. This

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could result in the Council's cyber security risks, business objectives and security controls being misaligned.

Policies also help to establish a clear direction on how information security should be consistently managed within the Council. They should assign accountability and responsibility for information security.

Having an information security strategy ensures that the Council's ICT objectives and direction are clearly established to guide information security improvement initiatives and performance management. An information security strategy helps ensure that the Council's objectives and direction are clearly documented to guide information security improvement initiatives and performance management. It also helps ICT controls to be consistently applied with the desired level of protection.

Council response

The Council advised us that management will review the existing ICT systems security policy to incorporate the additional controls we identified in our review.

The Council also advised us that management will develop and adopt a cyber security strategy. It will be based on the maturity levels defined in the Australian Cyber Security Centre's Essential Eight maturity model.

4.1.2 Gaps in security user awareness training program

Recommendation

The Council should formalise an introductory and ongoing information security user awareness training program that covers cyber security threats and protective techniques for all employees. It should include a balance of both personal and organisational cyber security considerations.

Training participation by employees should be formally tracked.

Finding

Cyber security videos produced by Local Government Risk Services (LGRS)[10] are made available on the intranet for all Council employees to help build cyber awareness. In addition, a phishing email awareness quiz was conducted in mid-2019 to raise the awareness of all Council employees about detecting and responding to phishing emails.

The Council advised us that its new starters are required to sign its ICT systems security policy before being provided with their account login details. This policy defines certain controls the Council has implemented to manage security risks.

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[10] Refer to <https://lgrs.com.au/>.

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Despite this, the Council does not have a formal information security user awareness training program for new and existing employees.

Why this is important

While society's data dependency continues to rise, so do cyber incidents. Attacks are becoming more sophisticated and data breaches across all industries are more frequent. User credentials are often targeted by attackers as a key point of vulnerability.

Educating employees is widely considered to be one of the most important and effective elements of a cyber security control strategy. It is important that the Council's cyber security awareness efforts continue and improve to ensure all employees are aware of their responsibilities and how to protect themselves and the Council from cyber threats.

Council response

The Council advised us that training was occurring but could be strengthened to deliver a more comprehensive program. Plans are underway to develop and deliver a security awareness program to further develop staff awareness and skills in cyber security.

The Council also advised us that records of completed cyber security training will be held in its human resource management system.

4.1.3 Insufficient management of risks and contracts over third party service providers

Recommendation

The Council should formalise a security risk management approach to identify and manage third party service provider risks. The approach should include how security requirements are to be addressed and communicated in line with contractual terms. In addition, for high risk service providers, the Council should consider an ongoing review of their security risk management performance.

Finding

The Council has a procurement procedure that requires procurement plans and risk assessments to be done.

The Council has contracts with its ICT vendors and service providers that contain defined roles and responsibilities and performance management processes. In addition, Council policy requires the IT team's approval before starting an ICT procurement process.

Despite this, the Council could not provide any evidence that formal cyber risk assessments were conducted or documented prior to procuring third party services.

There was also no formal approach established to identify, manage and monitor security risks associated with third party service providers over the life of the contract.

Why this is important

If the Council allows third party service providers and contractors to access its systems or hold its data, the exposure to potential cyber threats is likely to increase. Numerous industry studies of cyber incidents suggest that third parties are one of the main paths exploited by attackers to compromise business networks.

Controlling third party security risks is critical to reducing the likelihood of new security threats being introduced to the Council and to ensuring that services are provided in line with the Council's risk appetite.

Council response

The Council advised us that risk assessments of third party suppliers do occur however this will be strengthened in its procurement procedures. The procedures will be updated to include a cyber risk assessment and cyber security controls questionnaire in the requirements for assessing and evaluating third party service providers.

4.1.4 ICT risk register and reporting does not exist

Recommendation

The Council should formalise its ICT risk register to adequately capture and rate cyber risks. This should include clearly defining ownership and treatment plans for all risks. Risks should be periodically reviewed and reported to a governance committee responsible for ICT.

Finding

The Council maintains a strategic risk register which identifies a few ICT related risks. The risks are captured at a governance level with no assigned technical control owners.

There is no specific ICT risk register to capture and track ICT risks or instances of non-compliance with information security policy requirements, and the related treatment plans.

The monthly strategic meetings held by the IT operations team do not include any regular discussions or checks on cyber security performance or the mitigation of ICT risks.

Why this is important

Without formal processes to capture and report information security risks, Council management's ability to understand, prioritise and allocate responsibilities for risk mitigation is reduced. This can lead to information security risks not being adequately addressed, increasing the likelihood or severity of security incidents. It also reduces the Council's ability to effectively demonstrate that it has reduced its ICT risks over time.

Council response

The Council advised us that management will incorporate a specific ICT risk section in its

operational risk framework. This is to allow for the inherent and residual risk to be evaluated and also the target risk to be set.

4.1.5   No ongoing review or assurance over ICT controls

Recommendation

The Council should increase the frequency and scope of its periodic security testing and audits to evaluate the entire information security control environment. This should include penetration testing of internet facing services, asset vulnerability assessments and security control audits.

The results of these activities should be documented and tracked in the ICT risk register and reported to the governance committee for ICT.

Finding

The Council conducted an ICT security review and health check in April and May 2016. This included a governance review, application security testing and a social engineering exercise. In May 2019 the Council completed a further independent ICT review in collaboration with two other metropolitan councils, which included a high-level cyber security review.

Annually the Council's internal audit, together with associated control owners, conduct a self-assessment of five finance related ICT controls. Despite these assurance activities for the core financial application, the Council does not conduct any periodic testing or assurance reviews of its overall information security control environment.

Why this is important

Security testing and audits help to identify potential security weaknesses that could be exploited by malware or attackers. They can also be used to evaluate the effectiveness of cyber security capabilities against different threat scenarios.

Council response

The Council advised us that security testing does occur but that there is no overarching plan to coordinate the testing and increase its frequency. Management will develop a plan for security testing (based on a risk assessment) over a number of years.

The Council also advised us that the Executive Leadership Team will oversee the effectiveness of ICT controls.

5   System security

5.1   Detailed findings

5.1.1 Weaknesses in password and authentication controls

Recommendation

The Council should ensure that password controls are applied to all user accounts in line with its password policy. Accounts should have passwords that are set to expire (maximum password age of 90 days), password complexity should be enabled within Active Directory and users should be requested to change their password on first login.

Strong password practices should be encouraged as part of the Council's ongoing information security user awareness program (refer to finding 4.1.2).

At least annually, the password settings configured in Active Directory should be reviewed to ensure they reflect the settings specified in the Council's ICT security policy.

Multi-factor authentication should be implemented for all users with remote access to the Council's network or other internet facing services.

Finding

We found that all elected Council members (email access only) and two employees had never expiring passwords in Active Directory. One of the employee accounts had administrator privileges. The Council advised us that there was an issue with the two employee accounts that was being diagnosed.

In addition, Active Directory passwords for new users and resets for existing users are generated and issued by the IT team. The Council advised us that users must change their password at first login, but this requirement is not documented in any policy or procedure.

We also conducted a password cracking exercise and were able to compromise 401 weak passwords across the Council within a short period of time. This was potentially due to a combination of:

- the Council's decision not to enable password complexity within Active Directory
- users not being aware of the importance of creating strong passwords, despite the advice provided in the Council's ICT security policy.

Further, multi-factor authentication is only enabled for selected members of the IT team and is not applied to all Council employees who access its systems remotely.

Why this is important

Passwords are often the only line of defence for an ICT environment. A lack of appropriate password controls weakens the Council's overall security posture. It increases the risk of

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accounts being compromised and of unauthorised access to its systems, potentially resulting in data loss and access to sensitive information.

Strong password rules should be enforced to improve the uniqueness of passwords, which should include a mix of character types. Users should create passwords that are difficult for an attacker to compromise (ie not commonly used or easily identifiable information such as a family member's name, birthday or a pet's name).

In addition, there is an increased risk of unauthorised access if first-time passwords are not changed and internet facing services or remote access connections are not secured with multi-factor authentication. Both risks have the potential to result in data loss and access to sensitive information.

Council response

The Council advised us that:

- all user passwords have been reviewed since our audit and now align with its password controls

- management will revise the ICT security management policy and include appropriate password controls in the security awareness training

- monthly reports are now being generated to identify non-compliance with the Active Directory settings. The requirement to review this is to be included in the ICT system security procedures

- management is supportive and will implement the recommendation for multi-factor authentication for all users with remote access to the Council's network or other internet facing services.

5.1.2 Weaknesses in privileged access management practices

Recommendation

The Council should consider the following control improvements:

- review privileged user accounts across Active Directory, databases, applications and cloud services to identify accounts that should be removed, or that should have reduced privileges. Implement an ongoing periodic review process

- conduct activities that require a heightened level of access using individual privileged accounts, which are separate to the user's standard account

- where shared accounts are required, explore options to improve the governance and monitoring of their use. This includes using a password manager and establishing audit logging

- restrict domain administration accounts from being able to access internet services

- implement stronger password controls for privileged user accounts, which includes longer and stricter passwords (such as non-dictionary words) and ensuring they are changed every 30 to 90 days.

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Finding

Our testing of Active Directory privileged users identified 40 accounts and eight groups with domain level administrator privileges. A review of privileged access management practices identified the following weaknesses:

- 32 of the 40 accounts with domain level administrator privileges were either identified by the Council as inappropriate or the Council was not aware of their purpose

- employees performing privileged activities on Council servers either shared credentials or used their everyday user account instead of a unique individual administrative account

- shared privileged account passwords were not stored in a secure password manager

- stronger password controls were not applied to privileged accounts (shared accounts or everyday user accounts with elevated privileges)

- there was no logging and monitoring of individual or shared privileged account user activities

- there were no periodic user access reviews to confirm the appropriateness of privileged accounts.

Why this is important

Failing to adequately control privileged user accounts that have access to the Council's ICT environment reduces the Council's security posture. The credentials of privileged accounts which includes the ability to make system changes and access sensitive data, potentially increases the severity of any compromise. The use of generic/shared accounts reduces individual accountability and the traceability of actions performed through these accounts.

The absence of audit logs or periodic active monitoring and review of those logs reduces the likelihood of unauthorised or inappropriate access or system changes being identified promptly. It also compromises the ability to conduct forensic or root cause analysis of security incidents, if required.

In addition, not regularly and thoroughly reviewing privileged accounts increases the risk of inappropriate or unauthorised access to Council systems. This could compromise the confidentiality, integrity or availability of sensitive information.

Council response

The Council advised us that:

- management will review and update its ICT system security procedures to reflect the requirement for a regular review

- management agrees with the recommendation that activities that require a heightened level of access should be conducted using individual privileged accounts, which are separate to the user's standard account. The Council is reviewing how best to implement this recommendation

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- management agrees and will implement the recommendation that where shared accounts are required, options should be explored to improve the governance and monitoring of their use. This includes using a password manager and establishing audit logging

- management will review the recommendation to restrict domain administration accounts from being able to access internet services, and will assess the risk and the most effective controls.

5.1.3   Insufficient user access reviews

Recommendation

The Council should update its ICT system security management policy to ensure it includes user access review requirements for all ICT systems. User access controls should be established for roles and profiles to enable efficient verification by business unit managers.

User access reviews should be conducted regularly by all business units (at least annually). The Council should ensure that access and associated permissions are appropriately assigned for all users, particularly focusing on high risk functions. Any obsolete access identified should be promptly removed.

Finding

We found that periodic user access reviews were not conducted for all Council ICT systems to confirm the appropriateness of all current user accounts and associated privileges at the application, operating system and database level.

The Council's ICT system security management policy requires user access reviews to be performed for:

- its budgeting system
- the receipting roles and functions of its property and rating system
- delegate access to functions in the accounts payable and accounts receivable systems.

The Council could not provide us with any evidence that these reviews were conducted.

We did note that a user access review was conducted for its core ERP system in February 2020.

Why this is important

Not regularly and thoroughly reviewing user access increases the risk of users retaining inappropriate access to systems and potentially performing unauthorised activities. This could compromise the confidentiality, integrity or availability of sensitive information.

Council response

The Council advised us that management already reviews user access to core enterprise systems where these risks are high. Management will undertake risk assessments for the

remaining systems to determine if a user access review is warranted. For those systems that warrant the review, the Council will develop procedures and implement methods to undertake the review.

The Council also advised us that based on the risk assessments it will schedule the user access reviews and train business units on the method to be used.

5.1.4   Security updates not regularly installed

Recommendation

The Council should apply more rigour to its vulnerability management processes by formalising an established patch management policy and procedure. It should include:

- regular patching of all Council applications, databases and infrastructure

- a process to ensure that high priority security updates are identified, evaluated and implemented within an appropriate time frame after release

- the requirement to document the rationale for deciding not to install a patch.

The Council should also review the results of the vulnerability assessment we performed in this examination (refer to section 8) and ensure that missing patches are tested and remediated. Consideration should be given to either upgrading or replacing unsupported software and underlying operating systems.

Vulnerability assessments should be undertaken periodically to identify any missing patches in system software and applications.

Finding

The Council advised us that its patching processes are often driven by external factors, including vendor time frames and other dependencies. We found that frequent security updates and patches are applied to the Council's enterprise resource planning (ERP) suite.

Despite this, we identified the following weaknesses in the Council's vulnerability patching of its systems:

- The Council did not have a vulnerability and patch management policy and procedure.

- Microsoft Windows server patches were not consistently installed on Council systems, outside of the ERP suite.

- Our vulnerability assessment scans revealed numerous unsupported software applications and operating systems installed within the environment.

Why this is important

Software patches released by vendors often remediate known security vulnerabilities. These vulnerabilities are common targets for attackers seeking to compromise the Council's systems and data. Unreliable system patching also increases the risk of ransomware attacks.

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Further, a lack of vendor support implies that no new security patches will be released for those products, and vendors are unlikely to investigate, acknowledge or address new vulnerabilities that may be reported. This provides attackers with widely known and tested system points of entry.

Without a well documented patching and vulnerability management process that is consistently applied to Council ICT systems, there is a risk that vulnerabilities will not be identified and remediated promptly and efficiently.

Council response

The Council advised us that:

- management will develop and implement a patch management policy

- management will review the vulnerability assessment scans using a risk based approach and take action as required

- management agrees with the recommendation to periodically perform vulnerability assessments to identify any missing patches in system software and applications and will update its ICT system security procedures to reflect the assessment procedures.

5.1.5 Insufficient end user device security

Recommendation

The Council should develop and implement a policy that defines an approach to securing end user devices. Workstations, servers, databases and network devices should be subject to security controls, in line with industry standards (such as the Centre for Internet Security standards[11]).

Further, a well configured mobile device management solution should be installed and configured on all mobile devices that can access Council systems or data, to reduce the likelihood of data leakages associated with mobile devices.

Finding

Council user workstations and laptops (end user devices) are protected by some foundational security controls, including restricting administration privileges and the use of antivirus software.

Despite this, we noted that more advanced endpoint protection techniques have not been implemented to further reduce the ability of malicious software to execute. For example:

- the Council uses System Centre Configuration Manager to prevent standard users from installing applications, but does not use application whitelisting to prevent applications from executing

- the Council does not have a mobile device management solution, after it stopped using one in 2018.

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[11] Refer to <https://www.cisecurity.org/>, viewed 27 April 2020.

We also noted that the Council does not have a formal policy for end user device security.

Why this is important

User workstations and laptops are often involved in the first stage of a cyber attack. While restricting administrative privileges stops some software from executing, some applications and malware do not require administrative privileges, so increased protection is required.

Application whitelisting is a technique recommended in the Australian Signals Directorate's Essential Eight controls. It prevents unauthorised or malicious software (including many forms of ransomware) executing on a workstation or server.

Without an established and robust approach to security hardening, there is a risk that devices or systems (such as workstations, servers and network devices) are not properly secured. They may be exploited by attackers to gain unauthorised access to Council information and systems or to cause disruption, through methods like ransomware.

A well configured mobile device management solution is key to enforcing mobile security requirements and device security controls. It reduces the risk of data leakages associated with mobile devices.

Council response

The Council advised us that a policy defining an approach to securing end user devices will be incorporated into its cyber security strategy. This will be based on the maturity levels defined in the Australian Cyber Security Centre's Essential Eight maturity model.

The Council also advised us that management will conduct a procurement process to assess mobile device management solutions and implement the preferred option.

6   Change management

6.1   Detailed findings

6.1.1   Insufficient change management controls

Recommendation

The Council should develop a change management policy and procedure that suits its ICT environment. The procedure should be formally endorsed by management and agreed by both business units (including vendors) and the IT team. It should also include how security risks will be addressed in any system acquisition and implementation.

In addition, all changes and patches released by vendors should be evaluated in a separate test environment prior to being promoted into production. Evidence of this assessment and of the system owner's approval to release should be documented and tracked in a centralised change management repository. Segregation of duties should be applied between the developer, approver and promoter of system changes.

Finding

We sought information about the Council's change management environment. We noted that the Council has a manual that includes some change management roles and responsibilities.

Despite this, we noted the following shortfalls:

- The Council did not have formalised change management policies and procedures to control changes applied to its ICT environment. This included its approach to security risk assessments, system testing, backout plans and formal approval prior to promoting changes to the production environment.

- There was no central repository to record all approved system changes.

- There was no consistent change management approach applied to Council systems outside of its core ERP suite. The Council considers that the risk is reduced as the other systems are not key business systems.

- There was no separate environment available to test system changes and patches applied to the Council's Active Directory and Microsoft Exchange before they were implemented in the production environment. Changes were instead applied directly into production. We note that the Council does maintain several Active Directory domain controllers for redundancy.

We also noted that security requirements to be addressed as part of system acquisition and implementation (secure system life cycle) were not established.

Why this is important

Governance and control over changes to systems are critical to ensuring consistency in

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change management across all ICT systems and that changes are effective and in line with the Council's expectations.

Not having a robust change management process, including documentation of testing and approval, increases the risk of unauthorised or potentially defective changes being made to the production environment. There is also an increased risk that new systems or services will introduce security vulnerabilities into the ICT environment.

Council response

The Council advised us that management will develop a change management policy and procedure. The procedure will incorporate the use of the service desk change management tools.

The Council also advised us that management already has a separate test environment for core enterprise systems where the risks are high. Management will conduct risk assessments for the remaining systems to determine if further test environments are warranted.

7 Backup operations, disaster recovery and incident response

7.1 Detailed findings

7.1.1 Gaps in backup and ICT disaster recovery arrangements

Recommendation

The Council should review its disaster recovery plan to ensure it accurately reflects its current recovery arrangements and includes key recovery metrics. It should also expand its recovery procedures for all key business systems, including details about how to recover or switch business processes to a standby system in the disaster recovery site if required. Procedures should cover applications as well as supporting infrastructure, databases and networks.

The Council should also ensure its business continuity plan (BCP) includes identified maximum allowable outage (MOA) times[12] for all of its key business systems.

The Council should clearly define and implement a formal approach to test backup restorations and ICT disaster recovery plans. This testing should be conducted regularly.

Finding

The Council has a BCP that was last updated in October 2018. It includes MOA times for some of its business systems.

The Council also has an ICT disaster recovery plan that was last reviewed in January 2019, which is intended to provide an approach to addressing the failure/loss of any ICT system. The plan involves transferring operations of its production environment to its secondary site. The Council advised us that in the event of a disaster or system failure, there are several detailed processes that need to be completed for the Council to continue its operations from the secondary site.

We noted that the disaster recovery plan only contains some high-level recovery procedures and does not include the following:

- Recovery Time Objectives (RTOs) – the length of time it will take to restore a key business system after a failure or disaster occurs

- Recovery Point Objectives (RPOs) – the amount of data that could potentially be lost during a disaster

- detailed procedures to recover in the event of a disaster or system failure.

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[12] MOA is the maximum length of time that can elapse before a business process outage is considered unacceptable or intolerable.

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The Council conducted a failover test in December 2019 but it had not tested whether all major components of the disaster recovery plan could be completed within any RTOs and RPOs (not identified) and the MOA times documented in the BCP. In addition, there is no periodic testing scheduled.

For backups, we noted that the disaster recovery plan contains detailed backup scope, schedules, frequency, retention and testing requirements. The Council advised us that in 2019-20 it conducted a major upgrade of its Storage Area Network which included restructuring its backup and restore processes.

The Council's backup processes were tested on initial implementation and some ad hoc restores are conducted as part of business-as-usual operations. Despite this, the Council does not conduct scheduled backup restoration testing.

Why this is important

Where detailed recovery procedures do not exist for all key business systems, there is a risk that they cannot be recovered within agreed recovery objectives in the event of a disaster or system failure. There is also a greater risk of knowledge loss if key IT staff leave the Council.

Without conducting regular backup and disaster recovery testing, the Council has insufficient assurance of its ability to restore systems and data in the event of a disaster, system failure or data loss (for example, as a result of a ransomware security incident).

Council response

The Council advised us that management will review and update the disaster recovery plan to include recovery metrics and procedures.

The Council also advised us that management will develop a test plan and schedule, and will include this in the disaster recovery plan.

7.1.2 Information security incident response plans not established

Recommendation

The Council should establish an information security incident response plan. This plan should include the technical procedures and activities needed to respond to common cyber incident scenarios and security threats.

Finding

Information security incident response plans to key scenarios and security threats have not been established.

Why this is important

Without an established, understood and tested cyber incident response plan, there is a risk

that the Council may not be able to activate a quick and appropriate response to a cyber event or information security incident.

Employee confusion or a lack of clarity in the actions required during a security incident can result in a delayed or ineffective response. This may cause an incident to have a prolonged negative impact on business operations, including the costs and resources needed to respond.

Clearly defined roles and responsibilities, and robust processes for when to engage third parties during an incident and how to deal with an incident after hours, are essential to responding to and recovering from cyber security incidents as quickly as possible. It is also important to define a robust operating model to support the detection of, response to and recovery from cyber security incidents without single points of failure introduced through key person risk.

Incident response plans should be tested to assess the Council's preparedness and response capabilities.

Council response

The Council advised us that cyber attacks are covered in general terms in its BCPs.

The Council advised us that it has an ICT disaster recovery plan and a cyber security incident response plan, which it will incorporate into its BCP.

8   Vulnerability assessment results

We conducted some vulnerability testing of the Council's external website environment.

We identified and raised several concerns with the Council for remediation. This included some unsupported software versions running on different types of platforms and some software and operating system security patch levels that needed updating.

The web application was using vulnerable software libraries and we identified exposures related to the administrative portal. Some underlying software disclosures needed to be reduced, and documents created and hosted by the Council required greater security to be applied. These documents could contain information that could be used by an attacker.

Further, some fundamental security aspects also required strengthening so that other potential vulnerabilities were not exploited.

9   Explanation of terms used in this report

Term	Description
Application whitelisting	specifies a list of approved software applications or executable files that are permitted to be present and active on a computer system
Audit log management	audit logging and monitoring of the ICT environment involves recording and analysing system and user activities to detect and respond to unusual events within the ICT system
Backup management	refers to the process of managing the copying of computer data to an archive file. This copy can then be used to restore the original data in the event of data corruption or a data loss event
Change management	is a systematic and standardised approach to ensuring all changes to the ICT environment are appropriate, authorised and preserve the integrity of the underlying programs and data
Cyber security	is the practice of protecting networks, computer systems and data from unauthorised access or malicious attack
Cyber security incident	a malicious and/or unauthorised system security breach that may impact the confidentiality, integrity or availability of data. This may have a financial and reputational impact to the council
Disaster recovery	a documented process, or set of procedures, to assist in recovering an organisation's ICT infrastructure in the event of a disaster
Legacy system	an outdated application and\or operating system that can no longer receive support and maintenance rather than utilising available upgrades system versions
Malware	malicious software like computer viruses, worms, trojan horses, spyware and scareware
Password management	a common means of verifying a user's identity before access is given to an information system or service according to the user's authorisation
Patch management	the process of updating (acquiring, testing and installing) a set of changes or upgrades to support software, application and technology enhancements and to fix defects and vulnerabilities to an information system
Ransomware	a type of malicious software, designed to deny access to a computer system/data or that threatens to publish the victim's data until a ransom is paid
Risk register	a tool for documenting risks and actions to manage each risk. A risk register is essential to the successful management of risk. As risks are identified they are logged on the register and actions are taken to respond to the risk
Spear phishing	the fraudulent practice of sending emails from a known or trusted sender to obtain sensitive information like usernames, passwords or credit card details

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Term	Description
Treatment plan	outlines how an entity plans to respond to potential risks. Risks are categorised as low, high or acceptable. This helps to identify levels of risk and the degree of attention required when assigning resources to rectify/respond to identified risk
User access management	relates to the process of managing access to applications and data, including how access is approved, revoked and periodically reviewed. This helps to ensure that access is aligned with employee roles and responsibilities and prevents unauthorised access to information systems. It includes appropriately restricting and monitoring privileged access permissions, which have a heightened level of access to alter user access profiles and make system changes

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FINANCIAL AUDIT   27 MAY 2021

Report on Local Government 2020

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of State public sector and local government entities' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on entity compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an entity is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities.

