

His Worship the Mayor
Councillors
City of Marion

Notice of Finance and Audit Committee

Council Chamber, Council Administration Centre
245 Sturt Road, Sturt

Tuesday, 12 October 2021 at 2.00 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. Due to COVID-19, interested members of the community are welcome to attend by electronic means. Access to the meeting is via the link published on the City of Marion website (<https://www.marion.sa.gov.au/about-council/council-meetings/council-meeting-livestream>) on the day of the meeting.



Tony Harrison
Chief Executive Officer

1 OPEN MEETING.....	3
2 KAURNA ACKNOWLEDGEMENT	3
3 ELECTED MEMBER DECLARATION OF INTEREST (IF ANY)	3
4 CONFIRMATION OF MINUTES	3
4.1 Confirmation of Minutes of the Finance and Audit Committee Meeting held on 17 August 2021	3
5 BUSINESS ARISING	14
5.1 Business Arising Statement - Action Items	14
6 REPORTS FOR DISCUSSION	23
6.1 Elected Member Report	23
6.2 Independence of Council's Auditors	26
6.3 Annual Financial Statements for the year ended 30 June 2021	31
6.4 Meeting with the External Auditors in Confidence	170
6.5 Finance and Audit Committee Annual Report to Council 2020/21	171
6.6 Internal Audit 2021/22 - Plan and scope (Fraud and Corruption, Community Facilities Management Model, Scope Collaboration	177
6.7 Results of the Bi-Annual Performance and Effectiveness Review of the Finance and Audit Committee	229
6.8 Strategic Risk Report	234
6.9 Service Review Program and Recommendations Progress Update	245
7 REPORTS FOR NOTING	251
7.1 Annual Investment Report 2020-21	251
7.2 Debtors Report	257
7.3 Internal Audit Program - Implementation of Recommendations	263
7.4 External Audit Tender	280
7.5 Digital Transformation Program Update	282
8 WORKSHOP / PRESENTATION ITEMS - NIL	325
9 CONFIDENTIAL ITEMS	325
9.1 Cover Report - 2020-21 ACSC Annual Cyber Threat Report	325
10 OTHER BUSINESS	326
11 MEETING CLOSURE	326

1 Open Meeting**2 Kurna Acknowledgement**

We acknowledge the Kurna 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 17 August 2021**

Report Reference	FAC211012R4.1
Originating Officer	Unit Manager Governance and Council Support – Victoria Moritz
Corporate Manager	Manager Office of the Chief Executive – Kate McKenzie
General Manager	Chief Executive Officer – Tony Harrison

RECOMMENDATION

That the minutes of the Finance and Audit Committee Meeting held on 17 August 2021 be taken as read and confirmed.

ATTACHMENTS

1. FAC210817 - Final Minutes [4.1.1 - 10 pages]



**Minutes of the Finance and Audit Committee
held on Tuesday, 17 August 2021 at 4.00 pm
Council Chamber, Council Administration Centre
245 Sturt Road, Sturt**



**PRESENT**

Ms Emma Hinchey (Chair)
Ms Nicolle Rantanen
Mr David Papa
Councillor Maggie Duncan

Staff In Attendance

Chief Executive Officer - Tony Harrison
General Manager City Services - Tony Lines
General Manager Corporate Services - Sorana Dinmore
General Manager City Development - Ilia Houridis
Manager Office of the CEO - Kate McKenzie
Unit Manager Governance and Council Support - Victoria Moritz
Chief Financial Officer - Ray Barnwell
Unit Manager Risk – Sherie Walczak
Manager Customer Experience – Megan Bradman
Mr Eric Beere (KMPG)
Ms Heather Martens (KMPG)

1 Open Meeting

The Chair opened the meeting at 4.00pm.

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)

The Chair asked if any member wished to disclose an interest in relation to any item being considered at the meeting

- Nil interests were disclosed.