As well as financial and performance audits, the Auditor-General carries out special reviews and compliance engagements.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

In accordance with section 421D of the *Local Government Act 1993*, I present a report titled **'Report on Local Government 2020'**.

Margaret Crawford
Auditor-General
27 May 2021

Cover image: Forbes Town Hall, taken by asiaphoto. Report cover and chapter cover images purchased from iStock.

audit.nsw.gov.au

contents

Report on Local Government 2020

Section one

Report on Local Government 2020

This report analyses the results of our audits of local councils for the year ended 30 June 2020.

At a glance

Audit results	FY19	FY20
Unqualified audit opinions	99%	99%
Qualified audit opinions	1	1
Incomplete audits	2%	0%
Audited financial statements submitted to OLG by statutory deadline	79%	89%
Number of prior year financial statement errors	59	61
Number of current year financial statement errors	407	490

128 local councils

13 joint organisations

9 county councils

2019–20 events

Councils were impacted by recent emergency events, including drought, bushfires, floods and the COVID-19 pandemic.

Councils changed governance, policies, systems and processes to respond to the recent emergency events.

Challenges were experienced adapting IT infrastructure and controls to enable staff to work from home.

Sixty-five per cent of councils updated business continuity plans and 42 per cent updated disaster recovery plans as a response to the recent emergency events.

Over half a billion dollars of stimulus funding was committed to councils to manage the impacts of COVID-19.

Councils supported their communities through the recent events by providing emergency funding and grants.

At a glance

Internal controls and governance findings

Summary

	2019		2020
Findings raised	1,985	⬇	1,435
Extreme risk	0	⬆	1
High risk	82	⬇	53
Moderate risk	1,323	⬇	951
Low risk	580	⬇	430

Extreme and high risk findings

Extreme risk finding
One extreme risk finding reported at Central Coast Council relating to the spending of restricted funds for unrestricted purposes, without appropriate approval under the *Local Government Act 1993*.

High risk findings
The highest number of high risk findings related to information technology, asset management and financial reporting.

Common findings

Policies and procedures
110 councils have missing or outdated key policies and procedures.

Information technology
Privileged users' activity not properly monitored at 68 councils.

Fixed assets registers
Fixed asset registers were incomplete or inaccurate at 64 councils.

Fixed asset revaluations
Key inputs for asset revaluations and management review should be better documented at 63 councils.

Cyber security
Lack of appropriate cyber security controls at 58 councils.

Reconciliations
Key account reconciliations were not prepared or reviewed at 55 councils.

Data management
Changes to key data (e.g. employee and creditor details) in IT systems were not reviewed at 53 councils.

New accounting standards
Incorrect or incomplete impact assessment of new accounting standards at 47 councils.

Procurement practices
35 councils have breaches of financial delegations or insufficient segregation of duties in procurement processes.

Financial statement preparation
Poor quality or late submission of financial statements at 31 councils.

Introduction

Suburban Sydney, New South Wales
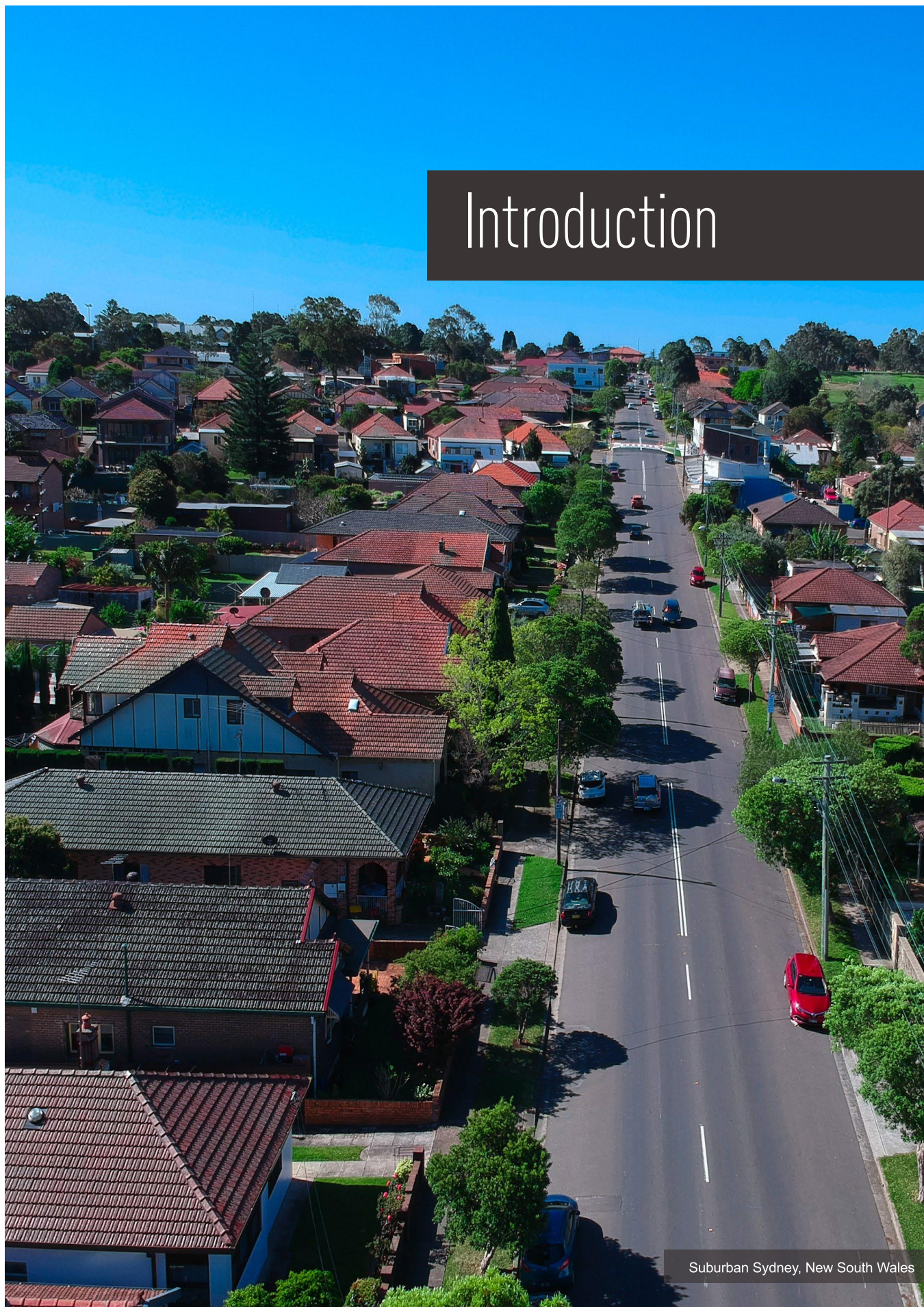
1. Introduction

1.1   The local government sector

Local government is the third tier of government. It is established under state legislation, which defines the powers and geographical areas each council is responsible for.

At 30 June 2020, there were 128 local councils, nine county councils and 13 joint organisations in New South Wales.

Note: From 1 July 2019, the Central Murray County Council was dissolved. Its functions and operations were subsumed by Berrigan Shire Council, Edward River Council and Murray River Council.

Councils provide a range of services and infrastructure for a geographical area. Services include waste collection, planning, child and family day care and recreational services. Councils also build and maintain infrastructure, including roads, footpaths and drains and enforce various laws. While core functions such as waste collection are similar across councils, the range of services each council provides can vary depending on the needs of each community.

County councils are formed for specific purposes, such as to supply water, manage flood plains or to eradicate noxious weeds.

Joint organisations (JOs) are formed by councils in regional New South Wales. Core activities of JOs include regional strategic planning and priority setting, engaging in shared services with member councils and regional advocacy and collaboration with the State and Commonwealth Governments.

This report details the results of the:

- 2019–20 financial audits of 128 councils, nine county councils and 13 joint organisations
- 2018–19 financial audits of Hilltops Council, MidCoast Council and Murrumbidgee Council, which are now completed.

In preparing this report, the comments and analysis are drawn from:

- audited financial statements
- performance audit reports
- data collected from councils
- audit findings reported to councils in audit management letters.

Each local council has unique characteristics such as its size, location and services provided to their communities. To enable comparison, we divided councils into three categories – metropolitan, regional and rural. County councils and joint organisations are separately identified in the report. Details of councils grouped into categories are provided in Appendix four.

1.2   Impact of emergency events during 2019–20

Councils were significantly impacted by emergency events, including drought, bushfires, floods and the COVID-19 pandemic. At 30 June 2019, the NSW Department of Primary Industry reported that 97.6 per cent of New South Wales was drought affected. These dry conditions combined with intense heat over the 2019–20 summer sparked a catastrophic bushfire season, which caused extensive damage across New South Wales. Following on from the bushfires, torrential rain fell on parts of New South Wales in February 2020, resulting in widespread flooding. Then in March 2020, COVID-19 was declared a pandemic by the World Health Organisation, resulting in restrictions to suppress the spread of this virus.

1 Jul 2019

Jul
- Drought conditions persist across NSW.

Aug

Sep

Oct
- Statutory bushfire danger period commences.

Nov
- First State of Emergency is declared in NSW for seven days ahead of worsening fire conditions predicted.

Dec
- Second State of Emergency is declared in NSW for seven days ahead of worsening fire conditions predicted.

- Third State of Emergency is declared in NSW for seven days ahead of worsening fire conditions predicted.
- World Health Organisation declares the coronavirus to be a global health emergency of international concern.

Jan

Feb
- Torrential rain in parts of NSW, causing rivers to rise and flash flooding.
- Fire affected business and councils are encouraged to access financial support from NSW and Commonwealth Governments.

- World Health Organisation declares COVID-19 as a pandemic.
- September 2020 Local Government elections are postponed.
- Social distancing requirements are announced to limit the spread of the COVID-19 virus.

Mar

Apr
- Statutory deadlines are modified to November 2020 to submit the audited financial statements.

May
- The *Local Government Act 1993* is amended to support councils and ratepayers and outlined processes that need to be undertaken.

Jun

30 Jun 2020

The impacts of these emergency events on councils are explored further in Chapter 3 'In focus: response to recent emergency events'.

1.3   Financial and performance audit key areas of focus

In addition to forming an opinion on the financial statements of councils, the 2019–20 audits also examined a number of specific topics across councils. The topics were selected based on the risks and challenges to councils, and consideration of opportunities to improve public-sector accountability, governance and administration.

The 2019–20 financial audits focused on:

- quality and timeliness of financial reporting (see Chapter 2)
- council response to recent emergency events (see Chapter 3), including:
  - financial implications
  - changes to operating models including processes and controls
  - accessibility to technology and the maturity of systems and controls to prevent unauthorised and fraudulent access to data
  - delivery of new or expanded projects, programs, or services at short notice
- information technology general controls (see Chapter 4)
- infrastructure, property, plant and equipment (see Chapter 4)
- landfill rehabilitation (see Chapter 4).

The 2019–20 performance audits focused on:

- governance and internal controls over local infrastructure contributions
- credit card management in Local Government
- procurement management in Local Government.

Audit results

2020

2019

5   6   7   8   9   10   11   12   13   14   15   16   17   18

2. Audit results

Financial reporting is an important element of good governance. Confidence in and transparency of public sector decision making are enhanced when financial reporting is accurate and timely.

This chapter outlines audit observations related to the financial reporting of councils and joint organisations.

Highlights

- The Office of Local Government within the Department of Planning, Industry and Environment (OLG) extended the statutory deadline for councils and joint organisations to lodge their audited financial statements by an additional month to 30 November 2020 due to the COVID-19 pandemic.
- One hundred and thirty-three councils and joint organisations (2019: 117) lodged audited financial statements with the OLG by the revised statutory deadline of 30 November (2019: 30 October). Sixteen (2019: 30) councils received extensions to submit audited financial statements to OLG. Canberra Region Joint Organisation did not submit their audited financial statements by the statutory deadline and did not formally apply for extension before the deadline lapsed.
- Unqualified audit opinions were issued for 127 councils, nine county councils and 13 joint organisation audits in 2019–20. A qualified audit opinion was issued for Central Coast Council.
- Unqualified audit opinions were issued for the 2018–19 financial audits of Hilltops, MidCoast and Murrumbidgee Councils, which were not completed at the time of tabling the 'Local Government 2019' report in Parliament.
- The total number and dollar value of corrected and uncorrected financial statement errors increased compared with the prior year.
- Sixty-eight councils did not record rural fire fighting equipment in their financial statements worth $119 million. The NSW Government has confirmed these assets are not controlled by the NSW Rural Fire Service and are not recognised in the financial records of the NSW Government.
- The total number of prior period financial statement errors increased from 59 in the prior year to 61, but the total dollar value of the errors decreased from $1,272 million to $813 million.
- Councils implemented three new accounting standards in 2019–20 relating to revenue and leases.

2.1 Quality of financial reporting

The Auditor-General is required under the *Local Government Act 1993* to issue an audit opinion on the following reports prepared by councils.

General Purpose Financial Statements	Special Purpose Financial Statements	Special Schedule – Permissible Income
General purpose financial statements include the financial position and performance for overall council operations.	Special purpose financial statements for declared business activities are required when councils provide services that compete with market participants.	Special Schedule - Permissible income for general rates details the amount councils can levy for rates in the next financial year. This amount is capped by the rate-peg limit set by the Independent Pricing and Regulatory Tribunal NSW.

Indicators of quality financial reporting include:

- unqualified audit opinions
- number of errors in the financial statements
- timeliness in preparing financial statements.

Audit opinions

Unqualified audit opinions were issued for all but one council

Except for Central Coast Council, unqualified audit opinions were issued for all council and joint organisation audits in 2019–20. Sufficient audit evidence was obtained to conclude the financial statements were free of material misstatement and were prepared in accordance with accounting standards and the *Local Government Act 1993*.

Three unqualified opinions issued on the 2018–19 audits

Three financial audits from the previous year were not completed at the time of tabling the 'Local Government 2019' report in Parliament. We subsequently issued unqualified opinions for the 2018–19 financial audits of Hilltops, MidCoast and Murrumbidgee councils.

Bayside Council received an unqualified audit opinion for the first time in 2019–20

Council	Audit outcome
Bayside Council	Council was able to resolve the issues that resulted in disclaimed audit opinions in prior years, since the merger of the City of Botany Bay and Rockdale City councils on 9 September 2016. This included addressing significant control deficiencies in Council's financial systems and having sufficient evidence to support the completeness and accuracy of stormwater drainage assets.

Qualified audit opinion issued for Central Coast Council

A qualified audit opinion was issued for the 30 June 2020 financial statements of Central Coast Council. The audit opinion included two qualification matters:

Valuation of roads, bridges and footpath assets

Council recognised $1.4 billion of roads, $37.1 million of bridges and $99.1 million of footpath assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2020. In the Statement by the Interim Administrator and Management, the council certified that they were unable to provide sufficient evidence to support the carrying value of these assets.

This is because the last valuation of these assets was in the year ended 30 June 2015, and the council has not conducted a more recent valuation in accordance with AASB 116 'Property, Plant and Equipment' (AASB 116). As a result, this is a limitation on the scope of the financial statement audit, which meant our audit was unable to obtain sufficient appropriate audit evidence to demonstrate the roads, bridges and footpath assets were measured at fair value in accordance with AASB 116 in the Statement of Financial Position at 30 June 2020, or determine the impact on the Statement of Comprehensive Income for the year ended 30 June 2020.

Correction of errors relating to a previous reporting period

Council disclosed a correction of error in Note 16(b) 'Correction of errors relating to a previous reporting period' of the financial statements. This disclosure resulted from a change in the council's interpretation of the relevant legislation. For the reasons described below, this is a change in accounting policy and not an error.

Accounting for water and sewerage restricted funds (restricted reserves)

The water, sewerage and drainage arrangements for Central Coast Council are unique compared to all councils in New South Wales, as they are regulated under the *Water Management Act 2000* (Water Management Act) when they operate as a water supply authority. For all other councils, these arrangements are regulated by the *Local Government Act 1993* (Local Government Act).

Prior to the 2017 merger, both the Wyong Shire and Gosford City Councils operated water supply authorities to deliver water, sewerage and drainage services. This continued when the councils were amalgamated, and the Central Coast Council was established as a water supply authority.

The former Wyong Shire and Gosford City Councils determined that cash, cash equivalents and investments associated with their Water Supply Authority's operations were 'unrestricted'. The former councils' final financial statements for the period ended 12 May 2016 disclosed these amounts as unrestricted cash, cash equivalents and investments in the relevant note disclosures.

The decision was based on the councils being regulated by the Water Management Act when operating as a water supply authority. The Water Management Act has no explicit restrictions stating how money raised through charges levied under the Water Management Act are to be used. This is in contrast to money raised through charges for water and sewerage levied under the Local Government Act.

On 21 December 2016, Central Coast Council formally adopted the audited 2015–16 financial statements for the former Wyong Shire Council and the former Wyong Shire Council Water Supply Authority. The resolution to adopt the financial statements included the following paragraph:

> On review of Council's current restrictions for its water and sewer operations, Council has de-recognised certain cash, receivable and payable restrictions, in line with the current restriction disclosures recorded in the Financial Statements of Wyong Water. This change was corrected in the prior period in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

These financial statements were then submitted to OLG in their capacity as the regulator of local councils.

The interim administrator's 30-day interim report on 2 December 2020 stated that, in his opinion, the Water Fund Externally Restricted Reserves and the Sewer Fund Externally Restricted Reserves were both understated. He appears to have taken this view because he did not believe that the approach taken by the former administrator in 2016 and formally adopted by the merged council was lawful. Because of these two different views, the Audit Office asked the NSW Crown Solicitor to provide an opinion on the following question:

Is the money received under the Water Management Act considered 'externally restricted funds' under s. 409(3) of the Local Government Act?

The NSW Crown Solicitor's preferred view, noting that view is not without doubt, is that 'monies received by the Central Coast Council as a result of charges levied in its capacity as a water supply authority under the Water Management Act should be held in the Council's consolidated fund as 'externally restricted funds'. The NSW Crown Solicitor said:

> Whilst not without doubt, I prefer the view that money received under the WM Act is within the scope of s. 409(3) of the LG Act. The Central Coast Council is, as noted above, a WSA under the WM Act and specifically it is a statutory body named in Part 2 of Schedule 3 of that Act as such. Per s.287(2) of the WM Act, it therefore 'becomes a water supply authority but still has its other functions'. That is, it retains its character as a council under the LG Act.

For monies received under the Water Management Act by the Central Coast Council to be considered as 'externally restricted funds', the money must be captured by the provision in either section 409(3)(a) or section 409(3)(b) of the Local Government Act.

In support of her preferred view, the NSW Crown Solicitor notes in respect of s409(3)(a):

> Although not without doubt, I prefer the view that s. 409(3)(a) should be read in its full generality and not confined as relating only to special rates or charges levied under the Local Government Act.

> On balance, I prefer the view that s. 409(3)(a) could apply to money received pursuant to the Water Management Act.

Further the NSW Crown Solicitor notes in respect of section 409(3)(b):

> Section 409(3)(b) of the Local Government Act may apply to monies collected pursuant to the Water Management Act if the conditions in that paragraph are satisfied.

> ...it is difficult to envisage that there is very much scope for discretion in the spending of monies collected pursuant to the Water Management Act.....the whole legislative scheme as applying to the Central Coast Council in its capacity as a water supply authority acts to restrain and control the ways in which it raises money for its operations.

This means that the NSW Crown Solicitor's preferred view supports the position taken by the current administrator.

However, the NSW Crown Solicitor's advice reflects the complexity of this issue and notes that the 'preferred view' is not without doubt. In doing so, the NSW Crown Solicitor also noted that there is an alternative view.

The NSW Crown Solicitor says in respect of section 409(3)(a):

> However, the contrary view that s. 409(3)(a) is confined to special rates and charges levied under the LG Act, is not without merit. In particular, I have considered that the concept of a 'special rate' is a creature of the LG Act and a term with a clear meaning in the context of that Act specifically. Whilst this is not also true of the concept of a 'charge', for which many provisions in other Acts provide, I am not sure that a charge in any other Act would necessarily be associated with use for a specific purpose, in the way that paragraph (a) assumes and which I consider applies in the context of the LG Act.

The NSW Crown Solicitor goes on to say in respect of section 409(3)(b):

> I have not located any express provisions in the Water Management Act which restrict the way that money collected under the Water Management Act can be spent, in a way which is comparable to the effect of s. 409(3) of the Local Government Act.

As outlined by the NSW Crown Solicitor, there is merit to the argument that money received under the Water Management Act is not externally restricted for the purposes of the Local Government Act.

The NSW Crown Solicitor has confirmed that the 2016 position adopted by Council was not without merit and that there was an arguable position that the water and sewer funds were not restricted.

The Audit Office met with staff from OLG to confirm if there were any other legal instruments or directions that could influence the facts as presented in the NSW Crown Solicitor's advice. OLG has confirmed that there are no other legal instruments or directions that would alter the Crown Solicitor's advice.

The current administrator has advised that they have received a legal opinion from a private sector firm. The private sector firm's opinion has not been made available to the Audit Office.

The full opinion of the NSW Crown Solicitor can be found at Appendix two.

Accounting implications for the financial statements for the periods ended 12 May 2016 and 30 June 2017, and years ended 30 June 2018 and 2019

It is the responsibility of management, with the oversight of those charged with governance, to prepare financial statements in accordance with the relevant requirements. A misstatement in the financial statements can occur when there is a clear non-compliance with a prevailing law or regulation that impacts the reported amounts or disclosures.

In the final Wyong Shire Council and Gosford City Council financial statements for the period ended 12 May 2016, the councils reasonably argued that water, sewerage, and drainage funds collected by Wyong Shire Council and Gosford City Council as water supply authorities were not restricted. The then auditors accepted this position. This interpretation of the relevant Acts was also applied in the Central Coast Council financial statements for the period ended 30 June 2017 and years ended 30 June 2018 and 30 June 2019.

As there are reasonably arguable interpretations of the relevant legislation, as described by the NSW Crown Solicitor in the preferred and alternative views, there was, in our view, no 'non-compliance' with the prevailing laws and regulations when Wyong Shire Council and Gosford City Council determined to treat certain funds as not 'restricted'. Therefore, the treatment in prior years was not an 'error' as defined by AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', and the externally restricted funds disclosed in the financial statements of the Central Coast Council for the period ended 30 June 2017 and years ended 30 June 2018 and 30 June 2019 were not materially misstated.

The uncertainty created by more than one reasonably arguable legal interpretation is acknowledged. However, oversight of compliance with legislative requirements highlights a continuing governance risk for the Central Coast Council. Our recent performance audit 'Governance and internal controls over local infrastructure' highlighted that Central Coast Council also breached the *Environmental Planning and Assessment Act 1979* between 2001 and 2019 when it used developer contributions for administration costs.

The ambiguity that exists by having two reasonably arguable interpretations of the relevant legislation should be clarified

Recommendation

The OLG should clarify the legal framework relating to restrictions of water, sewerage and drainage funds (restricted reserves) by either seeking an amendment to the relevant legislation or by issuing a policy instrument to remove ambiguity from the current framework.

Errors identified through audits

Increase in the number and dollar value of errors identified

Our audits identified more errors, both in number and value, compared to the prior year. It is important that councils have robust review processes to minimise the number of errors identified in financial statements. There were 20 councils (2018–19: 23 councils) where no errors were identified in their financial statements.

Corrected errors

A corrected error is an error identified by the auditor or council, which is subsequently corrected by council in the financial statements.

	Corrected errors		By council type (2020 only)				
Year ended 30 June	2019	2020	Metro	Regional	Rural	County	JO
Less than $250,000	75	60	5	3	38	8	6
$250,000 to $500,000	20	25	7	2	15	--	1
$500,000 to $1 million	20	41	5	11	24	--	1
$1 million to $5 million	48	69	16	20	31	2	--
$5 million to $15 million	12	27	11	9	7	--	--
$15 million to $30 million	6	8	3	4	1	--	--
$30 million to $50 million	3	5	3	1	1	--	--
$50 million and greater	1	3	--	1	2	--	--
Total number of errors	**185**	**238**	**50**	**51**	**119**	**10**	**8**
Total value of errors ($ million)	**547**	**1,070**	**345**	**392**	**327**	**4**	**2**

Source: Engagement Closing Reports issued by the Audit Office.

Of the 238 corrected errors identified in the 30 June 2020 financial statements, eight were greater than $30.0 million:

Council	Description of corrected error
Armidale Regional Council	Council incorrectly accounted for a $40.4 million asset disposal as part of a boundary adjustment. It was recorded in retained earnings through other comprehensive income, rather than in the income statement.
Central Coast Council	Council did not update its crown and community land to reflect the most recent New South Wales Valuer-General's valuations as at 1 July 2019, resulting in an understatement of $39.4 million.
City of Canada Bay Council	Council did not accurately assess the revenue recognition of a project in accordance with the Australian Accounting Standard, AASB 15 'Revenue from Contracts with Customers', resulting in an understatement of deferred revenue of $41.5 million.
City of Parramatta Council	Council's revaluation of operational land was overstated by $37.9 million as the incorrect methodology was used to value the land.
Gilgandra Shire Council	Council's revaluation of roads, bridges and footpaths was overstated by $50.0 million due to the incorrect recording of revaluation journal entries into the financial system.
Narrandera Shire Council	Council's income statement was understated by $30.2 million as the asset revaluation decrement for roads and footpaths was initially processed through the income statement rather than the asset revaluation reserve.
Upper Hunter Shire Council	Council's revaluation of bulk earthworks was overstated by $72.6 million due to calculation errors identified in the asset revaluation workpapers.
Wingecarribee Shire Council	Council's revaluation of roads, bridges and footpaths was understated by $117.0 million due to errors in recording asset information into the system.

The common areas where corrected errors were identified are outlined below.

Common corrected errors	Number of councils
Asset revaluation errors, such as: • incorrect data provided to the valuer • valuation assumptions not appropriate (e.g. inappropriate unit rates applied, valuations did not reflect the physical and legislative restrictions on these assets) • incorrectly recording of revaluation adjustments.	49
Incorrect application of the revenue accounting standards	42
Quality of asset records, such as: • unrecorded assets controlled by council • asset recorded that are no longer controlled by council • duplicated assets • assets incorrectly classified.	32

Uncorrected errors

An uncorrected error is an error identified by the auditor or council in the financial statements, which has not been corrected by council. There are various reasons why errors are not corrected, the most common being it is not material to the financial statements taken as a whole.

Year ended 30 June	Uncorrected errors		By council type (2020 only)				
	2019	2020	Metro	Regional	Rural	County	JO
Less than $250,000	99	94	1	20	64	8	1
$250,000 to $500,000	31	43	3	14	25	1	--
$500,000 to $1 million	27	33	5	15	13	--	--
$1 million to $5 million	57	78	21	30	27	--	--
$5 million to $15 million	8	3	1	--	2	--	--
$15 million to $30 million	--	1	1	--	--	--	--
Total number of errors	**222**	**252**	**32**	**79**	**131**	**9**	**1**
Total value of errors ($ million)	**211**	**254**	**76**	**86**	**90**	**1**	**1**

Source: Engagement Closing Reports issued by the Audit Office.

Twenty-seven per cent of uncorrected errors were due to unrecorded rural fire fighting equipment

In 2017, we recommended that OLG should address the different practices across the Local Government sector in accounting for rural fire fighting equipment.

In 2019–20, 68 councils did not record rural fire fighting equipment in their financial statements worth $119 million.

The financial statements of the NSW Total State Sector and the NSW Rural Fire Service do not include these assets. NSW Treasury and the NSW Rural Fire Service have stated that rural fire fighting equipment is not controlled by the State.

The non-recording of rural fire fighting equipment in financial management systems increases the risk that these assets are not properly maintained and managed.

Recommendation

OLG should communicate the State's view that rural fire fighting equipment is controlled by Councils in the Local Government sector, and therefore this equipment should be properly recorded in their financial statements.

The Department of Planning, Industry and Environment, which includes OLG, has confirmed that the NSW Rural Fire Service does not control rural fire fighting equipment. It is now the responsibility of the OLG to determine what action will be taken to ensure that $119 million of assets held by 68 councils are properly recorded and accounted for.

Number of prior year (prior period) financial statement errors increased, but the total dollar value has decreased compared to prior year

A prior period financial statement error is an error identified in the current year that relates to the previous year's audited financial statements.

Year ended 30 June	Prior period errors		By council type (2020 only)				
	2019	2020	Metro	Regional	Rural	County	JO
Less than $250,000	2	2	--	2	--	--	--
$250,000 to $500,000	2	4	1	2	1	--	--
$500,000 to $1 million	9	1	--	1	--	--	--
$1 million to $5 million	13	18	4	9	5	--	--
$5 million to $15 million	16	21	8	6	7	--	--
$15 million to $30 million	7	9	3	5	1	--	--
$30 million to $50 million	3	1	--	1	--	--	--
$50 million and greater	7	5	4	1	--	--	--
Total number of errors	**59**	**61**	**20**	**27**	**14**	**--**	**--**
Total value of errors ($ million)	**1,272**	**813**	**424**	**286**	**103**	**--**	**--**

Source: Engagement Closing Reports issued by the Audit Office.

In addition to the monetary prior period errors, a disclosure prior period error was reported in Central Coast Council's financial statements.

Of the 61 prior period errors, six were greater than $30.0 million. All these errors were asset related.

Council	Description of prior period error
Blacktown City Council	Council's revaluation of stormwater drainage, roads, footpaths and other road assets was understated by $98.3 million as council owned assets were identified but not previously recognised in the financial statements, impacting the prior period.
Byron Shire Council	Council's revaluation of roads, bridges, footpaths, earthworks and stormwater drainage was understated by $36.1 million as council owned assets were identified but not previously recognised in the financial statements, impacting the prior period.
	Council overstated operational land by $9.1 million, as the land parcel was incorrectly split between operational and community land from the 2016 valuation, impacting the prior period.
Canterbury-Bankstown Council	The following errors impacting the prior period were identified from council's revaluation of land:
	• council owned assets were identified but not previously recorded in the financial statements
	• assets were incorrectly classified
	• assets were duplicated in the financial system.
	This resulted in a net decrease to land assets of $60.4 million.

Council	Description of prior period error
City of Parramatta Council	The following errors impacting the prior period were identified from council's revaluation of stormwater drainage assets: • council owned assets were identified which had not been previously recorded in the financial statements • assets were incorrectly classified • assets were duplicated in the financial system. This resulted in a net increase in stormwater drainage assets of $86.8 million. The error dated back to the council amalgamation. Council's comprehensive revaluation of operational land was overstated by $15.4 million as land assets were recorded but not owned by council.
Dubbo Regional Council	Council's revaluation of stormwater drainage assets was overstated by $75.1 million due to incorrect rates applied upon amalgamation of the former councils, inconsistent depreciation methodology and inconsistent condition assessments, impacting the prior period. Council's revaluation of airport runways was understated by $16.8 million due to the identification of bulk earthworks that should have been recognised previously, impacting the prior period.
Wollondilly Shire Council	Council's revaluation of roads, bridges, footpaths, earthworks, carparks and stormwater drainage performed in 2015 was understated by $56.0 million due to: • council owned assets identified which had not been previously recorded in the financial statements • assets were measured with incorrect units of measurement and consumption patterns • assets were duplicated in the financial system.

There were no prior period errors identified at county councils and joint organisations.

The common areas where prior period errors were identified are outlined below. Ninety per cent of the total prior period errors were asset related.

Common prior period errors	Number of councils
Quality of asset records, such as: • unrecorded assets controlled by council • assets recorded that are no longer controlled by council • duplicated assets • assets incorrectly classified.	38
Asset revaluation errors, such as: • incorrect data provided to the valuer • valuation assumptions not appropriate (e.g. inappropriate unit rates applied, valuations did not reflect the physical and legislative restrictions on these assets) • incorrectly recording of revaluation adjustments.	14

2.2   Timeliness of financial reporting

The *Local Government Act 1993* requires councils to submit their audited financial reports to OLG by the statutory deadline of 31 October or apply for an extension. Natural disasters, COVID-19 pandemic and other factors impacted the 2019–20 reporting timetable. OLG extended the statutory deadline for councils and joint organisations to lodge their audited financial statements by an additional month to 30 November 2020.

Eighty-nine per cent of councils lodged their audited financial statements by the amended statutory deadline

One hundred and thirty-three councils and joint organisations lodged their audited financial statements by the amended statutory deadline. Canberra Region Joint Organisation did not submit their audited financial statements by the statutory deadline and did not apply for extension before the deadline lapsed. This matter was reported to the Minister for Local Government.

Sixteen councils and joint organisations (2019: 30) applied for an extension to lodge their financial statements which were met by them. The reasons why councils required extensions are summarised below.

Council or joint organisation	Reason for seeking extension
Armidale Regional Council	Additional time was required to: • support the interim administrator and general manager following council's suspension • prepare a special rate variation application for year 2021–22.
Balranald Shire Council	In January 2020, the Minister for Local Government suspended the council following a public inquiry due to: • loss of confidence by the community • failure to apply sound and consistent financial principles • absence of transparency in decision making • failure to act as a responsible employer • failure to comply with obligations under the *Crown Land Management Act 2016*. Council's finance team were unable to find a suitable replacement for the Finance Manager role vacated in March 2020.
Berrigan Shire Council	Council indicated that key staff were severely impacted by the COVID-19 border restrictions.
Central Coast Council	In October 2020, the Minister for Local Government suspended the council due to: • lack of oversight and control over council's budget and expenditure • loss of community trust in the effective functioning of council.
Central Darling Shire Council	Council's IT servers experienced a three-week outage.
Cootamundra-Gundagai Regional Council	Additional time was required to: • undertake work relating to harmonisation of rating structures • respond to Local Government Boundaries Commission inquiry • revalue transport assets.

Council or joint organisation	Reason for seeking extension
Dungog Shire Council	Key finance staff went on unplanned leave.
Hilltops Council	Council continues to face on going issues and complexities associated with the 2016 merger. This includes implementation of a single IT system from three former council systems into one.
	The delay in preparation of council's 2018–19 financial statements meant the audit opinion was provided on 1 May 2020.
Illawarra Shoalhaven Joint Organisation	Delay in financial services transition from a member council. New finance team did not have the capacity to complete the financial statements on time.
Lithgow City Council	Delays in resolving financial statement disclosures.
Orana Joint Organisation	Timing of council meeting delayed due to mayor's unavailability.
Parkes Shire Council	Resolving accounting issues and providing evidence to support the financial statements.
The Council of the Municipality of Kiama	Additional time was required due to: • new software implementation that delayed financial reporting • delays in the asset revaluation • change in council's finance team.
Walcha Council	Departure of key finance staff member and finance staff member going on extended leave.
Wollondilly Shire Council	Councils' review of asset valuations performed in 2015 identified material errors in the valuations.
Yass Valley Council	Delays in resolving financial data inconsistencies produced from a newly implemented IT system.

Source: Council extension letters submitted to OLG.

More councils performed early financial reporting procedures

Early close procedures allow financial reporting issues and risks to be addressed by management and audit early in the financial statement close process. This helps to improve the quality and timeliness of financial reporting.

This year, 76 per cent (2018–19: 62 per cent) of councils performed early financial reporting procedures, including:

- completing infrastructure, property, plant and equipment valuations before 30 June
- performing fair value assessment of infrastructure, property, plant and equipment
- preparing proforma financial statements and associated disclosures
- assessing the impact of material, complex and one-off significant transactions
- explaining all unresolved prior year audit issues, with a proposed action plan to resolve them
- assessing the impact of new accounting standards.

2.3   Implementation of new accounting standards

Councils and joint organisations implemented three new accounting standards for the first time in their 2019–20 financial statements. These impacted the financial position and operating results of councils.

AASB 16 'Leases' changed how councils and joint organisations treat operating leases in 2019–20

AASB 16 became effective for all councils and joint organisations from 1 July 2019.

Collectively, the implementation of AASB 16 increased councils' and joint organisations' assets by $187.2 million and liabilities by $189.4 million. This is because leases relating to operating activities were recognised in the financial statements for the first time. Common examples include building leases, waste management agreements, maintenance agreements, motor vehicles and photocopiers. Councils also recognised a liability for the current value of all lease payments.

AASB 16 'Leases' changed how lessees treat operating leases for financial reporting. Under AASB 16, operating leases are now recorded, with a few exceptions, in an entity's Statement of Financial Position through the recognition of a right-of-use asset and a corresponding lease liability. It also changes the timing and pattern of expenses recorded in the Statement of Comprehensive Income by recognising deprecation on the asset and the financing cost of the lease.

AASB 16 requires different and more extensive disclosures about an entity's leasing activities. The objective of the disclosures is to provide users of financial statements with a basis to assess the effect of leasing activities on an entity's financial position, performance and cash flows.

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' changed how councils and joint organisations report income in 2019–20

AASB 15 and AASB 1058 became effective for councils and joint organisations from 1 July 2019.

Councils and joint organisations recorded the impact from the initial adoption of the new revenue standards, which in total amounted to a $388.1 million adjustment to the opening retained earnings.

AASB 15 and AASB 1058 required councils and joint organisations to reassess the way they accounted for revenue, depending on whether it arises from contracts for sales of goods and services, grants and other contributions. Revenue from contracts for services is now recognised only when performance obligations have been satisfied.

The adoption of the new standards meant that councils and joint organisations reviewed their revenue contracts and adjusted how they had previously been accounted for. Councils and joint organisations were not required to restate their prior period figures. The cumulative effect of applying the standards on prior periods is presented as an adjustment to opening retained earnings at 1 July 2019.

In focus: response
to recent emergency
events
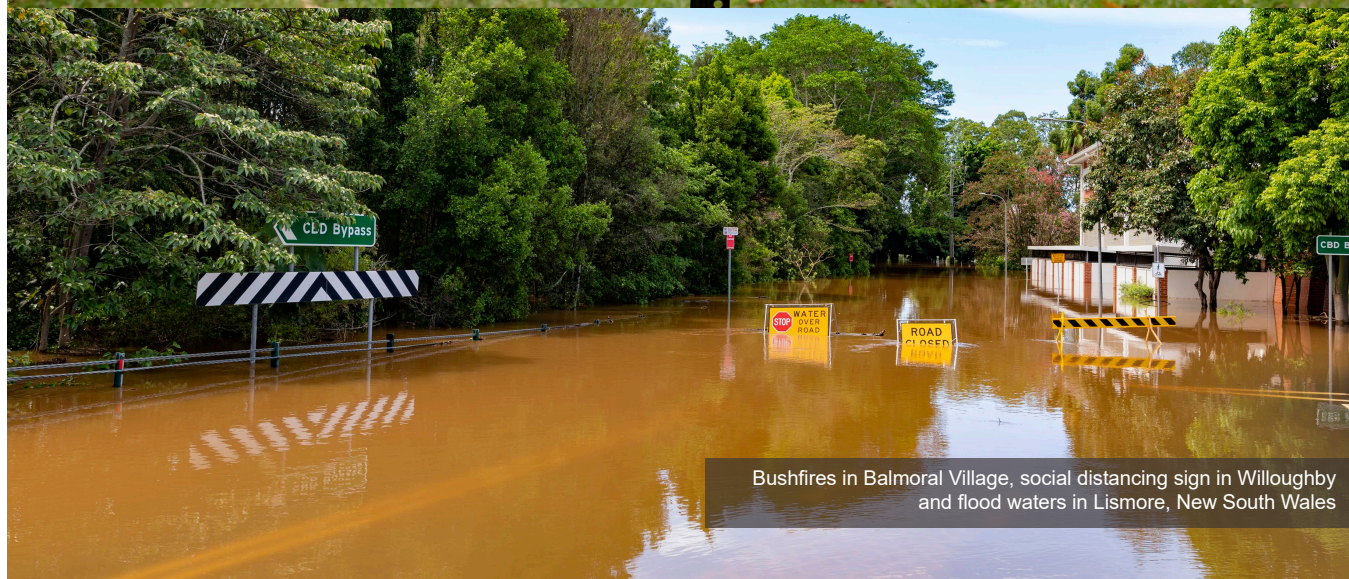
Bushfires in Balmoral Village, social distancing sign in Willoughby
and flood waters in Lismore, New South Wales

3. In focus: response to recent emergency events

Recent emergency events, including drought, bushfires, floods and the COVID-19 pandemic have impacted councils.

This chapter will provide insights into how these events have impacted councils, including:

- financial implications of the emergency events
- changes to councils' operating models, processes and controls
- accessibility to technology and the maturity of councils' systems and controls to prevent unauthorised and fraudulent access to data
- receipt and delivery of stimulus packages or programs at short notice.

Highlights

- All councils were impacted by the recent emergency events.
- Councils changed governance, policies, systems and processes to respond to the recent emergency events.
- Challenges were experienced adapting Information Technology (IT) infrastructure and controls to enable staff to work from home.
- Sixty-five per cent of councils updated business continuity plans and 42 per cent updated disaster recovery plans as a response to recent emergency events.
- Councils received various forms of assistance from government relating to the recent emergencies, which was used to provide support to local communities.

Recent emergency events significantly impacted councils

Recent emergencies, including drought, bushfires, floods and the COVID-19 pandemic have brought particular challenges for councils and their communities.

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At the end of June 2019, the NSW Department of Primary Industries' Combined Drought Indicator showed that 97.6 per cent of New South Wales was in one of the three drought categories, 'intense drought', 'drought' and 'drought affected intensifying or weakening'. Intense drought conditions persisted in parts of western, south-east and northern New South Wales.
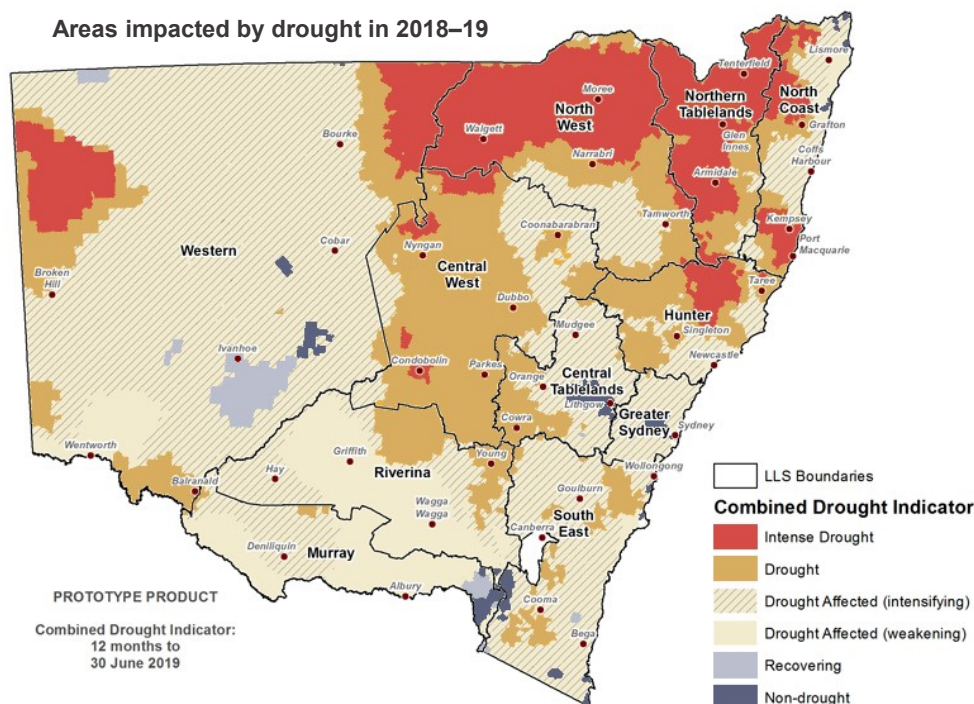
Source: The NSW Department of Primary Industries website (unaudited).

The dry vegetation and soil, combined with intense heat during the summer resulted in one of the worst bushfire seasons that New South Wales has ever experienced, with 55,230 square kilometres of land burnt, 11,566 structures damaged or destroyed, and 26 lives lost. This was followed by storms and torrential rain falling in parts of New South Wales, causing widespread flooding.

Local councils were included in 171 natural disaster declarations in 2019–20 (94 in 2018–19). Natural disasters are declared for events such as bushfires, floods or storms that cause significant damage or loss of life, where eligible state expenditure exceeds $240,000.

Local Government areas impacted by bushfire, floods and storm declarations

Year ended 30 June	2018	2019	2020
LGA included in bushfire declarations	36	29	57
LGA included in flood and storm declarations	18	65	114
Total LGA included in natural disaster declarations	**54**	**94**	**171**

Source: Provided by Resilience NSW (unaudited).

Declaration of bushfires, floods and storms enable councils to apply to recover costs associated with these disasters from Resilience NSW (the NSW Department of Communities and Justice prior to 1 May 2020), via administering agencies including Public Works Advisory and Transport for NSW. Resilience NSW now administers the NSW Disaster Assistance Arrangements.

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The map below shows that 96 councils were impacted by bushfires and storms in 2019–20. Thirty-five councils were impacted by both bushfires and storms, with many of these councils in the North Coast and South East regions. Metropolitan councils were more impacted by floods and storms, while regional and rural councils were more impacted by bushfires.

Areas impacted by bushfires and storms in 2019–20
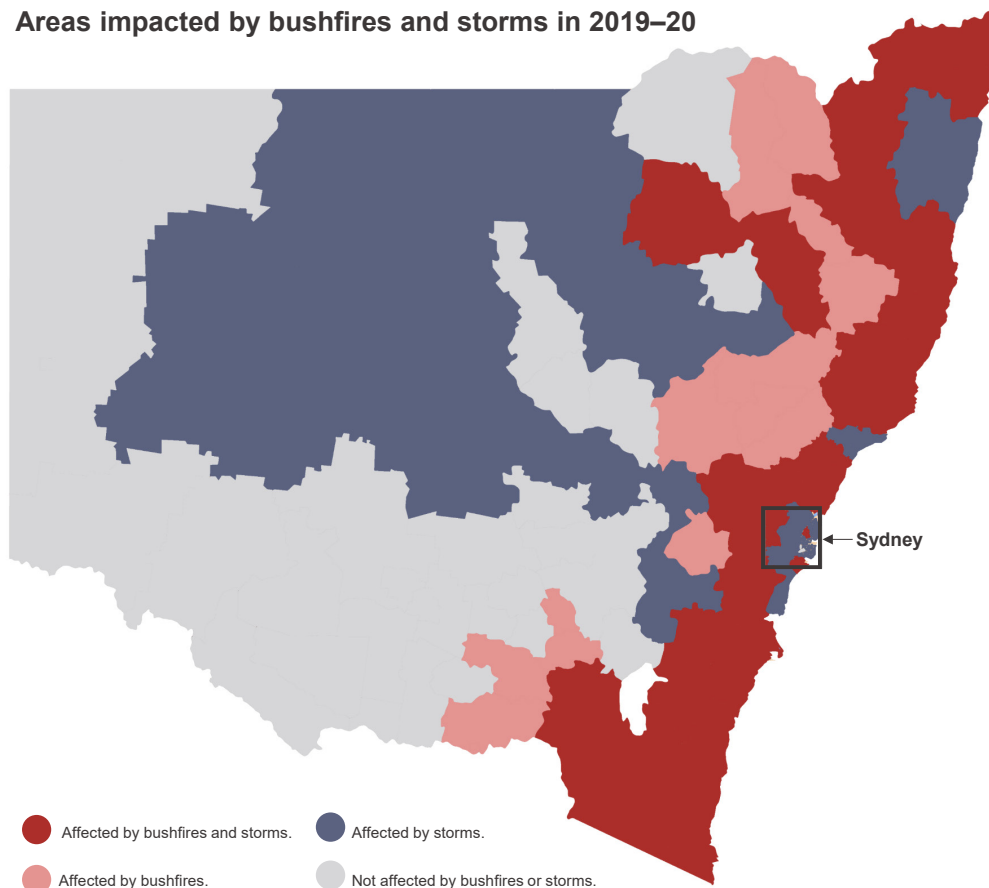
Source: Resilience NSW website (unaudited).