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

Moved Ms Rantanen

Seconded Mr Papa

That the minutes of the Finance and Audit Committee Meeting held on 18 May 2021 be taken as read and confirmed with the following correction:

- Page 5 of the Minutes (Declaration of Interests) Ms Hinchey is a member on the SRWRA Audit Committee not the SRWRA Board.

Carried Unanimously

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference FAC210817R5.1

The Committee noted the business arising statement, meeting schedule and upcoming items and made the following comments:

- The Committee raised concerns around the timing of the first budget review in October and queried if this was realistic and whether this was enough time to complete this. The FAC meeting schedule for next year has not been set yet and the opportunity exists to adjust the meeting schedule if required to align the timing of reporting requirements.
- It was noted that one credit card remains with a higher limit, however staff confirmed that additional controls have been put in place to review Council's expenditure through the Executive Budget Committee as a standing item. The higher limit is appropriate and controlled.

6 Confidential Items

Nil

Order of Agenda Items

The Chair sought and was granted leave of the meeting to vary the order of the agenda items and consider the items relating to the internal auditors (items 7.8, 7.9, 7.10 and 8.1) next on the agenda.



7 Reports for Decision

7.8 Meeting with the Internal Auditors in Confidence Report Reference FAC210817R7.8

Moved Ms Rantanen

Seconded Mr Papa

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.

Carried Unanimously

4.07pm the meeting went into confidence

Moved Ms Rantanen

Seconded Mr Papa

That the Finance and Audit Committee:

1. Include the following comments within the minutes:
 - The Finance and Audit Committee met with the Internal Auditors without management present to discuss the following:
 - the level of cooperation and the relationship with the administration.
 - the adequacy and quality of the controls, systems and processes in place.
 - the appropriateness of the internal control environment.
 - the major risks to Council achieving its strategic plan.

Carried Unanimously

4.24pm the meeting came out of confidence

7.9 Internal Audit Program - Progress on 2020/21 and Carryover report Report Reference FAC210817R7.9

The Finance and Audit Committee noted the progress of the Internal Audit Program and provided the following feedback on the Project Carryover Report:

- Clarification was sought in relation to the Project Management Office (PMO) and the senior project officer and whether this was the same person. Staff confirmed that it was. The report highlighted the importance of the project management function acknowledging there is a lot of work to be done in this space.
- Consider looking at other models of project managers for capital works projects, what methodologies are used and consider other options.
- The report indicates there may be an oversight opportunities for projects that aren't IT related in terms of scheduling resources
- The Committee expressed concerns around the resourcing levels for project management across the organisation. They acknowledged the constraints around



keeping FTE positions down, however commented that this will reduce capabilities of management to deliver the projects. They suggested investing in the right places for adequate resources, otherwise this may lead to inefficiencies.

Staff acknowledged the comments made by the committee and provided the following:

- The current re-structure will start to address some of these concerns around resourcing.
- An increase in capital works projects as a result of stimulus grant funding has seen the organisation increase project delivery and the oversight of project management may not have grown at the same rate. Upcoming workshops with the Executive Leadership Team will focus on delivery updates with the aim of providing a more defined structure coping for increasing capacities.
- Different models will be explored to improve the strategy and structure of project management to apply across a 10-year plan.

7.10 Internal Audit 2021/22 - Plan and scope (Fraud and Corruption) Report Reference FAC210817R7.10

The Committee provided the following comments in relation to the Internal Audit 2021/22 – Plan and Scope:

- The Committee queried if further assurance on the DTP is required due to the significant size of the project with individual components that lends itself as a large risk to council with competing priorities.
- It was noted there are four big deliveries in the next 9 months and the timing was best suited to quarter 1 2022/23 after implementation. The Committee queried the risks of not delivering on time and if the organization has the resourcing and skills required
- It was suggested that this be brought forward with an interim health check however management suggested that an interim report be presented to the next meeting to provide an update first and then seek guidance on the timing of the audit. Staff advised that EI Consulting have already undertaken a similar task and will bring the outcomes of this as part of the report.
- KPMG confirmed there were various options they could look at part of the audit including a holistic approach, breaking it down into phases and an up front governance program to ensure success and all elements are in place. They confirmed their flexibility to schedule the audits if required.
- The Committee confirmed that the Project Management audit should be completed early in 2021/22 due to the significant risk involved.