Following the natural disasters, the COVID-19 pandemic brought unprecedented challenges, impacting all councils. Infection control measures required by State Government Orders in response to COVID-19 disrupted the traditional means that councils use to deliver services to the community. Councils had to adapt to the new environment and make changes to how they operate as services were disrupted and facilities were closed.

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3.1 Financial implications

The financial implications arising from the emergency events varied greatly across councils. We reviewed the impact on council operating results compared to original operating budgets[1], with consideration of both the revenue and expenditure impacts.

Metropolitan councils

The operating result for 56 per cent of metropolitan councils exceeded the original budget

Despite the recent emergency events, 56 per cent of metropolitan councils reported an operating result that was favourable compared with their operating budget set in May 2019.

For revenue, 91 per cent of metropolitan councils reported decreases in user charges and fees. This was due to councils cancelling public events, programs and closing revenue generating facilities and services during the lockdowns, including community halls, swimming pools, sports grounds, theatres, galleries, museums and other service centres.

This was offset by an increase in grants and contributions compared with budget for 68 per cent of councils, mainly due to:

- state and federal government stimulus packages and funding opportunities provided to councils in response to the emergency events
- some councils received more developer contributions than anticipated due to a higher volume of development activity occurring. The NSW Government offered incentives to encourage more homes to be built or to be substantially renovated to protect the construction sector during the pandemic.

For expenditure, 62 per cent of councils reported a decrease in employee costs and 74 per cent of councils reported a decrease in other expenses compared with budget. This was due to:

- a reduction in casual workers and contractors as services were suspended or delivered at a much-reduced capacity due to the restrictions
- a freeze on recruitment at some councils; vacant positions were put on hold and staff were redeployed to different areas of council
- reduction in costs for maintaining parks and other recreational facilities
- reduction in travel expenses for employees
- supply chain disruption as materials and products were more difficult to source.

This was offset by additional expenditure required for cleaning, upgrading facilities to be COVID-safe and IT equipment to enable staff to work from home.

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[1] The original operating budget information is unaudited, and therefore no assurance is provided over the accuracy of this information.

Examples of the more significant impacts of the recent emergency events on individual metropolitan councils follow:

Council	Impact of emergency events
Council of the City of Sydney	Council provided rental relief to a large number of tenants in commercial properties who had suffered financial hardship due to the impacts of COVID-19 and applied for relief under the Federal Government Code of Conduct for commercial tenancies. This was largely responsible for a reduction in rental income of $10.8 million or 14 per cent compared to the budget of $66.9 million.
Blue Mountains City Council	User fees and charges were $6.7 million less than the budget of $21.0 million due to closure of council facilities.
Waverley Council	Council provided COVID-19 relief packages, including waiving various charges, rent reductions and a 'buy local' publicity campaign to encourage people to support local businesses during the downturn. This contributed to a $4.7 million or 13 per cent reduction in income from user fees and charges. This impact was offset by the receipt of additional capital grants and contributions which were $8.4 million or 66 per cent higher than budget.
Inner West Council	Due to the impact of COVID-19, council closed its aquatic centre and received less revenue from childcare. It also received less section 94 fees, parking fines and other fees. User fees and charges were $32.7 million compared to the budget of $46.0 million. However, this was partially offset by grants for childcare from the government. Council's operating grants and contributions were $17.0 million compared to a budget of $10.6 million.
Northern Beaches Council	Council was impacted by COVID-19 and storms. The damage from the storms were estimated by council to cost $3.8 million and consisted of damage to seawalls, retaining walls and buildings including the Civic Centre. Council received $74.5 million in user charges and fees income compared to a budget of $84.0 million mainly due to the impact of COVID-19. Childcare revenue was significantly lower during the fee free period. However, council received additional grants to offset the fee free period from the government.

Regional councils

Fifty-four per cent of regional councils had an operating result that fell short of their original budget

Fifty-four per cent of regional councils reported an operating result that fell short of their original budget set in May 2019.

Regional councils were more impacted by bushfires than metropolitan councils. Regional councils also reported that certain revenue and expenditure items were directly impacted by the COVID-19 pandemic. Sixty-two per cent of regional councils reported a reduction in user fees and charges. While the services and facilities impacted were largely similar to metropolitan councils, regional councils with airports reported losses due to the disruption in airport operations, including a reduction in passengers and limited flight routes operating. Other decreases include a reduction in tourism related income, such as caravan parks, holiday parks and information centres.

This was offset by increases in grants and contributions as the Federal and State Governments provided a range of relief and funding opportunities. Seventy per cent of regional councils reported higher grants and contributions compared with budget.

Fifty-nine per cent of regional councils reported a reduction in other expenses as councils saved money on utility costs, such as electricity and water, due to operations being scaled back. Councils also saved money on costs due to projects being delayed as a result of the pandemic and supply chain issues.

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Examples of the more significant impacts of the emergency events on individual regional councils follow:

Council	Impact of emergency events
Bega Valley Shire Council	Council was impacted by numerous bushfire and flood natural disaster declarations.
	Council used an external expert to estimate the costs of restoring the damage done by these emergency events to be $20.5 million for the damage caused by the bushfires and $8.0 million for the flooding events in February, July and August 2020.
	Council received:
	• $1.3 million from the Disaster Recovery Funding Arrangement with the Federal and State Governments
	• $250,000 from the Bushfire Community Resilience and Economic Recovery Fund
	• $6.5 million was received by council from Department of Regional NSW to clean up waste from the bushfires
	• $1.2 million from Resilience NSW for the Bega Valley Recovery Support Service which operated until April 2021.
Clarence Valley Council	Council was impacted by the bushfires and floods, with a total estimated cost of $19.0 million.
	Council had higher than budgeted operating grants and contributions of $33.0 million compared to a budget of $25.0 million. This was due to additional flood and storm damage grants of $7.0 million and bushfire related grants of $5.2 million.
	Council's material and contractor expenses was $11.0 million higher than the budget of $31.0 million, which is attributed to the response to the natural disasters.
Eurobodalla Shire Council	Council was impacted by the bushfires, with 79 per cent of the Local Government area directly impacted by the fires. Council lost 14 bridges, estimated to cost $10.0 million to replace. Council reported it had already received $6.8 million in additional funding and has made insurance claims.
Coffs Harbour City Council	The emergency events impacted airport operations, contributing to a decrease in income of $1.9 million. Council also runs holiday parks which were impacted by the emergency events. This contributed to income decreasing by $3.9 million. Council had to subsidise the airport and the holiday parks.
Albury City Council	Council was impacted by COVID-19 as it is on the border with Victoria where NSW Police implemented tight state border controls for various periods during the pandemic. The airport, run by the council, reported a loss of $1.0 million, which had to be subsidised by council.

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Rural councils

Fifty-four per cent of rural councils had an operating result that fell short of their original budget

Fifty-four per cent of rural councils reported an operating result that fell short of their original budget set in May 2019.

Ninety-eight per cent of rural councils were impacted by one or more natural disasters. The higher costs of responding to bushfires, droughts and storms were offset by increases to grants and contributions for operating purposes. The Federal and State Governments offered assistance to councils impacted by the recent emergencies, along with a range of funding opportunities, which contributed to grants and contributions.

Rural councils' ability to collect user charges was impacted to a lesser degree compared with the metropolitan and regional councils. User charges and fees was less than budgeted for 40 per cent of councils. Seventy per cent of councils reported an increase in other expenses compared with budget to respond to natural disaster events.

Examples of the more significant impacts of emergency events on individual rural councils follow:

Council	Impact of emergency events
Glen Innes Severn Council	Council was impacted by bushfires and floods, with an estimated cost of damage of $2.8 million. A bridge was destroyed in the fires, roads were damaged and a council building damaged.
	Council received $1.3 million from the federal government through the Bushfire Community Resilience and Economic Recovery Fund. Council used the grant to fund initiatives to assist the community and businesses to recover from the bushfires.
Kyogle Council	Council was impacted by bushfires and floods. Council estimated the cost of damage to be $3.5 million, due to a bridge and a culvert being damaged.
Tenterfield Shire Council	Council recognised $1.4 million in impairment to infrastructure assets due to natural disasters that occurred during the year. Council received operating grants of $14.3 million compared to a budget of $8.7 million mainly due to grants for bushfires and storm damage repairs.
Narrabri Shire Council	Council experienced drought and flooding, with the town's water supply being contaminated by floodwaters. Council estimated the cost of the flood event to be $0.9 million.
	Income from council's theatre was down approximately $0.3 million due to the impact of COVID-19. This impact was offset by an additional $0.78 million in grant funding for drought relief and economic stimulus.
Dungog Shire Council	Council experienced heavy storms in January 2020 and estimated the damaged caused by the storm to be $1.2 million.

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3.2   Controls and governance

Councils adapted their systems, policies and procedures to accommodate remote working environments. We considered how this affected the existing control environment and the mitigating controls established by councils to respond to these events.

Councils changed governance, policies, systems and processes to respond to the recent emergency events

Councils developed or changed their governance, policies, systems and processes to respond to the recent emergency events. Some of the actions taken by councils are summarised below.

Actions taken by councils

92% of councils set up a response team to manage the response to COVID-19.

78% of councils had a COVID-19 communication plan.

38% of impacted councils made insurance claims to settle financial losses from the natural disasters.

6% of councils updated financial delegations in response to COVID-19.

91% of councils had natural disasters covered in their insurance policies.

78% of councils included a 'health pandemic' in their risk register after the COVID-19 pandemic was declared in March 2020.

22% of councils engaged in emergency procurement.

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3.3   Technology

Councils experienced challenges adapting IT infrastructure and controls to enable staff to work from home

Many councils applied working from home arrangements during the COVID-19 lockdowns. Having a number of remotely connected employees for an extended period may strain council's IT infrastructure and control environment. It is important to ensure network connections and controls are secure to mitigate the data protection risk associated with communicating through mobile applications.

This new way of working resulted in some challenges during implementation and the impacts are described below.

Insufficient IT equipment
Fifty-two per cent of councils purchased additional laptops, 61 per cent of councils allowed their staff to use their personal computer/laptop and 46 per cent of councils allowed staff to take the council desktop computer home.

Cyber threats
Of the councils that allowed the use of personal devices for work, 19 per cent did not assess the security of these devices, which increases the risk of a cyber attack. Twenty-nine per cent of councils did not provide cyber security training or increase awareness of cyber risks during COVID-19.

Remote connections challenges
Thirty-two per cent of councils did not have sufficient remote connection licenses and 26 per cent of councils experienced slower system performance as a result of the remote connection.

Additional IT staff required
Fifteen per cent of councils recruited additional IT staff due to heavier workloads associated with supporting staff working from home.

Unscheduled IT expenses
To resolve working from home challenges, councils advised that approximately $7.0 million of unscheduled IT expenses were incurred. Additional purchases included laptops, remote connection licenses, video conferencing software and tools, and additional internet quota.

Delayed services from vendors
The timeliness of service delivery from third party IT vendors, including internet service providers and IT hardware providers, were impacted by COVID-19.

3.4   Fraud and corruption risks

Past experience suggests that during economic downturns, the level of misconduct and corrupt conduct can increase. Recent emergency events have increased fraud and corruption risk as:

- there is less supervision and monitoring of staff in a working from home arrangement
- the effectiveness of controls may be compromised due to remote working
- the theft of assets is easier due to physical absence of employees in the workplace
- stimulus funding is delivered in a compressed timeframe
- it may be easier for employees to rationalise dishonest behaviour.

Twenty-two per cent of councils engaged in emergency procurement during the recent emergencies

In times of emergencies, there may be a need to engage in emergency procurement, using direct negotiations and other exemptions from the competitive procurement process to pay suppliers quickly, agree to contract variations and rely on staff to purchase items using purchasing cards. There is a risk that emergency procurement may not be processed appropriately.

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Twenty-two per cent of councils engaged in emergency procurement during the recent emergencies. Of this, 15 per cent reported that the procurement could be better documented but was considered a lower risk as the goods or services being procured were not significant.

3.5   Business continuity and disaster recovery planning

Business continuity and disaster recovery planning assists organisations to prepare for and ensure they can respond to an incident or crisis. This includes natural disasters and pandemic events like COVID-19. Ideally, business continuity plans would ensure organisations are prepared to respond effectively to the impact of incidents or crises on a wide range of areas including service delivery, safety and availability of staff, availability of IT and other systems, financial management and governance.

Business continuity and disaster recovery plans need to be updated for recent emergency events

The recent emergency situations have highlighted the need for councils to have an updated business continuity and disaster recovery plans to capture lessons learned. Sixty-five per cent of councils updated their business continuity plan (BCP) and 42 per cent of councils updated their disaster recovery plan (DRP) to document how they would respond to a pandemic event. If these plans are not updated, councils may not adequately capture the lessons learned, and will not continuously improve the suitability, adequacy and effectiveness of business continuity and disaster recovery arrangements. While not all councils have updated their BCP and DRP, 80 per cent of councils have reviewed their system backup policy and practices.

The Audit Office is planning to undertake a performance audit over business continuity planning in 2021. This audit will examine the effectiveness of business continuity planning processes at a selection of local councils in preparing for emergency events.

3.6   Stimulus funding, programs and support for the community

Councils received funding from various sources for natural disasters

The government offered various forms of assistance to councils impacted by natural disasters. This included disaster relief funding and opportunities to apply for grants ranging from small projects to large infrastructure opportunities.

Resilience NSW administers the NSW Natural Disaster Assistance Arrangements through administering agencies including Public Works Advisory and Transport for NSW. Councils can apply for assistance to restore essential public assets damaged as a result of a natural disaster. In 2019–20, administering agencies reported total eligible expenditure of approximately $81.7 million to Resilience NSW, for the restoration of Local Government essential public assets under the NSW Natural Disaster Assistance Arrangements. This amount represents the expenditure incurred and reported by councils to the administering agencies, and not total payments to the councils by the NSW Government.

The Commonwealth Government committed $123 million under the Drought Communities Program to support 123 drought affected councils to invest in local community infrastructure, boosting local employment, addressing social and community needs and other projects such as emergency water supply.

There was also a NSW Drought Relief Heavy Vehicle Access Program where $15.0 million of funds were allocated to improve local roads and communities through difficult drought conditions.

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The Department of Regional NSW administered the Bushfire Community Resilience and Economic Recovery Fund (Phase 1) where $7.6 million was provided to 49 bushfire affected local councils for immediate, locally led community and economic recovery activities. Phase 2 was administered by Resilience NSW, and the program was renamed to the Bushfire Community Recovery and Resilience Fund. Twenty-seven councils received $250,000 grants and five councils received $100,000 grants, with the total funding provided being $7.3 million. These funds were used by councils to manage projects that support community recovery and help build resilience.

The NSW Rural Fire Service also provided funding to councils under the bushfire risk mitigation and resilience program. This funding was available to assist councils to perform bushfire mitigation works, provide access for firefighting and to deliver projects that increase the resilience of New South Wales communities to bushfires. In 2019–20, two councils received funding through this program to the value of $388,000.

The State Government provided floodplain management grants to support Local Government to manage flood risk. The funding comes from two programs:

- NSW floodplain management program (funded by the NSW Department of Planning, Industry and Environment (DPIE))
- Floodplain grants scheme (funded by Resilience NSW).

In 2019–20, total funding of $7.3 million was provided to 43 councils under the NSW floodplain management program and $1.9 million was provided to four councils under the floodplain grants scheme.

Over half a billion dollars of stimulus funding was committed to councils to manage the impacts of COVID-19

To respond to the COVID-19 pandemic, the State Government announced a $395 million Local Government economic stimulus package to safeguard jobs, services and infrastructure delivery.

The economic stimulus package included $112.5 million job retention allowance, aimed at safeguarding jobs in the Local Government sector. Council employees were not eligible for the Commonwealth Government's Job Keeper payment. Eligible councils received $1,500 per fortnight per employee for up to three months. Five councils received $250,000 relating to the 2019–20 period. The program is still active and payments will continue to be made to eligible councils in the future.

The government also provided $32.8 million to fully fund the increase in the emergency services levy in 2020–21 for all councils.

There was a further $250 million increase to the NSW Treasury Corporation (TCorp) Local Government lending facility to make it easier for councils to access low interest loans to fund infrastructure. Three councils took out NSW Government TCorp loans worth $25.5 million from this scheme. Councils were also able to obtain a NSW Government guarantee for commercial borrowings, subject to certain criteria being met.

On top of the $395 million economic stimulus package, councils were provided with further relief and a range of funding opportunities. Some examples include:

- $82.0 million to keep council operated childcare and family day care services running during the pandemic
- $36.0 million to rebuild and refurbish infrastructure for up to 171 local showgrounds
- $15.0 million to fund projects to benefit communities during COVID-19 by providing more space for the public to safely walk, cycle and exercise
- $15.0 million to boost high street economic recovery, increase footfall and improve safety
- $10.0 million to enhance ePlanning for councils, so that the community can lodge their development applications online
- COVID-19 Aged Care Workforce Retention Bonus Payment for residential and home care workers.

30

NSW Auditor-General's Report to Parliament | Report on Local Government 2020 | In focus: response to recent emergency events

In 2020–21 Budget, the Commonwealth Government announced a new $500 million Local Roads and Community Infrastructure Program to support councils to deliver priority local road and community infrastructure projects across Australia, supporting jobs and the resilience of local economies to help communities bounce back from the COVID-19 pandemic.

Councils supported their communities through the recent emergencies

The recent emergency events challenged local communities. Councils responded by providing support in different ways. Some examples include:

- helping local businesses, community groups and residents take simple steps to prepare for natural disasters through the 'Get Ready Local Councils' communications package
- providing emergency funding and grants to local communities to recover from the recent emergencies
- providing rental relief on commercial premises to support local businesses affected by the COVID-19 restrictions
- allowing ratepayers experiencing financial hardship to defer rate payments
- waiving or reducing fees for outdoor dining permit fees and food premise inspections and footpath usage for COVID-19 impacted businesses
- working with local businesses to be COVID-safe.

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NSW Auditor-General's Report to Parliament | Report on Local Government 2020 | In focus: response to recent emergency events
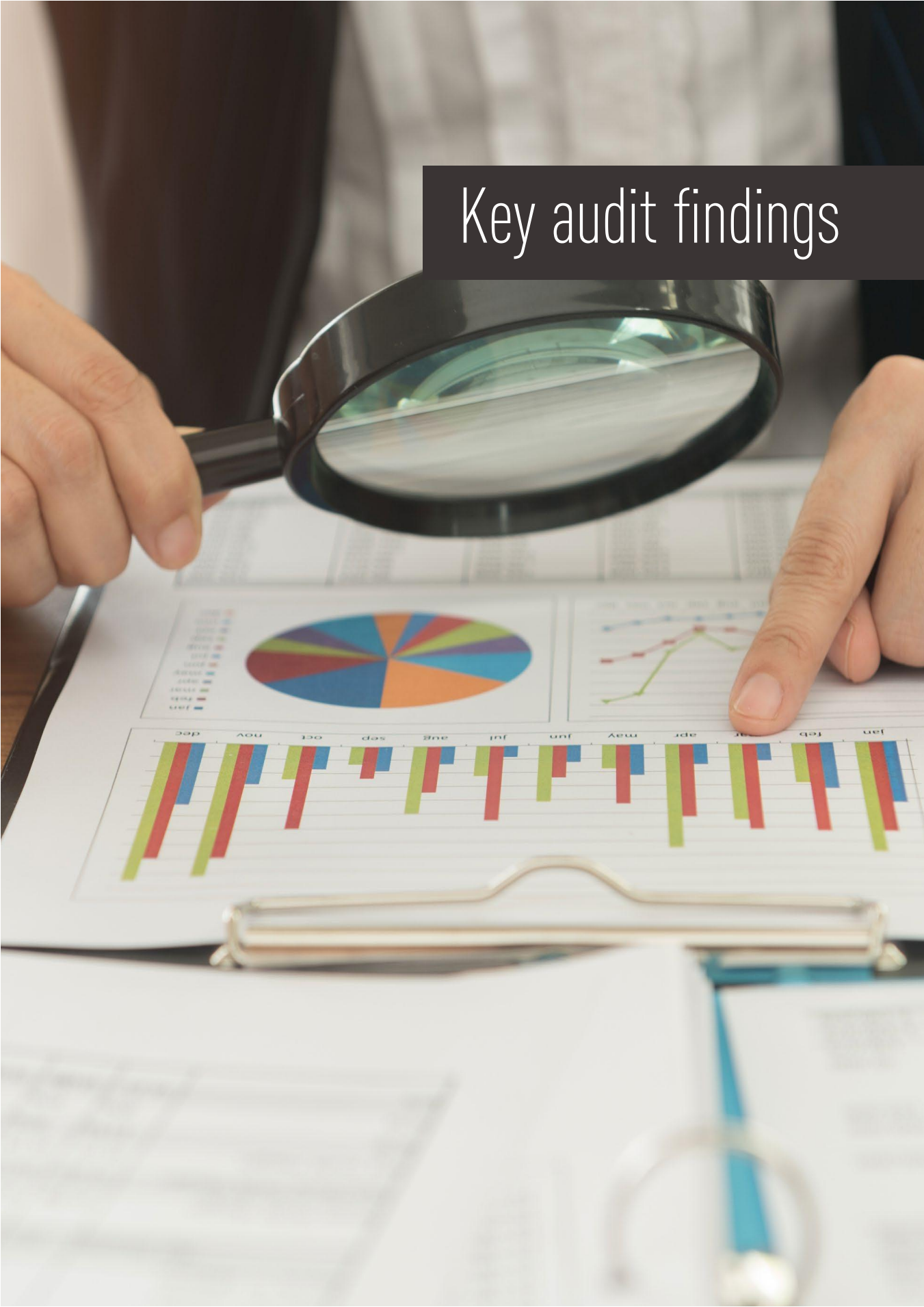
Key audit findings

4. Key audit findings

A strong system of internal controls enables councils to operate effectively and efficiently, produce reliable financial reports, comply with laws and regulations and support ethical government.

This chapter outlines the overall trends in governance and internal control findings across councils, county councils and joint organisations in 2019–20. It also includes the findings reported in the 2018–19 audits of Hilltops, MidCoast and Murrumbidgee councils as these audits were finalised after the Report on Local Government 2019 was published.

Financial audits focus on key governance matters and internal controls supporting the preparation of councils' financial statements. Audit findings are reported to management and those charged with governance through audit management letters.

Highlights

- Total number of findings reported in audit management letters decreased from 1,985 in 2018–19 to 1,435 in 2019–20.
- One extreme risk finding was identified in 2019–20 (2018–19: nil).
- Total number of high-risk findings decreased from 82 in 2018–19 to 53 in 2019–20. Thirty per cent of the high-risk findings identified in 2018–19 were reported as high-risk findings in 2019–20.
- Forty-nine per cent of findings reported in audit management letters were repeat or partial repeat findings.
- Governance, asset management and information technology (IT) comprise over 61 per cent of findings and continue to be key areas requiring improvement.
- Fifty-six councils could strengthen their policies, processes and controls around fraud prevention and legislative compliance.
- Sixty-eight councils had deficiencies in their processes to revalue infrastructure assets.
- Fifty-eight councils have yet to implement basic governance and internal controls to manage cybersecurity.
- Sixty-four councils should formalise and periodically review their IT policies and procedures.

Total number of findings reported in audit management letters decreased

In 2019–20, 1,435 findings were reported in audit management letters (2018–19: 1,985 findings). An extreme risk finding was also identified this year related to Central Coast Council's use of restricted funds. The total number of high-risk findings decreased to 53 (2018–19: 82 high-risk findings).

Findings are classified as new, repeat or ongoing findings, based on:

- new findings were first reported in 2019–20 audits
- repeat findings were first reported in prior year audits, but remain unresolved in 2019–20
- ongoing findings were first reported in prior year audits, but the action due dates to address the findings are after 2019–20.

Findings are categorised as governance, financial reporting, financial accounting, asset management, purchases and payables, payroll, cash and banking, revenue and receivables, or information technology. The high-risk and common findings across these areas are explored further in this chapter.

4.1   Governance

Governance is the framework of rules, processes and systems that enables organisations to achieve goals and comply with legal requirements. Good governance promotes public confidence and satisfaction in councils' operations. Key governance areas include appropriate accountability mechanisms, operational and financial risk management and fraud prevention.

Governance findings decreased from 299 to 239

Audit management letters reported 239 findings relating to governance (2018–19: 299 findings). Fifty per cent were repeat or partial repeat findings.

Reported findings		FY 2019	Change %	FY 2020
	Total	299	20% ▼	239
✖	Extreme	0	100% ▲	1
❗	High	5	20% ▼	4
➖	Moderate	216	33% ▼	144
✔	Low	78	15% ▲	90
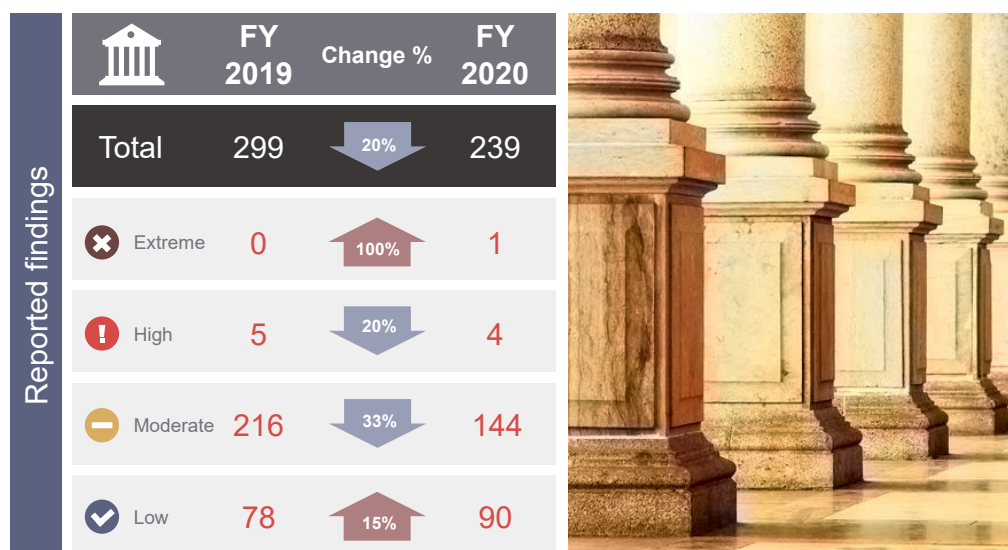
Source: Audit management letters for 30 June 2019 and 30 June 2020 audits.

Extreme risk finding

One extreme risk finding was reported at Central Coast Council. Further analysis on this finding is detailed in Chapter 2.1 'Quality of financial reporting'.

Council	Description
2019–20 finding	
Central Coast Council (partial repeat finding)	Council spent restricted funds for unrestricted purposes during 2019–20, without the appropriate approvals under the *Local Government Act 1993*. This indicated the council's oversight of its current and forecast cash flow situation was not always effective. Council used a monthly 'Investment Report' to understand its historical cash and investment position compared to restricted funds. However, these reports did not include forecasts of expected cash and investment positions compared to restricted funds, impacting effectiveness of cash flow management.

High-risk findings

High-risk findings, including repeat findings, were reported at the following councils. Three of the 2018–19 high-risk findings were not resolved, including one finding elevated to extreme risk.

Council	Description
2019–20 findings	
Bellingen Shire Council (repeat finding)	Council did not comply with the Environment Protection Authority's requirements for quarry operations, and workplace health and safety legislation.
Central Coast Council (new finding)	Council did not have a policy document or framework setting out legislative and operational requirements for each category of externally restricted funds. Council was unable to provide the basis for some externally restricted funds.
Liverpool City Council (new finding)	Council decided to proceed with the Liverpool Civic Place development, with an estimated cost of $195 million. Recommendations were made for council to perform a comprehensive assessment over the contract to ensure accounting implications are appropriately considered, and to update the projected cashflows for major events that impact cashflow assumptions.
Mid-Western Regional Council (repeat finding)	Council did not fully comply with its obligations under the *Unclaimed Money Act 1995*. $178,000 held by council for more than six years should be assessed for remittance to Revenue NSW.
2018–19 finding^	
Murrumbidgee Council (repeat finding)	Council did not periodically review suppliers where the cumulative annual expenditure exceeded $150,000. Council should consider whether these goods and services would be more efficiently procured under a contract.
	Council's contract register was not complete and accurate. Key information was not in the register, including council's contract manager and supplier contact details.

^   This audit was finalised after the 'Report on Local Government 2019' was published.

Common findings

The common governance findings reported in audit management letters related to deficiencies in fraud controls, legislative compliance and corporate governance policies.

Deficiencies in fraud control processes at 41 councils

The following fraud control deficiencies were reported in audit management letters.

Fraud control deficiencies	Number of councils
Council did not have a fraud and corruption prevention policy, or it was outdated	30
Council did not perform a fraud risk assessment	22
Council did not require staff to provide annual attestations to the Code of Conduct	20
Council did not provide fraud awareness training to staff	15

Effective fraud controls and ethical frameworks help protect councils from events that risk serious reputational damage and financial loss.

Lack of legislative compliance policies or register at 38 councils

Thirty-eight councils did not have a sufficient legislative compliance policy or register. Legislative compliance frameworks assist councils to monitor compliance with key laws and regulations. This is important as councils provide a broad range of services to the community and are subject to many legal requirements. A legislative breach can attract penalties, impact service delivery and cause significant reputational damage.

Other key corporate governance policies were not in place or regularly updated at 61 councils

The common areas where councils were missing governance policies are summarised below.

Area of corporate governance with absent or outdated policies	Number of councils
Risk management	31
Contract management	33
Public interest disclosures	12
Gifts and benefits	6

Corporate governance policies are essential for ensuring councils operate in accordance with external and internal requirements. It is important that the rules, standards and expectations are clearly outlined, and staff are provided adequate guidance to inform their actions.

Governance and internal controls over local infrastructure contributions could be improved

The Audit Office's recent performance audit 'Governance and internal controls over local infrastructure' assessed the effectiveness of governance and internal controls over local infrastructure contributions (developer contributions) collected by four councils during the 2017–18 and 2018–19 financial years.

The audit identified that Blacktown City Council and City of Sydney Council provided effective governance over their developer contributions whereas Central Coast and Liverpool City councils' governance arrangements required improvement. Central Coast Council also breached the *Environmental Planning and Assessment Act 1979* between 2001 and 2019 when it used developer contributions for administration costs. These funds were repaid in late 2019.

4.2 Financial reporting

Financial reporting is an important element of good governance. Confidence in and transparency of public sector decision making is enhanced when financial reporting is accurate and timely.

Financial reporting findings decreased from 137 to 103

Audit management letters reported 103 findings relating to financial reporting (2018–19: 137 findings). Thirty-nine per cent were repeat or partial repeat findings.

Reported findings		FY 2019	Change %	FY 2020
	Total	137	25%	103
	High	13	46%	7
	Moderate	86	20%	69
	Low	38	29%	27

Source: Audit management letters for 30 June 2019 and 30 June 2020 audits.

High-risk findings

High-risk findings, including repeat findings, were reported at the following councils. Four of the 2018–19 high-risk findings were not resolved, and four findings were reclassified to moderate risk in 2019–20 as management has taken action to mitigate the risks.

Council	Description
2019–20 findings	
Berrigan Shire Council (repeat finding)	Due to the impact of border restrictions on key finance staff, the financial statements submitted for audit were incomplete. A number of errors and disclosure deficiencies were identified and corrected. Key documents to support infrastructure, property, plant and equipment balance were provided late.
Bland Shire Council (new finding)	Due to resourcing issues in the finance team, the financial statements submitted for audit were incomplete. A number of errors and disclosure deficiencies were identified and corrected. Some key documents including accounting position papers and reconciliations for key account balances were provided late.
Central Coast Council (repeat finding)	Council submitted the financial statements for the audit on 13 November 2020, one month after the initially agreed date. The financial statements included significant presentation issues, material misstatements and disclosure deficiencies. There was no documented evidence of timely quality review of the financial statements and associated supporting workpapers.
The Council of the Municipality of Kiama (new finding)	Council was significantly delayed in providing documentation for the interim audit due to resourcing issues, migration of financial information to the new accounting system and the impact of COVID-19 on council operations.
Mid-Western Regional Council (new finding)	Council submitted the accounting position paper for the impact assessment of the new accounting standards AASB 15 and AASB 1058 late. The failure to provide the assessment in a timely manner increases the risk that critical deadlines may not be met.
Murray River Council (repeat finding)	Council continues to experience issues in the financial statement preparation process and audit readiness. This has resulted in: • multiple draft versions of the financial statements submitted for audit, requiring review, feedback and subsequent adjustments • delayed submission of key accounting position papers to the audit team • delays to the audit process and additional audit costs.
Murrumbidgee Council (repeat finding)	Council submitted draft financial statements for audit on 22 October 2020, one week after the scheduled due date. Council engaged an external contractor to assist with the preparation of the financial statements, but the financial statements required further updates after submission. Key documents including the accounting position paper on new accounting standards were not ready by agreed audit dates.

Council	Description
2018–19 findings^	
Hilltops Council (repeat finding)	Council submitted draft financial statements for audit on 4 February 2020, three months after the statutory reporting deadline of 31 October 2019.
	The financial statements submitted for audit were based on draft financial information, were incomplete, and contained numerous errors and disclosure deficiencies. This included insufficient disclosures for new accounting standards and interpretations issued but not yet effective.
MidCoast Council (new finding)	Council submitted draft financial statements for audit on 16 October 2019, one month after the scheduled audit start date. Council advised the delay was due to:
	• the implementation of the new accounting system
	• council resources redirected away from the financial statement preparation process due to the bushfires.
	The financial statements contained numerous errors and disclosure deficiencies. Extensive consultation and direction were necessary to ensure that the financial statements were compliant with the Australian Accounting Standards and relevant directions prescribed by the OLG.
Murrumbidgee Council (repeat finding)	Council submitted draft financial statements for audit late. The audit was scheduled to start on 30 September 2019, but it was rescheduled several times as council was not prepared. Council advised the delay was due to inadequate resourcing in the finance team and migration of financial information to the new accounting system. This is a repeat finding first raised in the 2016–17 audit.
Murrumbidgee Council (new finding)	One staff member was responsible for the financial statement close process and audit preparation. This resulted in significant delays to the audit, and there is a key-person risk.

^   These audits were finalised after the 'Report on Local Government 2019' was published.

Common findings

Common findings across councils include:

- 47 councils did not appropriately apply or adequately assess the impact of the new accounting standards
- lack of preparation for the audit, such as having a financial reporting plan, impacted the timeliness of financial reporting at 22 councils
- financial statements submitted for audit for 21 councils contained numerous errors and disclosure deficiencies
- 14 councils did not have sufficient processes to ensure related party transactions were appropriately disclosed in the financial statements in line with AASB 124 'Related Party Disclosures'. A related party transaction involves the council and another party with a pre-existing relationship with the council.

Further analysis and insights on financial reporting findings are detailed in Chapter 2 'Audit results'.

4.3   Financial accounting

Financial accounting is the processes adopted by management to record and review financial information across the business. Councils use a combination of manual and automated processes and digital information systems to process financial information. Effective processes support the accuracy and completeness of information presented in the financial statements.

Financial accounting findings increased from 108 to 115

Audit management letters reported 115 findings relating to financial accounting (2018–19: 108 findings). Fifty-three per cent were repeat or partial repeat findings.
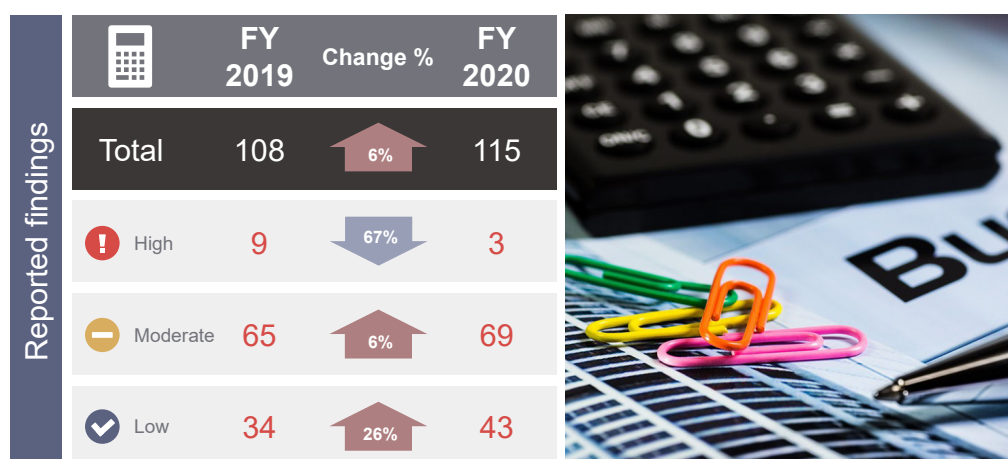
Reported findings		FY 2019	Change %	FY 2020
	Total	108	▲ 6%	115
❗	High	9	▼ 67%	3
⊖	Moderate	65	▲ 6%	69
✔	Low	34	▲ 26%	43

Source: Audit management letters for 30 June 2019 and 30 June 2020 audits.

High-risk findings

High-risk findings, including repeat findings, were reported at the following councils. Two of the 2018–19 high-risk findings were not resolved, and three findings were reclassified to moderate risk in 2019–20 as management has taken action to mitigate the risks.

Council	Description
2019–20 findings	
Central Coast Council (new finding)	Some monthly account reconciliations were not prepared and reviewed on a timely basis. Supporting documentation was not consistently attached to explain reconciling items, and some reconciling items were not explained.
	Council maintains several information systems for processing revenue transactions. Each day, the sub-ledger systems interface with the general ledger to transfer and update revenue data. Findings identified:
	• reconciliations were not performed between the general ledger and sub-ledger systems to ensure all transactions were reflected correctly in the general ledger
	• the interface transfer often required manual intervention to ensure the transfer occurred. There is no audit trail, or evidence of review of changes made to these transfers.

Council	Description
Central Darling Shire Council (two repeat findings)	Two high-risk findings were reported: • lack of segregation of duties as key finance officers have broad access to make changes in the finance system and have access to the bank account. There were limited independent reviews of finance officer functions to mitigate this risk • manual journals were processed to adjust financial information without adequate supporting documentation. Furthermore, manual adjustments were not consistently signed off by the preparer and independent reviewer.
2018–19 finding^	
MidCoast Council (new finding)	Council's records management practices relating to information to support balances and disclosures in the 2019 financial statements were not sufficiently embedded to enable the timely preparation of the financial statements.

^   This audit was finalised after the 'Report on Local Government 2019' was published.

Common findings

The common financial accounting findings reported in audit management letters related to deficiencies in key account reconciliations and processing of manual journal adjustments.

Key account reconciliations were not prepared in a timely manner or independently reviewed at 55 councils

Regular reconciliation of financial information ensures timely identification of errors, and also facilitates a more efficient audit process. It was reported in audit management letters that:

- 36 councils did not reconcile all key balances in the financial statements in a timely manner
- there was no evidence of independent review of key account reconciliations at 33 councils.

Lack of segregation of duties with manual journal adjustments at 28 councils

There was a lack of segregation of duties over the posting of manual journal adjustments to financial information at 28 councils. An independent review of manual journal adjustments is important to reduce the risk of fraud or error in the financial statements.

4.4   Asset management

Councils own and manage large infrastructure asset portfolios to support the delivery of community services. Asset management involves operational aspects such as maintenance and physical security, as well as accounting procedures such as valuing assets in accordance with accounting standards.

Asset management findings decreased from 307 to 304

Audit management letters reported 304 findings relating to asset management (2018–19: 307 findings). Forty per cent were repeat or partial repeat findings.
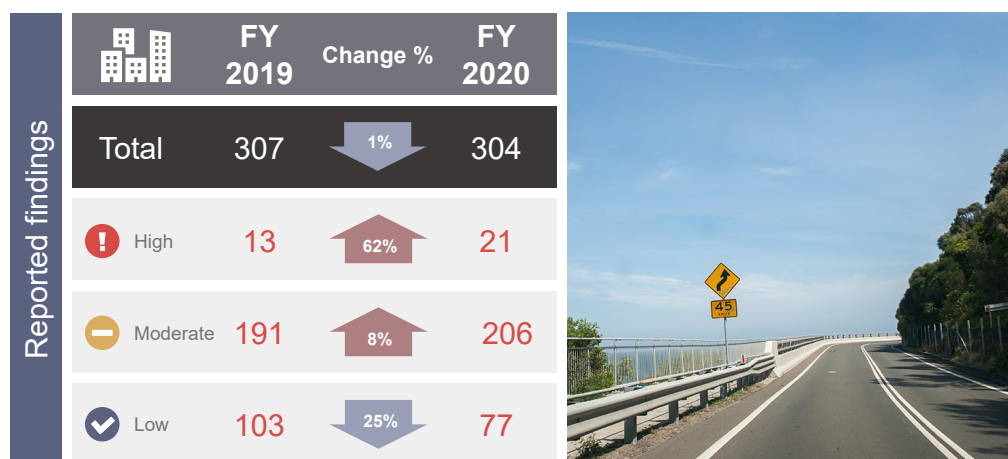
Reported findings		FY 2019	Change %	FY 2020
	Total	307	▼ 1%	304
	❗ High	13	▲ 62%	21
	➖ Moderate	191	▲ 8%	206
	✔ Low	103	▼ 25%	77

Source: Audit management letters for 30 June 2019 and 30 June 2020 audits.

High-risk findings

High-risk findings, including repeat and ongoing findings, were reported at the following councils. Five of the 2018–19 high-risk findings were not resolved, and four findings were reclassified to moderate risk in 2019–20 as management has taken action to mitigate the risks. There was an increase in the number of high-risk findings reported this year in asset management.

Council	Description
2019–20 findings	
Bellingen Shire Council (new finding)	Council identified road and bulk earthwork assets not previously recorded in the financial statements, resulting in prior period errors in: • roads assets of $2.0 million • associated bulk earthworks of $4.4 million. Council's fixed assets register (FAR) is not sufficiently secured from unauthorised changes as it is maintained in excel spreadsheet. The FAR did not include key information fields such as acquisition date.

Council	Description
Berrigan Shire Council (repeat finding)	• Council engaged an external valuer to perform a revaluation of other open space, other structure assets, water and sewerage, operational land, community land, and buildings. The revaluation excluded 41 other assets due to the timing of information provided to the external valuer. • Work papers supporting the fair value of assets contained errors. • $1.9 million of road assets and capital work-in-progress (WIP) were incorrectly recorded as material and contract expenses. • Disclosure deficiencies were reported in the financial statements, including transfers from capital WIP to completed assets not netting off.
Byron Shire Council (new finding)	• The asset revaluation process for transport and stormwater infrastructure identified assets not previously recorded in council's asset registers. This resulted in a $36.1 million prior period error. • Duplicated land assets were recorded in the asset management system. This resulted in a $9.1 million prior period error. • There was limited quality control and documentation of management's review of the asset revaluation. Significant movements in the asset revaluations were not analysed.
Central Coast Council (two new findings)	Two high-risk findings were reported: • Council certified that they were unable to provide sufficient evidence to support the carrying value of roads, bridges and footpath assets. This is because the last valuation of these assets was in the year ended 30 June 2015, and council has not conducted a more recent valuation in accordance with AASB 116 'Property, Plant and Equipment' (AASB 116). This qualification could have been avoided if council had performed a timely full revaluation of these asset classes. • Council did not have a formal process to regularly review the carrying values of Community and Crown Land assets against valuations from the Valuer-General of New South Wales (VG). As a result, the carrying values of these assets did not reflect the most recent VG valuation as at 1 July 2019. Council processed an increment of $39.4 million to correct the carrying values of these assets.
Dubbo Regional Council (partial repeat finding)	The asset revaluation process identified prior period errors due to: • incorrect unit rates adopted for valuing stormwater assets in previous years, amounting to $75.1 million • non-depreciable bulk earthworks assets not previously recognised in council's asset register, amounting to $16.8 million.
Gilgandra Shire Council (new finding)	Council's revaluation process over roads, bridges and footpaths identified errors due to differences in the recorded length of the road network, amounting to $11.8 million. Asset valuation reports were not available until late during the final audit.
Inner West Council (ongoing finding)	In 2018–19, council did not sufficiently complete a quality review of the asset revaluation process. In 2019–20, council was not required to perform a comprehensive revaluation for any asset classes, so council could not address the finding during 2019–20. The finding will remain ongoing until the next revaluation is performed.

Council	Description
Kempsey Shire Council (new finding)	Council identified transport assets with a written down value of $11.6 million not previously recorded in the financial statements, resulting in a prior period error.
Lane Cove Municipal Council (new finding)	Council did not have a robust process to review restrictions associated with land holdings in the prior year land revaluation process, resulting in a $9.8 million prior period error.
Liverpool City Council (new finding)	Council controlled 61 parcels of community land valued at $104 million that were contaminated but did not account for any impairment in the comprehensive revaluation. The subsequent impairment assessment resulted in an $11.0 million reduction to the fair value of the land.
Lockhart Shire Council (new finding)	Council's valuation methodology for roads, bridges, footpaths and bulk earthworks: • was not documented until after the valuation was completed • comprised desktop procedures that are insufficient for comprehensive revaluations, and did not include condition assessments or update of all unit rates used to value infrastructure assets • did not include all relevant classes of assets.
Murray River Council (new and repeat finding)	• Asset reconciliation was not completed appropriately or independently reviewed. • On-costs were inappropriately capitalised, resulting in a corrected error of $2.4 million. • The dates that assets were first in use were not recorded, resulting in incomplete records and errors in the depreciation expense. • Fair value assessment of transportation assets was not robust.
North Sydney Council (new finding)	Council prepared a position paper for the major redevelopment of North Sydney Olympic Pool assets. From the review of the position paper, it was recommended the council apply accelerated depreciation charges to account for the reduction in useful life of the assets, as required by AASB 116 'Property, Plant and Equipment'. Council subsequently applied appropriate depreciation rates for 30 June 2020.
Orange City Council (repeat finding)	Council's revaluation process over roads, bridges, footpaths and stormwater assets identified errors with a net impact of $14.8 million, subsequently corrected by council. The errors were due to: • applying incorrect unit rates and useful lives • duplicated assets recorded in the asset register • including roads not controlled by council in the revaluation. There was a lack of robust quality review of the asset revaluation to confirm the reasonableness of revaluation movements.
Queanbeyan-Palerang Regional Council (new finding)	Council identified a number of developer contributed assets not previously recorded in the financial statements, resulting in a prior period error of $18.2 million.
Strathfield Municipal Council (new finding)	A high-risk finding was reported relating to council's comprehensive revaluation of road infrastructure assets, including: • work papers submitted late to the auditor • inadequate documentation to support key assumptions including the condition assessments and unit rates applied to assets • no documented review of the fixed asset reconciliation and other calculations • no documented quality review of the revaluation process.

Council	Description
Willoughby City Council (new finding)	Council reported a $5.4 million prior period error due to the overstatement of assets. This arose from: • inability to verify the existence of open space and recreational assets in the fixed asset register • buildings that were not previously included in the fixed asset register.
Wingecarribee Shire Council (new finding)	Council corrected a material misstatement of $117 million arising from the comprehensive revaluation of roads, bridges and footpaths. The error arose primarily due to system limitations in council's asset management system in processing a revaluation of this size and nature.
Wollondilly Shire Council (new finding)	Council's revaluation process over roads, bridges, footpaths, drainage infrastructure, carparks and other infrastructure assets identified errors due to: • applying incorrect unit rates and measurements since 2014–15 • assets recorded in the asset register but not the general ledger • duplicated assets • volume errors • application of inaccurate consumption pattern of the assets.
2018–19 finding^	
MidCoast Council (new finding)	• Council lacked documentary evidence to support unit rates applied for assets revalued under the replacement cost method. • There was insufficient documentation to support council's rationale, method and approach in conducting the revaluation. • There was a lack of quality review performed over the valuation, resulting in an additional $47.7 million error. • Accounting implications for revaluation increments and decrements did not reflect the not-for-profit requirements of AASB 116 Property, Plant and Equipment. • There were multiple versions of financial statements and supporting schedules provided to the audit team, as management adjusted information originally supplied.