Action: an update be brought to the next FAC meeting on the status of the Digital Transformation Program and the independent assurance provided to date.

Moved Mr Papa

Seconded Ms Rantanen

That the Finance and Audit Committee:

1. Endorse the Internal Audit Plan for 2021/22-2022/23 noting that the timing of the DTP audit may change depending on outcomes of the report to be presented in October 2021
2. Endorse the Fraud Framework Review scope.

FAC210817 - Finance and Audit Committee - 17 August 2021



Carried Unanimously

8 Reports for Noting

8.1 Internal Audit Program - Implementation of Recommendations Report Reference FAC210817R8.1

The Committee noted the status of the Internal Audit Program. The Committee suggested developing a process to apply to the implementation of actions that outline the ownership of due dates and parameters around approvals for granting extensions and completing items. This would help to alleviate some of their concerns around consistency and accuracy when reporting on the implementation of recommendations.

The Committee queried the PIO relating to the IMT commander and whether automatically appointing the CEO as commander in the first instance was best practice. Staff advised that the CEO has the discretion to delegate this and the current practice has worked well for the City of Marion. . KMPG were comfortable with this given the low risk rating.

Action: The Committee requested that PIO1.1 relating to the Asset Inspection Schedule Audit (p133) be re-opened as the data has not yet been transferred from the GIS to AMIS.

7.1 Elected Member Report Report Reference FAC210817R7.1

The Committee provided feedback that the Budget Review for Quarter three was presented on 8 June 2021, and should be presented by 31 May in each year to meet the legislative requirements. The Committee suggested being mindful of timeframes when setting the workplan and schedule of upcoming items.

Staff Confirmed the 3rd Budget Review was completed and presented to Council within the legislated timeframe. The report was presented at the 25 May General Council Meeting, however, was not considered at this meeting as the meeting concluded before the item was presented. It was subsequently held over to the General Council meeting on 8 June.

Moved Mr Papa

Seconded Ms Rantanen

That the Finance and Audit Committee:

1. Notes this report.

Carried Unanimously

7.2 Service Review Program and Recommendations – Progress Update Report Reference FAC210817R7.2

The Committee notes the implementation progress of the Service Review Program recommendations and recognised the importance of the Service Review Program and the potential for improved opportunities and benefits as a result. They acknowledged the good work being achieved in this space and the improvements being seen.

The Committee provided the following comments and feedback on the future approach to the Service Review Program:

- Queried the utilities optimization report and how we are achieving this. Staff advised that

FAC210817 - Finance and Audit Committee - 17 August 2021



that the goal following the service review and once the actions had been implemented was this team will be able to pay for their salaries through the savings. This was achieved across the three councils.

- The Committee had concerns around the outstanding action items and timeframe extensions that were applied and whether we were opening ourselves to risk through the extensions. Staff commented that the extensions were sought to allow the three councils to work together in their cross council collaboration to achieve the outcomes.
- The Committee suggested that as a result of focusing on the collaborative approach we may be missing an opportunity to be better and more efficient, and it would be helpful to quantify the potential benefits of each of the elements. It was noted that this is a balancing act, the benefits are more valuable when working collaboratively, however the projects may take longer to complete.
- It is important to implement all of the recommendations thoroughly so that we are not missing out on the full benefits.
- The Committee suggested focusing on non-data elements, however overall the program is delivering big benefits which is good to see.