^ This audit was finalised after the 'Report on Local Government 2019' was published.

Common findings

The common asset management findings reported in audit management letters related to deficiencies in asset revaluation processes, maintenance of information in asset management systems and landfill rehabilitation accounting practices.

Deficiencies in infrastructure asset revaluation processes at 68 councils

Deficiencies were identified in infrastructure asset valuations at 68 councils, including:

• inadequate documentation to support key assumptions and judgements applied including:
  – useful lives and condition assessments
  – unit rates used to value infrastructure assets
• incorrect classification of assets
• incorrect exclusion of some assets from valuations
• management not documenting their quality review over the asset valuation.

Weak processes over maintenance and security of fixed asset registers at 68 councils

Maintaining accurate and up to date asset data helps councils to make appropriate decisions around asset management. The common issues reported in audit management letters relating to fixed asset registers are summarised below.

Fixed asset register issues reported in audit management letters	Number of councils
Council did not maintain an accurate and complete fixed register. This included: • issues with duplicated or missing assets • incorrect categorisation of assets • incorrect componentisation of assets.	49
Council did not regularly update their fixed asset register for additions and disposals.	41
Asset registers were not maintained in a secure format (e.g. use of unlocked spreadsheets or multiple systems).	13

Improvements to council landfill rehabilitation accounting practices required at 44 councils

Common findings identified in council landfill rehabilitation accounting practices include:

- 12 councils did not formally assess the obligations required to rehabilitate landfill sites
- 11 councils could improve formal documentation of provision calculations to support inputs, assumptions and key data for accounting of the provisions
- 23 councils did not include costs associated with post-closure, aftercare and monitoring of landfill sites in their provisions.

Australian Accounting Standards require a provision for landfill remediation when the obligation to operate landfill sites would result in cash outflows for the council, and it can be reliably measured. Such provisions should be annually reassessed for changes in assumptions, legal requirements and emergence of new landfill remediation techniques.

82% of councils have a formal landfill and environmental management plan for their landfill sites

69% of these councils reviewed their plan within the last three years

Provision for remediation calculation

92% — Considered the landfill's scale, location, risk profile and proximity to sensitive environments

92% — Considered whether discount rate is appropriate

73% — Considered post closure and aftercare costs

ACCOUNTING

67% of councils have performed annual impairment assessment on their landfill assets

83% of councils have reviewed the depreciation method and useful lives at each reporting date

80% of councils have reassessed the assumptions and calculations used in estimating the provision of remediation costs

Those that performed the reassessment:

- Engaged external expert 23%
- Utilised internal staff 65%
- Both 12%

4.5 Purchases and payables

Councils spend substantial funds each year to procure goods and services. It is important there is appropriate probity, accountability and transparency in procurement to reduce the risk of unauthorised purchases, corrupt and fraudulent behaviour and value for money not being achieved.

Purchases and payables findings decreased from 205 to 118

Audit management letters reported 118 findings relating to purchases and payables (2018–19: 205 findings). Forty-five per cent were repeat or partial repeat findings.
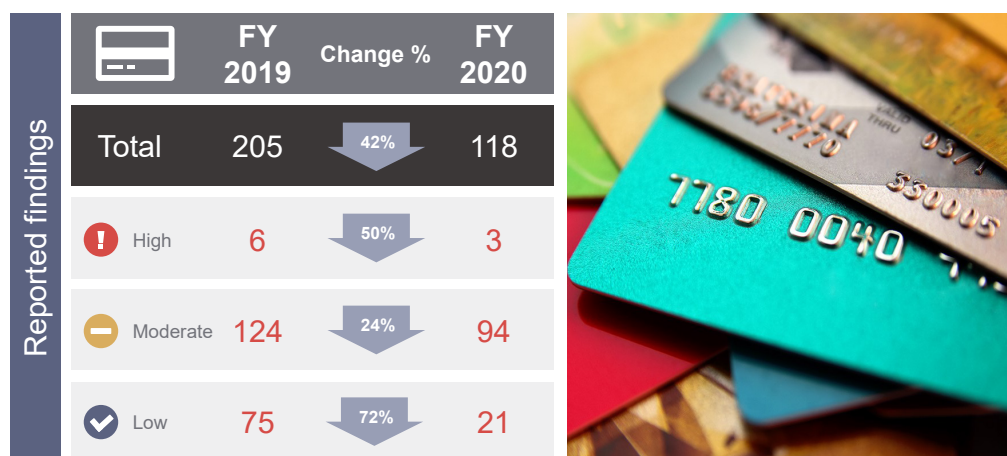
Reported findings		FY 2019	Change %	FY 2020
	Total	205	42%	118
!	High	6	50%	3
−	Moderate	124	24%	94
✓	Low	75	72%	21

Source: Audit management letters for 30 June 2019 and 30 June 2020 audits.

High-risk findings

High-risk findings were reported at the following councils. Three of the 2018–19 high-risk findings were resolved, and three findings were reclassified to moderate risk in 2019–20 as management has taken action to mitigate the risks.

Council	Description
2019–20 findings	
Gilgandra Shire Council (new finding)	A senior officer had superuser access to the finance system and was also an authorised signatory for the bank account. The lack of segregation of duties increases the risk of inappropriate transactions.
Lismore City Council (new finding)	The system-based workflows for approving purchase orders did not match the approved limits in the delegations manual. Some officers had the ability to revise purchase orders to amounts above their delegation without requiring further approval.
Mid-Western Regional Council (new finding)	Non-compliance with the *Local Government Act 1993* and the *Local Government (General) Regulation 2005* for one contract over $250,000 in value for landfill management services. The contract was not subject to a competitive tender in accordance with procurement rules.

Common findings

The common purchases and payables findings reported in audit management letters related to controls around purchase orders, review of creditor information and deficiencies in credit card management practices.

Controls around purchase orders were not enforced or absent at 32 councils

At 11 councils, it was identified that employees could approve their own purchase orders. It is important there is segregation of duties in procurement to reduce the risk of fraud and misuse of public money.

Purchase orders were approved after the receipt of goods or services at 25 councils. Purchase orders should be issued before requesting goods or services to reduce the risk of unauthorised transactions.

Insufficient review of changes to creditor information at 32 councils

Thirty councils did not perform sufficient review of changes to creditor information, including bank account details. This increases the risk of transactions paid to incorrect accounts, resulting in financial losses for councils. Councils should review each change or perform regular collective review of changes.

Deficiencies in credit card management practices

The Audit Office's recent performance audit 'Credit card management in Local Government' identified gaps in credit card management practices for all six audited councils, including:

- lack of explicit alignment between credit card limits and financial delegations
- no requirement to check purchases were for valid purposes in the process for reconciling credit card transactions
- card holders sharing credit cards with other employees
- incomplete or inaccurate record keeping.

Procurement processes do not fully support transparent use of public money

In December 2020, the 'Procurement management in Local Government' performance audit assessed the effectiveness of procurement practices in six councils and identified:

- procurement needs were not consistently documented at the planning stage
- staff training on procurement was not adequate
- procurement outcomes were not required to be evaluated
- discrepancies in contract values between contract registers and annual reports.

4.6   Payroll

Effective payroll processes ensure councils manage their workforce in compliance with legislation, employment agreements and the Local Government Award. Payroll processes and information systems should protect the integrity of employee records and timesheet data, to ensure accurate payments to employees and leave entitlement calculations.

Payroll findings decreased from 136 to 112

Audit management letters reported 112 findings relating to payroll processes (2018–19: 136 findings). Thirty-nine per cent were repeat or partial repeat findings.
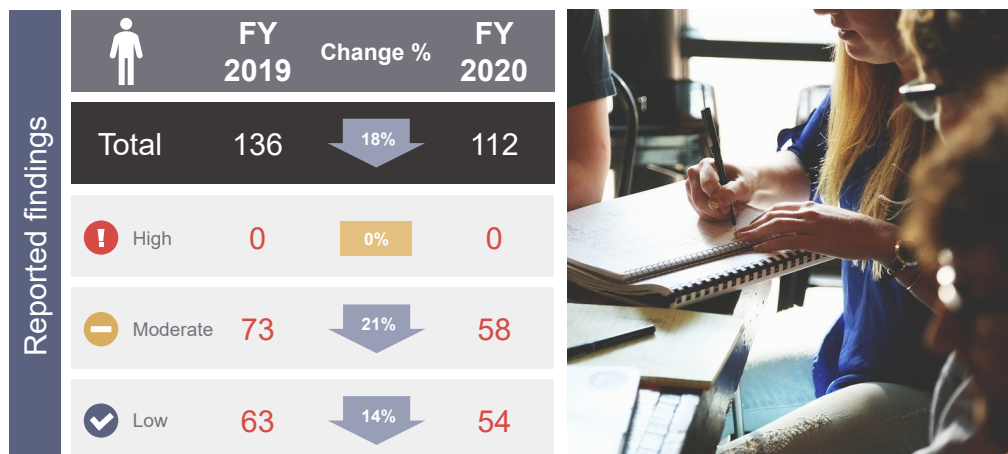
Reported findings		FY 2019	Change %	FY 2020
	Total	136	18%	112
	❗ High	0	0%	0
	⊖ Moderate	73	21%	58
	✔ Low	63	14%	54

Source: Audit management letters for 30 June 2019 and 30 June 2020 audits.

High-risk findings

There were no high-risk findings related to payroll processes in 2019–20 (2018–19: Nil).

Common findings

The common payroll findings reported in audit management letters related to deficiencies in the review of employee payroll data and excessive annual leave balances.

Changes to employee payroll data are not reviewed at 35 councils

Thirty-five councils did not have adequate processes in place to review changes to employee payroll data. This includes instances where changes are reviewed, but not by an independent person. This increases the risk of unauthorised changes or errors remaining undetected, resulting in financial loss to councils.

Excessive annual leave balances were reported at 46 councils

Managing excess annual leave was a challenge for councils given the recent emergency events. Councils continued to deliver essential services in uncertain times and in a disrupted work environment. Many council employees, particularly in frontline roles, deferred leave plans and have taken little or no annual leave. To support council employees during the COVID-19 pandemic, legislative amendments were made to allow councils and their employees to agree to:

- council making a payment to an employee in lieu of annual leave, provided the employee will still have a balance of at least four weeks of leave remaining
- an employee taking annual leave at double or half pay.

4.7 Cash and banking

Councils process a high volume of transactions each year. Effective controls over cash collection, disbursements and reconciliations reduce the risk of fraud and error.

Cash and banking findings decreased from 100 to 53

Audit management letters reported 53 findings relating to cash and banking (2018–19: 100 findings). Twenty-six per cent were repeat or partial repeat findings.
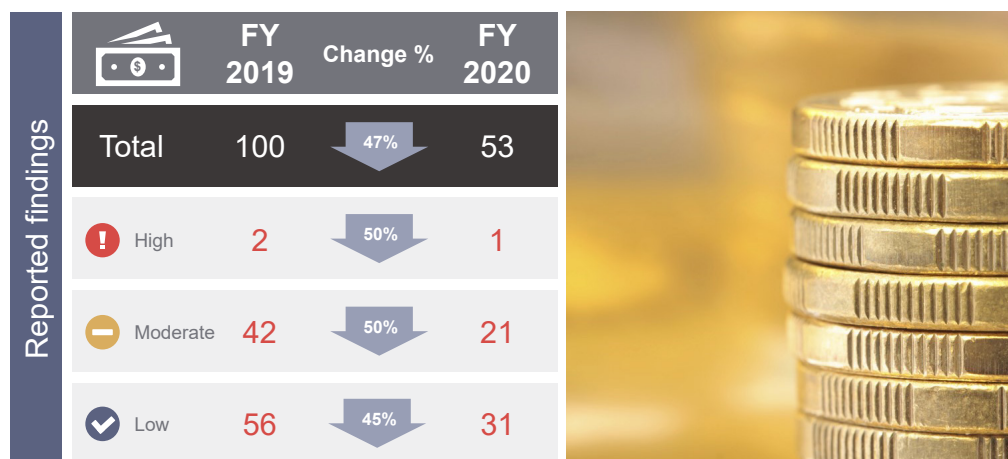
Reported findings		FY 2019	Change %	FY 2020
	Total	100	▼ 47%	53
❗	High	2	▼ 50%	1
➖	Moderate	42	▼ 50%	21
✔	Low	56	▼ 45%	31

Source: Audit management letters for 30 June 2019 and 30 June 2020 audits.

High-risk findings

High-risk findings related to cash and banking were reported at the following councils. All 2018–19 high-risk findings were resolved.

Council	Description
2019–20 finding	
Wingecarribee Shire Council (new finding)	Under section 355 of the *Local Government Act 1993*, council delegated the management of a number of its halls and sporting fields to volunteer committees. Committees' cash balances were reported to the council as at 31 May 2020, rather than 30 June 2020 and bank confirmations were not provided for committee bank accounts as at 30 June 2020 for the audit. Furthermore, council did not comply with their internal policy for at least one employee to be a signatory on committee bank accounts.
2018–19 finding^	
MidCoast Council (new finding)	Council did not reconcile external confirmations from financial institutions to their investment register. Furthermore, confirmations: • were incomplete and did not cover all investments in council's register • included balances that were not recorded in council's register. From review of council's external confirmations, council did not record balances totalling $110,000 as they were unaware of its existence. The bank account was for loan repayments made by a former constituent council (pre-amalgamation).

^   This audit was finalised after the 'Report on Local Government 2019' was published.

Common findings

The common cash and banking findings reported in audit management letters related to the lack of security of payment files and the lack of segregation of duties in the cash handling process.

Lack of security of payment files for pay runs at 12 councils

Twelve councils did not encrypt Electronic Funds Transfer (EFT) payment files from editing or sufficiently restrict access to payment files on the network before they were uploaded to online banking portals. This increases the risk of unauthorised or fraudulent transactions.

Lack of segregation of duties in the cash handling processes at 16 councils

There was a lack of segregation of duties in the cash handling process at 16 councils, including daily cashier balancing and recording mail remittances. There was no independent recount of balances or review of mailed cheque receipts. This increases the risk of undetected balancing errors and misappropriation of cash or cheques.

4.8 Revenue and receivables

Councils receive revenue from a range of different sources, including rates and annual charges, user charges and fees, operating and capital grants and contributions, and other revenue (such as interest, investments and asset disposals). It is important that councils have appropriate internal controls to accurately record revenue and receivables in compliance with accounting standards and legal requirements.

Revenue and receivable findings decreased from 109 to 55

Audit management letters reported 55 findings relating to revenue and receivables (2018–19: 109 findings). Forty-seven per cent were repeat or partial repeat findings.
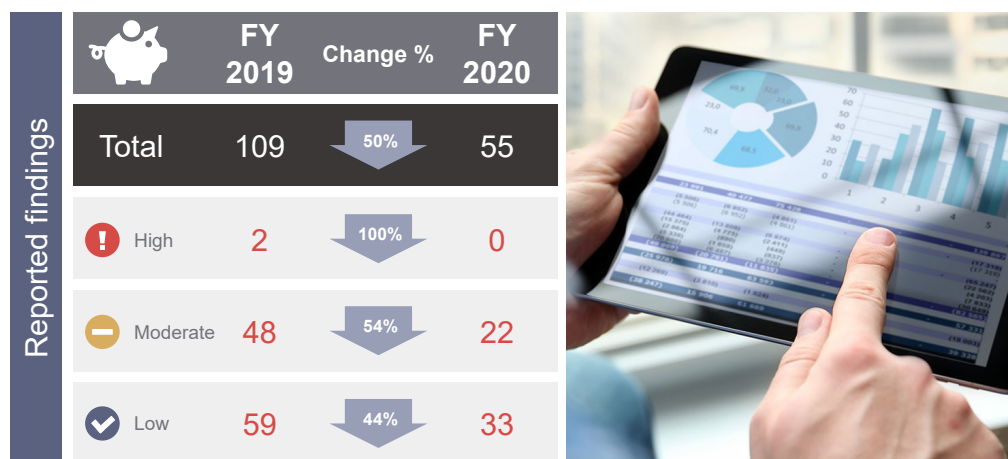
Reported findings		FY 2019	Change %	FY 2020
	Total	109	50%	55
!	High	2	100%	0
−	Moderate	48	54%	22
✓	Low	59	44%	33

Source: Audit management letters for 30 June 2019 and 30 June 2020 audits.

High-risk findings

There were no high-risk findings related to revenue and receivables processes in 2019–20. One of the high-risk findings reported in 2018–19 was resolved, and the other was reclassified to moderate risk in 2019–20 as management has taken action to mitigate the risks.

Common findings

The common revenue and receivables findings reported in audit management letters related to deficiencies in the review of changes to fee tables and property data in council rates systems and inappropriate revenue recognition practices.

Lack of review of changes to fee tables and property data in the rating system at 18 councils

Council systems contain fee tables and property information, which is used to determine rates and annual charges levied on different properties. Eighteen councils do not adequately review changes for accuracy and appropriateness. This increases the risk of errors in recording rates and annual charges in the financial statements.

Inappropriate revenue recognition at 11 councils

Eleven councils had findings raised relating to their revenue recognition practices, including:

- recognising revenue in the financial statements for construction projects on receipt, rather than on progress
- use of cash accounting basis to recognise some revenue transactions, rather than accruals.

Deficiencies in revenue recognition practices resulted in 66 errors identified in council financial statements, totalling $103.2 million.

4.9   Information technology (IT)

Councils rely on IT to deliver services and manage information. While IT delivers considerable benefits, it also presents risks that councils need to address. IT general controls relate to the procedures and activities designed to ensure confidentiality and integrity of systems and data. These controls underpin the integrity of financial reporting.

Financial audits involve the review of IT general controls relating to key financial systems supporting the preparation of council financial statements, addressing:

- policies and procedures
- IT risk management
- user access management
- privileged user access restriction and monitoring
- system software acquisition, change and maintenance
- disaster recovery planning.

IT findings decreased from 584 to 336

Audit management letters reported 336 findings relating to IT (2018–19: 584 findings).
Sixty-eight per cent were repeat or partial repeat findings.
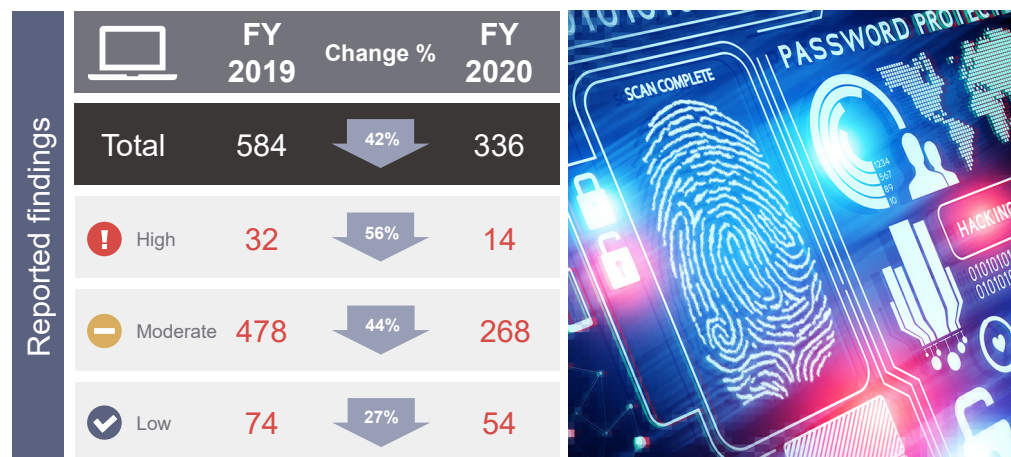
Reported findings		FY 2019	Change %	FY 2020
	Total	584	42%	336
❗	High	32	56%	14
➖	Moderate	478	44%	268
✔	Low	74	27%	54

Source: Audit management letters for 30 June 2019 and 30 June 2020 audits.

High-risk findings

High-risk findings, including repeat and ongoing findings, were reported at the following councils.
Ten of the 2018–19 high-risk findings were not resolved, and six findings were reclassified to
moderate risk in 2019–20 as management has taken action to mitigate the risks.

Council	Description
2019–20 findings	
Bellingen Shire Council (three repeat findings)	Three high-risk findings were reported relating to: • lack of cyber risk framework and policy • no policies and procedures for IT security or change management • enterprise wide business continuity and disaster recovery plan has not been reviewed and updated since 2016.
Central Coast Council (two new findings)	Two high-risk findings were reported relating to: • privileged user access review was not performed for one of the key financial system • privileged user accounts' activity logs were not reviewed.
Coolamon Shire Council (new finding)	There is no formal process to grant and remove access to financial systems. Privileged accounts' activity logs were not maintained and monitored.
Greater Hume Shire Council (repeat finding)	Privileged accounts' activity logs were not maintained and reviewed.
Hilltops Council (ongoing finding)	Council did not have an implemented IT strategic plan and IT policies and procedures over security, change management, backup, storage and retrieval, business continuity and disaster recovery plan.

Council	Description
Maitland City Council (one new finding and two repeat findings)	Three high-risk findings were reported relating to: • lack of formal approval and implementation of IT policies and procedures over multiple areas, no cybersecurity awareness program, gaps in IT risk register and lack of Service Level Agreement (SLA) between IT and the business, communication of IT risks to the Audit Committee and resolution of the IT issues to be addressed during the planned restructure (repeat finding) • independent review of changes to employee master data and invoice data entry were not consistently performed during 2019–20 (repeat finding) • gaps in the cybersecurity controls (new finding).
Murrumbidgee Council (ongoing finding)	High-risk finding relating to the migration to a new financial system. See 2018–19 findings section below for more information.
Newcastle City Council (ongoing finding)	One ongoing (resolution date not due) high-risk finding reported relating to: • no formal IT policies and procedures in place over multiple areas such as access management, incident management, cybersecurity, etc • no cybersecurity awareness program which will include periodic training of users on cybersecurity • IT risk register shows uncompleted and past due actions for certain risk items • no documented SLA between IT and the business.
Woollahra Municipal Council (repeat finding)	Privileged user accounts' activity logs were not reviewed.
2018–19 findings^	
MidCoast Council (new finding)	Management could only provide limited evidence to demonstrate how it performs its oversight function for IT general controls over the key systems relevant to financial reporting. There were deficiencies in IT policies, IT risk management, user access management, segregation of duties, backup and monitoring and disaster recovery.
Murrumbidgee Council (one new finding and two repeat findings)	One new high-risk finding was reported, relating to the migration to a new financial system (Civica Authority). The was a lack of planning, project management and inadequate resourcing for the project. The internal audit review highlighted exceptions and scope limitations where they were unable to conclude on the accuracy and completeness of 31 October 2018 balances transferred from Jerilderie and Darlington Point standalone systems to Civica Authority. Council did not appropriately document the system conversion process, including the opening balances transfer. Two repeat high-risk findings were reported, relating to: • lack of an IT risk assessment and IT risk register • lack of formal policies and procedures across most IT processes.

^ These audits were finalised after the 'Report on Local Government 2019' was published.

NSW Auditor-General's Report to Parliament | Report on Local Government 2020 | Key audit findings

Common findings

The common IT findings reported in audit management letters related to deficiencies in IT policies and procedures, lack of a cybersecurity framework and controls and gaps in user access management processes.

IT policies and procedures were outdated or not in place at 64 councils

Sixty-four councils did not formalise and/or regularly reviewed their key IT policies and procedures. It is important for key IT policies to be formalised and regularly reviewed to ensure emerging risks are considered and policies are reflective of changes to the IT environment. Lack of formal IT policies and procedures may result in inconsistent and inappropriate practices and an increased likelihood of inappropriate access to key systems.

Cybersecurity frameworks and related controls were not in place at 58 councils

At a State Government level, the NSW Cybersecurity Policy states that 'strong cybersecurity is an important component of the NSW Digital Government Strategy. The term cybersecurity covers all measures used to protect systems and information processed, stored or communicated on these systems from compromise of confidentiality, integrity and availability'. While there is currently no requirement for councils to comply with the State Government's Cybersecurity Policy, councils may find it useful to refer to the policy for further guidance.

The Report on Local Government 2019 recommended for the Office of Local Government (OLG) within the Department of Planning, Industry and Environment to develop a cybersecurity policy by 30 June 2021 to ensure a consistent response to cybersecurity risks across councils. OLG have indicated that they are working with Cybersecurity NSW to develop a draft cybersecurity policy to share with councils by 30 June 2021. Refer to Appendix three.

Fifty-eight councils did not have the basic governance and internal controls to manage cybersecurity such as a cybersecurity framework, policy and procedure, register or cyber incidents, penetrations testing and training.

Poor management of cybersecurity can expose councils to a broad range of risks, including financial loss, reputational damage and data breaches. The potential impacts include:

- theft of corporate and financial information and intellectual property
- theft of money
- denial of service
- destruction of data
- costs of repairing affected systems, networks and devices
- legal fees and/or legal action from losses arising from denial-of-service attacks causing system downtime in critical systems
- third-party losses when personal information stored on government systems is used for criminal purposes.

Gaps in user access management process, including inadequate periodic review of user access at 43 councils and insufficient monitoring of privileged account activities at 68 councils

The following common access management findings were identified:

- 43 councils did not perform a periodic user access review to ensure users' access to key IT systems are appropriate and commensurate with their roles and responsibilities
- 68 councils did not monitor privileged accounts' activity logs.

Where robust access management processes are not in place, inappropriate access may exist, increasing the risk of unauthorised transaction or modification of sensitive data and transactions. The common findings above were rated high risk when there was mitigating controls to prevent or detect any unauthorised access.

Looking forward

Rural outback, New South Wales

5. Looking forward

Audit Office's work plan for 2020–21 onwards

Focus on local council's response and recovery from recent emergencies

Local councils and their communities will continue to experience the effects of recent emergency events, including the bushfires, floods and the COVID-19 pandemic for some time. The full extent of some of these events remain unclear and will continue to have an impact into the future. The recovery is likely to take many years.

The Office of Local Government (OLG) within the Department of Planning, Industry and Environment is working with other state agencies to assist local councils and their communities to recover from these unprecedented events.

These events have created additional risks and challenges, and changed the way that councils deliver their services.

We will take a phased approach to ensure our financial and performance audits address the following elements of the emergencies and the Local Government's responses:

- local councils' preparedness for emergencies
- its initial responses to support people and communities impacted by the 2019–20 bushfires and floods, and COVID-19
- the governance and oversight risks that arise from the need for quick decision making and responsiveness to emergencies
- the effectiveness and robustness of processes to direct resources toward recovery efforts and ensure good governance and transparency in doing so
- the mid to long-term impact of government responses to the natural disasters and COVID-19
- whether government investment has achieved desired outcomes.

Planned financial audit focus areas in Local Government

During 2020–21, the financial audits will focus on the following key areas:

- cybersecurity, including:
  – cybersecurity framework, policies and procedures
  – assessing the controls management has to address the risk of cybersecurity incidents
  – whether cybersecurity risks represent a risk of material misstatement to council's financial statements
- budget management
- financial sustainability
- quality and timeliness of financial reporting
- infrastructure, property, plant and equipment
- information technology general controls.

Audit, risk and improvement committees

All councils are required to have an audit, risk and improvement committee by March 2022

The requirement for all councils to establish an audit, risk and improvement committee was deferred by 12 months to March 2022 due to the COVID-19 pandemic.

Audit, risk and improvement committees are an important contributor to good governance. They help councils to understand strategic risks and how they can mitigate them. An effective committee helps councils to build community confidence, meet legislative and other requirements and meet standards of probity, accountability and transparency.

Local Government elections

Local Government elections were postponed for one year due to the COVID-19 pandemic

The Local Government elections were deferred for one year due to the COVID-19 pandemic and will now be held on 4 September 2021. As the statutory deadline for the 2020–21 financial statements is 30 October 2021, some of the newly elected councillors will be required to endorse them.

Implementation of AASB 1059

Accounting standards implementation continue next year

AASB 1059 is effective for councils for the 2020–21 financial year.

A service concession arrangement typically involves a private sector operator that is involved with designing, constructing or upgrading assets used to provide public services. They then operate and maintain those assets for a specified period of time and is compensated by the public sector entity in return. Examples of potential service concession arrangements impacting councils include roads, community housing, childcare services and nursing homes.

AASB 1059 may result in councils recognising more service concession assets and liabilities in their financial statements.

To effectively implement AASB 1059 councils will need to:

Obtain an understanding of AASB 1059

Assess the terms and conditions of existing arrangements with private sector operators to determine whether they fall within the scope of AASB 1059

Develop an implementation plan to apply AASB 1059

Plan and prepare for its implementation, including training staff

Discuss the assessment with relevant stakeholders including Audit and Risk Committees and the auditors

These tasks should be completed well before the balance date so that they do not impact on the timely preparation of the financial statements at year end.

Appendices

Appendix one – Response from the Department of Planning, Industry and Environment

Planning, Industry & Environment NSW GOVERNMENT

:

Ms Margaret Crawford
Auditor-General for New South Wales
GPO Box 12
SYDNEY   NSW   2001

26 May 2021

Dear Ms Crawford

Thank you for your letter of 14 April 2021 and for the opportunity to respond to your *Report on Local Government 2020.*   I would like to recognise the contribution of the Audit Office towards strengthening governance, financial management and reporting in the local government sector.

The Department notes the report's recommendation, that the Department '*should communicate the State's view that rural fire-fighting equipment is controlled by Councils in the local government sector, and therefore this equipment should be properly recorded in their financial statements'.*

The Department will communicate to the local government sector the State position that the Rural Fire Service (RFS) should not recognise these assets notwithstanding that councils generally enter into agreements with the RFS for the management of this council owned fire fighting equipment.

I also note the recommendation that the Department should provide certainty regarding the legal framework relating to restrictions of water, sewerage and drainage funds (restricted reserves). It is also noted that the preferred view of the Crown Solicitor is that monies received under the *Water Management Act 2000* reside within the scope of s.409(3) of the *Local Government Act 1993*. The Department proposes to issue guidance consistent with the preferred view above, to support Councils in preparing their financial statements.

Throughout the past year the Department has worked towards addressing the recommendations from your *Report on Local Government 2019*, with particular regard to cyber security. The Department is continuing to work with Cyber Security NSW and the local government sector to identify the best way to address this issue.

I am encouraged by the constructive feedback provided by the Audit Office and look forward to continuing this important work to ensure that both local and state government work together to best serve local communities in NSW.

Yours sincerely

[signature]

Jim Betts
Secretary

12 Darcy Street Parramatta 2150 | Locked Bag 5022 Parramatta 2124 | dpie.nsw.gov.au

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NSW Auditor-General's Report to Parliament | Report on Local Government 2020 | Appendix one – Response from the Department of Planning, Industry and Environment

Appendix two – NSW Crown Solicitor's advice

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ADVICE

NSW GOVERNMENT | Crown Solicitor's Office

LOCAL GOVERNMENT RATES AND CHARGES

Executive summary

Question 1 Special rates and charges

1. The reference in s. 409(3)(a) of the *Local Government Act 1993* ("the *LG Act*") to a "special rate or charge" is a reference to a special rate or a 'charge' and not to a special rate or a 'special charge'.

2. I have identified, in the body of this advice, sections of the *LG Act* which provide for the making of charges and special rates.

Question 2 Central Coast Council

3. Money received pursuant to provisions of the *Water Management Act 2000* ("the *WM Act*") is received by the Central Coast Council in its capacity as a water supply authority ("WSA") under that Act.

4. Section 409(3)(b) of the *LG Act* may apply to monies collected pursuant to the *WM Act*, if the conditions in that paragraph are satisfied. Although not without doubt, I prefer a view that s. 409(3)(a) of the *LG Act* could also apply to such monies.

5. As a general proposition, monies received by the Central Coast Council as a result of charges levied in its capacity as a water supply authority under the *WM Act* should be held in the council's consolidated fund as "externally restricted funds" to be used only for purposes associated with the exercise of the council's functions as a water supply authority under the *WM Act* or purposes authorised under the *LG Act* (such as the payment of dividends under s.409(5) of the *LG Act*).

6. I have not located any provisions in the *WM Act* which expressly restrict the way that money collected under that Act may be spent.

Background

7. You seek my advice as to interpretation of provisions of the *LG Act* and the *WM Act*. I understand these to be questions of general application, although Question 2 relates to Central Coast Council specifically and has arisen in the broader context of that Council being under administration (though I am instructed no further as to any specific facts or circumstances).

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Analysis

Question 1 Special rates and charges

1.1 Do the provisions in s. 409(3) of the LG Act extent to 'any charges' levied by the council or only to 'special charges' levied by a council?

8.   Chapter 13 of the *LG Act* is titled "How are councils made accountable for their actions?" and Part 3 of that Chapter "Financial management". Division 1 ("Funds"), provides at s. 408 that a council must have two separate funds: a consolidated fund and a trust fund (as to which, see s. 411). Section 409 provides for the consolidated fund as follows:

> "409   The consolidated fund
>
> (1) All money and property received by a council must be held in the council's consolidated fund unless it is required to be held in the council's trust fund.
>
> (2) Money and property held in the council's consolidated fund may be applied towards any purpose allowed by this or any other Act.
>
> (3) However—
>
>   (a) money that has been received as a result of the levying of a special rate or charge may not be used otherwise than for the purpose for which the rate or charge was levied, and
>
>   (b) money that is subject to the provisions of this or any other Act (being provisions that state that the money may be used only for a specific purpose) may be used only for that purpose, and
>
>   (c) money that has been received from the Government or from a public authority by way of a specific purpose advance or grant may not, except with the consent of the Government or public authority, be used otherwise than for that specific purpose.
>
>   (d) (Repealed)
>
> (4) Pending its expenditure for the purpose for which it is held, money of the kind referred to in subsection (3)(a), (b) or (c) may not be held otherwise than in an account with a bank, building society or credit union or in an investment in which such money is, by or under this or any other Act, authorised to be invested.
>
> (5) Despite subsections (3) and (4), a council may—
>
>   (a) deduct, from the money required by subsection (3) to be used only for the specific purpose of water supply or sewerage services, an amount in the nature of a return on capital invested payment (dividend), and
>
>   (b) apply that amount towards any purpose allowed for the expenditure of money by councils by this Act or any other Act.
>
> (6) The Minister for Water, Property and Housing, with the concurrence of the Minister administering this Act—
>
>   (a) is to cause guidelines to be prepared and published in the Gazette relating to the management of the provision of water supply and sewerage services by councils, and
>
>   (b) may, if of the opinion that a council has not substantially complied with the guidelines, direct the council to comply with any particular aspect of the guidelines before making any further deduction under subsection (5).
>
> (7) Before making a deduction under subsection (5), a council must—
>
>   (a) comply with the guidelines published under subsection (6) and any direction given under that subsection, and

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NSW | Crown Solicitor's Office

(b) indicate in an open meeting of the council that the guidelines and any such direction have been complied with in relation to the making of the deduction.

(8) Subsections (5)–(7) extend to a council that is a water supply authority within the meaning of the *Water Management Act 2000*.

(9) This section does not affect the requirements of the *Fire and Emergency Services Levy Act 2017* with respect to the payment of collection instalments to the Treasurer.

9.   You instruct me that the provisions in subsection (3), which are the focus of your question for advice, are known colloquially as "externally restricted funds". The question for my advice is whether the reference in s. 409(3)(a) to a "special rate or charge" should be interpreted as 'a special rate or *(any)* charge' or as a 'special rate or *special* charge'.

10. The task of statutory construction is to determine the meaning of the text of the statute whilst, at the same time, having regard to its context and purpose: see generally *SZTAL v Minister for Immigration and Border Protection* [2017] HCA 34 at [14] and the *Interpretation Act 1987* s. 33. Section 409(3) addresses the use, or 'spending', of monies that are associated with a "specific purpose". The provisions of subparagraphs (a)—(c) are all concerned with the spending of monies for the purpose, also referred to as the specific purpose, for which they are received or kept.

11. In the context of that purpose, of restricting expenditure of monies to the purpose for which that money was received, the meaning of the reference to a "special rate" is clear, because of the nature of such a rate. A special rate is a rate for or towards the cost of any works, services, facilities or activities of the council, other than domestic waste management services: see s. 495. That work, service, facility or activity would constitute the purpose of the special rate for purposes of s. 409(3).

12. It is also clear, when considering the statutory scheme, that a "special rate" is a standalone concept in the *LG Act*. There are, throughout the *LG Act*, other references to "special rates": see especially s. 492, which provides that councils can make ordinary *or* special rates, and s. 495 ("making and levying of special rates"). Broadly speaking, ordinary rates are levied annually on rateable land by reference to the categorisation of that land (see generally ss. 493, 494 and Part 3 of Chapter 15); whilst (as noted) special rates go "for or towards meeting the cost of any works, services, facilities or activities provided or undertaken, or proposed to be provided or undertaken… other than domestic waste management services" (at s. 495).

13. By contrast, there is no reference to or concept of a 'special charge' elsewhere in the *LG Act*. Many provisions of the Act refer to 'charges'. These all relate to the provision of a service. For example, a charge may be made pursuant to s. 501 for services specified therein, which are to be provided by the council. The making and levying of annual charges for domestic waste management services, for stormwater management services and for coastal protection services are provided at ss. 496, 496A and 496B. Other provisions addressing charges are found generally in Chapter 15, especially in Part 3A (Charges), in Part 4 (Making of rates and charges) and in Part 5 (Levying of rates and charges). In particular, s. 539 is instructive in that it sets out the criteria relevant to determining the amount of a charge. Each of the criteria (albeit non exhaustive) referred to in s. 539(1) to which the council may have regard in setting the amount of the charge are referrable to

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the "service" to which the charge relates: for example, the cost of providing the service, the area of land to which the service is provided, the frequency of the service etc. In that way, the section underscores that the charge must be linked directly to the provision of a service.

14. One instance of a 'charge' under the *LG Act* that less obviously evidences this link between provision of a service and a charge is s. 611. Section 611 provides for the making of a charge in relation to the possession, occupation or enjoyment of a rail, pipe, wire, pole, cable, tunnel or structure which pertains to a public place. In that instance, it is harder to identify a service and therefore the purpose for which that money is received, to employ the language of s. 409(3)(a). It seems to me arguable that the charge is for the purpose of the person's enjoyment of the benefit of possession, occupation or enjoyment of the rail etc. and therefore concerned with the maintenance or similar of that enjoyment. Alternatively, it may be an exceptional charge. Section 611(2) provides that the annual charge may me made, levied and recorded in accordance with the LG Act "as if it were a rate" but is not to be regarded as such for the purposes of calculating the council's general income. There are also specific and bespoke provisions about avenues of appeal for an aggrieved person to challenge the amount of the charge. To the extent that it might be necessary, I think that in the context of a large scheme such as the *LG Act*, the sui generis features of this section can set aside in settling a preferable construction of the terms of s. 409(3)(a).

15. I also note that at s. 543, there is a requirement that each form of rate and each charge have its own name. This section is organised in three subsections: for an "ordinary rate", a "special rate" and for "a charge". Again, that tells against the suggestion that there is a fourth category or a concept of a 'special charge' in the *LG Act*.

16. Considered against this background, it seems clear that a charge must relate to a service, and indeed be named and its amount determined by reference to that service. So too a special rate is for a work, service, facility or activity (see s. 495). By contrast, an ordinary rate is paid by reference to a parcel of rateable land. When so understood, s. 409(3)(a) is sensible when it is read on its plain terms as "a special rate" or a "charge". It makes sense to speak of both those types of council income by reference to their specific purpose. A charge under the *LG Act* is not a means of revenue raising for general purposes and appropriations. Rather, a charge under that Act is by its nature associated with a purpose. For this reason, it would be unnecessary to refer to a 'special charge', in the way that it is necessary to refer to a "special rate" which is associated with a purpose as distinct from an ordinary rate which is not associated with such a purpose.

17. I find further support for this construction in s. 503, which addresses the relationship between rates and charges. It provides that:

> "503   What is the relationship between rates and charges?
>
> (1)   A charge may be made:
>
>   (a)   in addition to an ordinary rate, and
>
>   (b)   in addition to *or instead of* a special rate.
>
> (emphasis added)

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18. In this section, the Act provides that a charge can be made "instead of" a special rate. Again, this suggests to me that the concept of a 'special charge' has no work to do in the legislative scheme of the *LG Act*, rather there are ordinary rates, special rates and charges, and it would be appropriate to speak of a "special rate" and a "charge" interchangeably, as occurs in s. 409(3)(a) and the phrase "special rate or charge".

19. Another consideration is that a construction of the words "special rate or charge" which promotes a harmonious interpretation of the same words and phrases throughout the legislation should be preferred: that is, words are assumed to be used consistently in the legislation (although this is readily rebutted, and, it should be noted, more frequently rebutted in large and extensively amended legislation such as the *LG Act*[1]). This principle can extend to interpretation of a phrase or expression: see, for example, the discussion as to interpretation of the phrase "property offence" in *McMillan v Pryce* (1997) 115 NTR 19 at 23. I have therefore considered the use of the expression "special rate or charge" as it appears in other provisions of the *LG Act*.

20. For example, s. 410 also applies to money that has been received by a council as a result of the levying of a "special rate or charge". Section 410 provides that where a special rate or charge has been discontinued and the purpose achieved, or no longer required to be achieved, any remaining money may be used by the council for other purposes providing that certain conditions specified in subsection (2) are met. It also provides that money which is not yet required for the purpose for which it was received may be lent (by way of internal loan) for use by the council for another purpose, if that purpose is approved by the Minister: see subsections (3) and (4).

21. Indeed, in s. 410(1) the reference is to "a special rate or *a* charge" (emphasis added), though subsection (2) refers to the "special rate or charge". Whilst this is far from determinative, it does indicate that the phrase "special rate or charge" is used interchangeably with "special rate or *a* charge" in at least one other provision of the Act, and so is supportive of my preferred construction.

22. The other places in the *LG Act* where the expression "special rate or charge" appears are in Division 2 ("Special rates and charges relating to water supply, sewerage and drainage") of Part 5 ("Levying of rates and charges") of Chapter 15 ("How are councils financed?"): see especially ss. 551, 552, 553, 553A. The phrase also appears in s. 565 ("capital contributions instead of payment of special rates or charges"). I find nothing in these sections which suggests that my preferred construction should be displaced, and that it was intended that the reference was to some concept of a 'special charge'.

23. Finally, I note an additional question about the interpretation of s. 409(3)(a), whether the reference to "special rate or charge" should be construed as a reference to a special rate or charge raised pursuant to the *LG Act*, or pursuant to the *LG Act* or any other Act. I will return to this question at [2.2] below.

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[1] See generally Pearce, D., *Statutory Interpretation in Australia* (9th ed, 2019), Reed International Books Australia at [4.9].

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1.2 If s. 409(3) is read as 'special charge', which sections of the LG Act provide for the making of special, as distinct from general, charges?

24. In light of my answer to question 1.1., this question does not arise.

1.3 If s. 409(3) is read as 'any charge', which sections of the LG Act provide for the making of such charges?

25. The making of rates and charges is addressed in Chapter 15 ("How are councils financed?"). Part 1 of that Chapter sets out general provisions about the making of rates and charges. In particular, s. 501 provides for the making of charges as follows:

> "501   For what services can a council impose an annual charge?
>
> (1)   A council may make an annual charge for any of the following services provided, or proposed to be provided, on an annual basis by the council—
>
> • water supply services
>
> • sewerage services
>
> • drainage services
>
> • waste management services (other than domestic waste management services)
>
> • any services prescribed by the regulations.
>
> (2)   A council may make a single charge for two or more such services.
>
> (3)   An annual charge may be levied on each parcel of rateable land for which the service is provided or proposed to be provided."

26. For the purposes of s. 501(1), the regulations currently prescribe emergency services within the area of the Blue Mountains City Council: see cl. 125 *Local Government (General) Regulation 2005.*

27. Other provisions which provide for the levying of charges are:

(a) Sections 496, 496A and 496B which provide for the making of charges for domestic waste management services, stormwater management services and coastal protection services respectively,

(b) Section 552 which provides for the making of charges relating to water supply, sewerage and drainage,

(c) Section 553B(2) which provides for the making of a charge in relation to coastal protection services, and

(d) Section 611 which provides for the making of a charge in relation to the possession, occupation or enjoyment of a rail, pipe, wire, pole, cable, tunnel or structure which pertains to a public place.

28. Other provisions relevant to the making of charges are in Part 3A (charges), Part 4 (making of rates and charges) and Part 5 (levying of rates and charges) of Chapter 15, which address matters such as the form of a charge, naming charges, and the priority of charges on land over other encumbrances on the land. Other parts of Chapter 15 address matters such as liability to pay charges and concessions for pensioners.

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1.4 Which sections of the LG Act provide for the making of 'special rates'?

29. As noted above, it is generally relevant to consider Chapter 15 as to the making of rates and charges. The making of special rates is provided for in s. 495, as follows:

> "495   Making and levying of special rates
>
> (1) A council may make a special rate for or towards meeting the cost of any works, services, facilities or activities provided or undertaken, or proposed to be provided or undertaken, by the council within the whole or any part of the council's area, other than domestic waste management services.
>
> (2) The special rate is to be levied on such rateable land in the council's area as, in the council's opinion—
>
>> (a) benefits or will benefit from the works, services, facilities or activities, or
>>
>> (b) contributes or will contribute to the need for the works, services, facilities or activities, or
>>
>> (c) has or will have access to the works, services, facilities or activities.
>
> Note—
>
> Under section 495, a council could, for example make and levy—
>
> • different special rates for different kinds of works, services, facilities or activities
>
> • different special rates for the same kind of work, service, facility or activity in different parts of its area
>
> • different special rates for the same work in different parts of its area.
>
> The amount of special rate will be determined according to the council's assessment of the relationship between the cost or estimated cost of the work, service, facility or activity and the degree of benefit afforded to the ratepayer by providing or undertaking the work, service, facility or activity."

30. Division 2 of Part 5 also provides for the making of special rates or charges relating to water supply, sewerage and drainage (see s. 552 for the making of the special rate).

Question 2 Central Coast Council

2.1 With regards to Central Coast Council established as a water supply authority under the WMA, who receives money collected under the WMA? It is the Central Coast Council (the Council) in its capacity as a water supply authority, or is it some other separate entity such as the Central Coast Council Water Supply Authority (CCCWSA)?

31. The *WM Act* provides for water supply authorities in s. 285 and Schedule 3. Gosford City Council and Wyong Council are each named as a water supply authority ("WSA"): see Part 2 of Schedule 3.

32. As you are aware, but for sake of completeness, I note that in 2016, pursuant to s. 4 and Schedule 3 of the *Local Government (Council Amalgamations) Proclamation 2016*, Gosford City Council and Wyong Council were amalgamated and renamed Central Coast Council. Section 6 of the Proclamation provides:

> "6   References to former areas and councils
>
> A reference in any Act or instrument to:

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> (a) a former council whose former area is incorporated in one new area by this Proclamation, or to a predecessor of the former council, is taken to be a reference to the new council, or
>
> (b) a former area that is incorporated in one new area by this Proclamation, or to a predecessor of the former area, is taken to be a reference to that part of the new area that consists of the former area or the predecessor area incorporated in the new area."

33. Section 53(1) of the *Interpretation Act* also applies where the name of a body or office is altered by statute. It provides:

> "(1) If an Act or statutory rule alters the name of a body or office:
>
>> (a) the body or office continues in existence under its new name so that its identity is not affected, and
>>
>> (b) a reference in any Act or instrument, or in any other document, to the body or office under its former name shall, except in relation to matters that occurred before the alteration took place, be read as a reference to the body or office under its new name."

34. Accordingly, the reference to the former Gosford City and Wyong Councils in the *WM Act* is to be read as a reference to Central Coast Council, which retains its status as a WSA. See also the *Water Management (General) Regulation 2018* ("the *WM Regulation*"), at cl. 117(2), by which Central Coast Council has and may exercise all the functions of a WSA.

35. As such, the Central Coast Council is both a council and a WSA. The Central Coast Council is constituted under the *LG Act* (s. 219) and is given the status of a WSA under the *WM Act*. There is not a separate legal entity such as the 'Central Coast Council Water Supply Authority'. The *LG Act* regulates the operations of the Council as a council, whilst the *WM Act* regulates the operations of the Council as a WSA.

36. In relation to any specific function, operation or activity of the Central Coast Council it will be important to identify in what capacity it acts. For example, in levying a charge or rate, it will be a question of statutory construction whether it is a council or a WSA which has the relevant power to levy that charge or rate, and that in turn will determine whether the Central Coast Council may act in its capacity as a council or as a WSA in so doing. In some cases, such as in relation to drainage services or the construction of water management works, both the *LG Act* and *WM Act* may make provision. It will be necessary to construe those Acts to determine which provisions apply.

37. I have not located any provisions of the *WM Act* which provide a statutory basis for a council (in its capacity as a council) to raise monies. However, the *WM Act* does contain financing provisions for WSAs in Division 6, Part 2 ("Water supply authorities") of Chapter 5. A WSA may levy service charges within its area of operations for the services listed in s. 310(1) and impose other fees and charges in accordance with the regulations. There are extensive provisions about such service charges and other charges in Division 7 of Part 9 of the *WM Regulation*. None of these arise specifically for my advice. Rather, the premise of the question for my advice is merely that money is collected pursuant to the *WM Act*.

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38. It seems reasonable therefore to assume that money received pursuant to provisions of the *WM Act* will almost certainly be received by the Central Coast Council in its capacity as a water supply authority under that Act.

2.2 Following on from the answer to question 2.1 above, is the money received under the WMA considered 'externally restricted funds' under s. 409(3) of the LG Act?

39. Whilst not without doubt, I prefer the view that money received under the *WM Act* is within the scope of s. 409(3) of the *LG Act*. The Central Coast Council is, as noted above, a WSA under the *WM Act* and specifically it is a statutory body named in Part 2 of Schedule 3 of that Act as such. Per s. 287(2) of the *WM Act*, it therefore "becomes a water supply authority but still has its other functions". That is, it retains its character as a council under the *LG Act*.

40. In my view, monies received by the Central Coast Council pursuant to the *WM Act* are within scope of s. 409(1) and (2) of the *LG Act*, being "money and property received by a council", which is required to be held in the council's consolidated fund. I am supported in this view in relation to the Central Coast Council because the *WM Act* and *WM Regulation* do not make provision for what is to be done with charges levied, as in s. 409(1) *LG Act*. The question then arises whether subsection (3) also applies to such money. Subsection (3) is comprised of three paragraphs, as extracted above. Despite the use of the conjunctive 'and' between each paragraph, it is plain on their terms in my view that each of these paragraphs operates independently in the sense that each contains a condition and then a requirement which follows if that condition is met.

41. It does not appear that paragraph (c), being for "money that has been received from the Government or from a public authority by way of a specific purpose advance or grant..." arises on the terms of the question, and so I will set that aside, although I would be happy to consider it in more detail on your further instructions.

42. I also think it is clear that paragraph (b) could apply, being for money "that is subject to the provisions of this or any other Act...". "Any other Act" would encompass the *WM Act*, so that if provisions of the *WM Act* state that the money may be used only for a specific purpose, then s. 409(3)(b) would apply to provide that it may only be used for that purpose.

43. It is less clear whether paragraph (a) applies in relation to monies received pursuant to the *WM Act*. The question is whether "money that has been received as a result of the levying of a special rate or charge" means money levied under the *LG Act*, or money levied under that or any other Act. Although not without doubt, I prefer the view that s. 409(3)(a) should be read in its full generality and not confined as relating only to special rates or charges levied under the *LG Act*.

44. Although express reference is made in s. 409(2) to a purpose allowed "by this or any other Act" and similarly s. 409(3)(b) refers to money subject to provisions of "this or any other Act" (as noted above), I do not think that the omission of such express reference in s. 409(3)(a) should be taken to confine the operation of that provision only to the *LG Act*. In my view, s. 409(3)(a) is intended to apply to monies held in the consolidated fund by virtue of subsection (1), with both sections applying to monies "received" by the council. As noted above, in my view s. 409(1) applies to all

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money received by a council under the *LG Act* or any other Act, and s. 409(3)(a) should have a corresponding scope. Thus, both sections refer, in my view, to the same concept of money received under 'this or any other Act'.

45. I note that this interpretation should also, in my view, be applied to s. 410(1), which provides for alternative use of money raised by special rates or charges and refers, in almost identical language to s. 409(3)(a), to "money that has been received by a council as a result of the levying of a special rate or a charge". In my view, there would similarly be no reason to imply a restriction or to read down the full generality of this section to confine it to money levied under the *LG Act*. Indeed, I think s. 410(1) is intended to address the situation where monies received by a council in its consolidated account are no longer required for the purpose for which they were levied, and the purpose of that section in ensuring that monies are not left in the council's consolidated account unable to be used suggests that the section should be read in its full generality.

46. However, the contrary view that s. 409(3)(a) is confined to special rates and charges levied under the *LG Act*, is not without merit. In particular, I have considered that the concept of a "special rate" is a creature of the *LG Act* and a term with a clear meaning in the context of that Act specifically. Whilst this is not also true of the concept of a "charge", for which many provisions in other Acts provide, I am not sure that a charge in any other Act would necessarily be associated with use for a specific purpose, in the way that paragraph (a) assumes and which I consider applies in the context of the *LG Act*. For example, it may be difficult in some cases to ascertain the purpose for which a charge is levied under the *WM Act*. In my view, although again this is not without doubt, the purpose for which a charge was levied might be found in the provisions as to the basis for levying charges, the assessment of those charges and the functions of the WSA which the charge supports (see, for example, s. 310(2) of the *WM Act*). I have also considered whether other provisions of the *LG Act* relating to special rates or charges apply to charges levied under other Acts, and found these of little assistance, although some provisions expressly refer to charges levied under "this Act" or "this Act and the regulations": see e.g. s. 496B, which suggests that such a restriction should not be read into a provision such as s. 409(3)(a) which is silent on that point. Equally, but contrary, the lack of express reference to "any other Act" in s. 409(3)(a) can be instead seen as a deliberate omission, in light of the use of those words elsewhere in the section (see subsections (2), (3)(b), (4) and (5)(b)). Such equivocal and contrary indicators incline me not to restrict the full generality of s. 409(3)(a) on its own terms.

47. I have also considered the effect of cl. 223 of the *WM Regulation*, which provides:

> "223 Central Coast Council
>
> (1) The provisions of the *Local Government Act 1993* (and the regulations under that Act) that apply to the reduction and postponement of rates and charges under that Act apply to the reduction and postponement of service charges and other charges levied or imposed by Central Coast Council under the *Water Management Act 2000*.
>
> (2) Subclause (1) does not extend to the requirement, under section 581 of the *Local Government Act 1993*, for councils to be reimbursed for a proportion of amounts written off under that Act."

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48. This provision has the effect of applying certain provisions of the *LG Act* to charges which are levied under the *WM Act*. For their part, the provisions of the *LG Act* referred to (Part 8 of Chapter 15) do not contain any express reference to their application under the *LG Act* or any other Act. In that way, it might be said to suggest that those provisions of the *LG Act* would not otherwise apply to charges levied under the *WM Act*, but for the operation of cl. 223 of the *WM Regulation*. However, in my view this provision is neither directly applicable nor persuasive enough indication to read the words of s. 409(3)(a) without their full generality.

49. Finally, I note that I have also considered the effect of s. 409(8), which was introduced in 2003, and provides:

> "(8) Subsections (5)–(7) extend to a council that is a water supply authority within the meaning of the *Water Management Act 2000*."

50. In my view, subsection (8) proceeds from the position that s. 409(3) applies to money which has been received by a council in its capacity as a water supply authority, that is, received pursuant to provisions of the *WM Act*. Otherwise, in applying the exception in subsections (5)-(7), subsection (8) would have no work to do. Subsection (8) was introduced by the *Local Government Amendment (National Competition Policy Review) Bill 2003*, and in his second reading speech for that Bill Mr Tripodi (Parliamentary Secretary) said[2] –

> "There are conflicting interpretations of the scope of section 409, and legislative amendment is proposed to clarify the situation... [s. 409(3)(d) to be omitted]. The bill also proposes the insertion of subsections (5) to (7) into section 409 of the Act to define the proper relationship between restricted funds held under section 409 and a council's general funds, including the circumstances in which dividends may be paid by a council business activity.
>
> Under the amendments contained in the bill, a council may choose to deduct from the money which is restricted in its use for the purpose of water supply or sewerage services, an amount in the nature of a dividend, and to apply that money to any purpose under the Act or any other Act. That is, the dividend payment becomes available for use at council's discretion...
>
> A further amendment relates to the ability of councils which are water supply authorities under the *Water Management Act 2000* to also pay a dividend. The *Water Management Act* does not specifically constrain councils which are water supply authorities from paying a dividend. Nevertheless this ability needs to be put beyond doubt. The bill will specifically provide that the ability to pay a dividend as per the amendments to section 409(5) and the constraints on such a payment under section 409(6) and (7) also apply to local councils which are water supply authorities under the *Water Management Act*."

51. The effect of this subsection therefore supports me in a view that s. 409(3) does apply to money received pursuant to the *WM Act*. However, it is not persuasive of whether s. 409(3) paragraphs (a) and (b) both apply. Given that in my view it is clear that (b) applies, I have not found subsection (8) particularly helpful in construing the proper scope of s. 409(3)(a).

52. On balance, I prefer the view that s. 409(3)(a) could apply to money received pursuant to the *WM Act*, as that section should be read in its full generality and with a corresponding scope to s. 409(1). Section 409(3)(b) would also apply if the conditions in that paragraph were satisfied.

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[2] Hansard, Legislative Assembly, 28 May 2003.

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2.3 Are there any provisions in the WMA that restrict how the money collected under the WMA can be spent?

53. I have not located any express provisions in the *WM Act* which restrict the way that money collected under the *WM Act* can be spent, in a way which is comparable to the effect of s. 409(3) of the *LG Act*, for example.

54. I would observe, however, that the provisions by which money is collected under the *WM Act* are in themselves restrictive of the way such money can be used. For example, many of the services for which charges can be levied under s. 310(1) of the *WM Act* are services which have been declared to be "government monopoly services" under s. 4 of the *Independent Pricing and Regulatory Tribunal Act 1992* ("the *IPART Act*"): see the *Independent Pricing and Regulatory Tribunal (Water; Sewerage and Drainage Services) Order 1997*. Under s. 11 of the *IPART Act*, IPART has a standing reference to make determinations of the pricing for government monopoly services supplied by government agencies specified in Schedule 1, and Schedule 1 lists "water supply authorities" for that purpose.

55. Therefore, charges which relate to those government monopoly services will be subject to IPART determinations, by which a maximum price or a methodology for fixing the maximum price will be set. I understand these to be based generally on a cost-recovery model. In such a system, it is difficult to envisage that there is very much scope for discretion in the spending of monies collected pursuant to the *WM Act*, as any surplus in one year would presumably be offset against the price determination in the following year. In the absence of a specific question arising for consideration, I will merely observe that in that way, the whole legislative scheme as applying to the Central Coast Council in its capacity as a WSA acts to restrain and control the ways in which it raises money for its operations. I would be happy to provide advice on any further question if you so wish.

Karen Smith
Crown Solicitor

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Appendix three – Status of 2019 recommendations

Recommendation	Current status	
Information technology		
The Office of Local Government within the Department of Planning, Industry and Environment (OLG) should develop a cybersecurity policy by 30 June 2021 to ensure a consistent response to cybersecurity risks across councils.	OLG are working with Cybersecurity NSW to develop a draft cybersecurity policy to share with councils by 30 June 2021.	⊖
Key ✔ **Fully addressed**	⊖ **Partially addressed**	❗ **Not addressed**

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Appendix four – Status of audits

Below is a summary of the status of the 2019–20 financial statement audits, including the type of audit opinion and the date it was issued.

2019–20 audits

Key

Type of audit opinion		Date of audit opinion	
Unmodified opinion	✓	**Financial statements were lodged by the statutory deadline of 30 November 2020**	✓
Unmodified opinion with emphasis of matter	➖	**Extensions to the statutory deadline (and met)**	✓
Modified opinion: qualified opinion, an adverse opinion, or a disclaimer of opinion	❗	**Financial statements were not lodged by the statutory deadline of 30 November 2020. No extension from OLG.**	❗

Council classifications

We adopted the following methodology when classifying councils in our report.

OLG classification	Audit Office grouping
Metropolitan	Metropolitan
Regional town/City	Regional
Metropolitan fringe	Metropolitan
Rural	Rural
Large rural	Rural

Source: OLG classifications and Audit Office.

Metropolitan councils

Council	Type of opinion		Date of audit opinion	
Bayside Council	Unmodified	✓	16 October 2020	✓
Blacktown City Council	Unmodified	✓	30 October 2020	✓
Blue Mountains City Council	Unmodified	✓	28 October 2020	✓
Burwood Council	Unmodified	✓	29 October 2020	✓
Camden Council	Unmodified	✓	27 November 2020	✓
Campbelltown City Council	Unmodified	✓	28 September 2020	✓
City of Canada Bay Council	Unmodified	✓	20 November 2020	✓
Canterbury-Bankstown Council	Unmodified	✓	27 November 2020	✓
Central Coast Council	Modified	❗	10 May 2021	✓

Council	Type of opinion		Date of audit opinion	
Cumberland Council	Unmodified	✓	30 October 2020	✓
Fairfield City Council	Unmodified	✓	28 October 2020	✓
Georges River Council	Unmodified	✓	6 November 2020	✓
Hawkesbury City Council	Unmodified	✓	11 November 2020	✓
Hornsby, The Council of the Shire of	Unmodified	✓	10 November 2020	✓
Hunters Hill, The Council of the Municipality of	Unmodified	✓	19 November 2020	✓
Inner West Council	Unmodified	✓	30 October 2020	✓
Ku-ring-gai Council	Unmodified	✓	23 September 2020	✓
Lane Cove Municipal Council	Unmodified	✓	23 October 2020	✓
Liverpool City Council	Unmodified	✓	25 November 2020	✓
Mosman Municipal Council	Unmodified	✓	13 November 2020	✓
North Sydney Council	Unmodified	✓	27 October 2020	✓
Northern Beaches Council	Unmodified	✓	30 September 2020	✓
Parramatta Council, City of	Unmodified	✓	5 November 2020	✓
Penrith City Council	Unmodified	✓	30 September 2020	✓
Randwick City Council	Unmodified	✓	14 September 2020	✓
Ryde Council, City of	Unmodified	✓	29 October 2020	✓
Strathfield Municipal Council	Unmodified	✓	19 November 2020	✓
Sutherland Shire Council	Unmodified	✓	21 October 2020	✓
Sydney, Council of the City of	Unmodified	✓	29 October 2020	✓
The Hills Shire Council	Unmodified	✓	7 September 2020	✓
Waverley Council	Unmodified	✓	21 October 2020	✓
Willoughby City Council	Unmodified	✓	11 November 2020	✓
Wollondilly Shire Council	Unmodified	✓	17 March 2021	✓
Woollahra Municipal Council	Unmodified	✓	14 October 2020	✓

Regional councils

Council	Type of opinion		Date of audit opinion	
Albury City Council	Unmodified	✓	23 November 2020	✓
Armidale Regional Council	Unmodified	✓	23 December 2020	◐
Ballina Shire Council	Unmodified	✓	22 October 2020	✓
Bathurst Regional Council	Unmodified	✓	6 November 2020	✓
Bega Valley Shire Council	Unmodified	✓	30 November 2020	✓
Broken Hill City Council	Unmodified	✓	16 November 2020	✓
Byron Shire Council	Unmodified	✓	30 November 2020	✓
Cessnock City Council	Unmodified	✓	6 November 2020	✓
Clarence Valley Council	Unmodified	✓	26 November 2020	✓
Coffs Harbour City Council	Unmodified	✓	27 October 2020	✓
Dubbo Regional Council	Unmodified	✓	26 November 2020	✓
Eurobodalla Shire Council	Unmodified	✓	30 November 2020	✓
Goulburn Mulwaree Council	Unmodified	✓	26 October 2020	✓
Griffith City Council	Unmodified	✓	26 November 2020	✓
Kempsey Shire Council	Unmodified	✓	24 November 2020	✓
Kiama, The Council of the Municipality of	Unmodified	✓	5 February 2021	◐
Lake Macquarie City Council	Unmodified	✓	28 October 2020	✓
Lismore City Council	Unmodified	✓	27 November 2020	✓
Lithgow City Council	Unmodified	✓	18 December 2020	◐
Maitland City Council	Unmodified	✓	11 November 2020	✓
Mid-Coast Council	Unmodified	✓	26 November 2020	✓
Mid-Western Regional Council	Unmodified	✓	6 November 2020	✓
Newcastle City Council	Unmodified	✓	20 October 2020	✓
Orange City Council	Unmodified	✓	30 November 2020	✓
Port Macquarie-Hastings Council	Unmodified	✓	29 October 2020	✓
Port Stephens Council	Unmodified	✓	22 October 2020	✓
Queanbeyan-Palerang Regional Council	Unmodified	✓	29 October 2020	✓
Richmond Valley Council	Unmodified	✓	23 October 2020	✓
Shellharbour City Council	Unmodified	✓	9 November 2020	✓
Shoalhaven City Council	Unmodified	✓	27 November 2020	✓
Singleton Council	Unmodified	✓	30 October 2020	✓
Snowy Monaro Regional Council	Unmodified	✓	23 November 2020	✓

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Council	Type of opinion		Date of audit opinion	
Tamworth Regional Council	Unmodified	✓	6 November 2020	✓
Tweed Shire Council	Unmodified	✓	27 November 2020	✓
Wagga Wagga City Council	Unmodified	✓	26 October 2020	✓
Wingecarribee Shire Council	Unmodified	✓	29 October 2020	✓
Wollongong City Council	Unmodified	✓	5 November 2020	✓

Rural councils

Council	Type of opinion		Date of audit opinion	
Balranald Shire Council	Unmodified	✓	11 February 2021	✓
Bellingen Shire Council	Unmodified	✓	27 November 2020	✓
Berrigan Shire Council	Unmodified	✓	17 December 2020	✓
Bland Shire Council	Unmodified	✓	17 November 2020	✓
Blayney Shire Council	Unmodified	✓	17 November 2020	✓
Bogan Shire Council	Unmodified	✓	8 October 2020	✓
Bourke Shire Council	Unmodified	✓	30 September 2020	✓
Brewarrina Shire Council	Unmodified	✓	21 September 2020	✓
Cabonne Council	Unmodified	✓	11 November 2020	✓
Carrathool Shire Council	Unmodified	✓	29 October 2020	✓
Central Darling Shire Council	Unmodified	✓	17 February 2021	✓
Cobar Shire Council	Unmodified	✓	21 October 2020	✓
Coolamon Shire Council	Unmodified	✓	10 October 2020	✓
Coonamble Shire Council	Unmodified	✓	23 November 2020	✓
Cootamundra-Gundagai Regional Council	Unmodified	✓	18 December 2020	✓
Cowra Shire Council	Unmodified	✓	3 November 2020	✓
Dungog Shire Council	Unmodified	✓	29 January 2021	✓
Edward River Council	Unmodified	✓	19 November 2020	✓
Federation Council	Unmodified	✓	16 November 2020	✓
Forbes Shire Council	Unmodified	✓	30 November 2020	✓
Gilgandra Shire Council	Unmodified	✓	24 November 2020	✓
Glen Innes Severn Council	Unmodified	✓	30 November 2020	✓
Greater Hume Shire Council	Unmodified	✓	7 October 2020	✓
Gunnedah Shire Council	Unmodified	✓	28 November 2020	✓
Gwydir Shire Council	Unmodified	✓	2 November 2020	✓
Hay Shire Council	Unmodified	✓	9 October 2020	✓

Council	Type of opinion		Date of audit opinion	
Hilltops Council	Unmodified	✓	31 March 2021	✓
Inverell Shire Council	Unmodified	✓	26 November 2020	✓
Junee Shire Council	Unmodified	✓	9 November 2020	✓
Kyogle Council	Unmodified	✓	25 November 2020	✓
Lachlan Shire Council	Unmodified	✓	9 November 2020	✓
Leeton Shire Council	Unmodified	✓	29 October 2020	✓
Liverpool Plains Shire Council	Unmodified	✓	30 November 2020	✓
Lockhart Shire Council	Unmodified	✓	6 November 2020	✓
Moree Plains Shire Council	Unmodified	✓	26 November 2020	✓
Murray River Council	Unmodified	✓	27 November 2020	✓
Murrumbidgee Council	Unmodified	✓	26 November 2020	✓
Muswellbrook Shire Council	Unmodified	✓	27 November 2020	✓
Nambucca Shire Council	Unmodified	✓	26 November 2020	✓
Narrabri Shire Council	Unmodified	✓	30 November 2020	✓
Narrandera Shire Council	Unmodified	✓	4 September 2020	✓
Narromine Shire Council	Unmodified	✓	29 October 2020	✓
Oberon Council	Unmodified	✓	24 November 2020	✓
Parkes Shire Council	Unmodified	✓	3 December 2020	✓
Snowy Valleys Council	Unmodified	✓	19 November 2020	✓
Temora Shire Council	Unmodified	✓	10 November 2020	✓
Tenterfield Shire Council	Unmodified	✓	30 October 2020	✓
Upper Hunter Shire Council	Unmodified	✓	30 November 2020	✓
Upper Lachlan Shire Council	Unmodified	✓	17 November 2020	✓
Uralla Shire Council	Unmodified	✓	12 November 2020	✓
Walcha Council	Unmodified	✓	21 December 2020	✓
Walgett Shire Council	Unmodified	✓	27 November 2020	✓
Warren Shire Council	Unmodified	✓	4 November 2020	✓
Warrumbungle Shire Council	Unmodified	✓	23 November 2020	✓
Weddin Shire Council	Unmodified	✓	4 November 2020	✓
Wentworth Shire Council	Unmodified	✓	20 November 2020	✓
Yass Valley Council	Unmodified	✓	29 January 2021	✓

County councils

County council	Type of opinion		Date of audit opinion	
Castlereagh Macquarie County Council	Unmodified	✓	27 November 2020	✓
Central Tablelands County Council	Unmodified	✓	24 November 2020	✓
Goldenfields Water County Council	Unmodified	✓	1 October 2020	✓
Hawkesbury River County Council	Unmodified	✓	10 November 2020	✓
New England Weeds Authority	Unmodified	✓	27 August 2020	✓
Riverina Water County Council	Unmodified	✓	30 September 2020	✓
Rous County Council	Unmodified	✓	22 October 2020	✓
Upper Hunter County Council	Unmodified	✓	27 November 2020	✓
Upper Macquarie County Council	Unmodified	✓	11 August 2020	✓

Joint organisations

Joint organisation	Type of opinion		Date of audit opinion	
Canberra Region Joint Organisation	Unmodified	✓	12 January 2021	❗
Central NSW Joint Organisation	Unmodified	✓	29 November 2020	✓
Far North West Joint Organisation	Unmodified	✓	30 October 2020	✓
Far South West Joint Organisation	Unmodified	✓	30 November 2020	✓
Hunter Joint Organisation	Unmodified	✓	30 November 2020	✓
Illawarra Shoalhaven Joint Organisation	Unmodified	✓	1 February 2021	✓
Mid North Coast Joint Organisation	Unmodified	✓	14 October 2020	✓
Namoi Joint Organisation	Unmodified	✓	23 October 2020	✓
New England Joint Organisation	Unmodified	✓	10 November 2020	✓
Northern Rivers Joint Organisation	Unmodified	✓	26 November 2020	✓
Orana Joint Organisation	Unmodified	✓	3 December 2020	✓
Riverina and Murray Joint Organisation	Unmodified	✓	30 November 2020	✓
Riverina Joint Organisation	Unmodified	✓	27 October 2020	✓

Professional people with purpose

OUR VISION

Our insights inform and challenge
government to improve outcomes
for citizens.

OUR PURPOSE

To help parliament hold government
accountable for its use of
public resources.

OUR VALUES

Pride in purpose

Curious and open-minded

Valuing people

Contagious integrity

Courage (even when it's uncomfortable)

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10 Other Business

11 Meeting Closure

The meeting shall conclude on or before 9.30pm unless there is a specific motion adopted at the meeting to continue beyond that time.