Management advised they are in the process of working through the best model to deliver and capitalise on the opportunities. They are looking at opportunities to benchmark against other councils, looking at best practice and whether it is applicable. This is an opportunity to apply the learnings from what has and hasn't worked.

7.3 Corporate Risk Review Report Q4 2020/21 Report Reference FAC210817R7.3

The Committee noted the report and provided the following feedback on the review outcomes:

- Clarification and further information were sought on the change in rating for the Inability to deliver community projects and key strategic outcomes, due to two recent issues with grant acquittals. Staff clarified this was in relation to the Local Roads and Community Infrastructure grants and the two projects for which an extension has been sought. The risk was increased to medium as the grant is a reimbursement and if the projects aren't completed by the end of the calendar year, and the extension is not granted, we will not receive the reimbursement. Continual discussions are occurring with the General Managers to ensure the completion of these projects.
- The Committee discussed the North / South Corridor and land acquisitions associated with this. There are 74 properties that will be impacted which is likely to have an impact in 2022/23 of negative growth, this will be a re-distribution and not a loss to Council. The risks to any capital works projects were discussed. Staff advised there was the potential for this to impact one project at Glandore Oval, however DIT have confirmed there will be no direct impact, any very minor impact will potentially not be for another 3-years away. Staff advised Council is liaising with the State Government regarding regenerating works around these areas with representatives on all three of the Committees that have been established.
- The controls and review dates within the high risk on a page it appears as though some are future and past. The Committee requested this be reviewed and clarified. Staff confirmed they are still working on finessing these, and more work and maturity is still required.
- The Committee expressed their concerns with the implementation of the IT systems and allocated timeframes and deadlines for these and noted that any learnings from the implementation of the payroll system should be captured now and applied to the other projects.
- The PMO should be considered a control not a cause

FAC210817 - Finance and Audit Committee - 17 August 2021



- Emergency Management Risk should reflect an additional risk of the failure to recognise identify potential risks (i.e COVID-19 was generally not predicted).
- Requested that the control dates be reviewed as some of these are out of date as well as the review of some administrative errors.

7.4 HSE Program Annual Report Report Reference FAC210817R7.4

The Unit Manager Risk introduced the item and noted the organisation will be actively progressing with the LGA WHS audit action plan. The recent re-structure allows a dedicated team to have resources to support the organisation with working collaboratively to implement the actions. It was recognised that we may have been a little ambitious with the targets, with not enough resources dedicated in the past.

It was noted the Lost time injuries reported were generally a result of everyday tasks, not necessarily a result of hazardous conditions or a result of staff working under different circumstances due to Covid-19. The General Managers work with those who are injured to support the analysis of injury and identifying opportunities to keep them gainfully employed.

The Committee noted the report and statistical data and provided the following general comments:

- Queries whether we are analysing the data for potential trends in departments to determine a root cause analysis.
- The injuries could be as a result of the distractions from the past year resulting in anxiety and elements outside our control
- These were very simple incidents, consider exploring the effects of Covid-19 and perhaps look at the wellbeing program
- Is there an opportunity to improve the training and development and verification of competencies of staff.
- Highlighted the importance of the verification of competencies and ensuring there is a strong culture around this.
- Acknowledged the role of the new business partner and the hands on support and dedication to this role will be invaluable.
- They recognised pressure from council to manage employee numbers but highlighted the importance of resources that are justifiable, and the benefits are invaluable.

Staff commented in response that they are looking at proactively and reactively addressing these matters. All of the points have been considered in the planning for 2021/22 and safety in the workplace continues to be a high priority for management.

7.5 Annual Insurance and Claims Report Report Reference FAC210817R7.5

The Committee noted the report and commented on the overall increase in claims during the Covid-19 environment and queried the number of claims relating to vandalism.

They were comfortable with the overview of the annual insurance renewal for 2021/22 and an evaluation of the public liability and asset incidents and claims for 2020/21.



7.6 Finance and Audit Committee Annual Report to Council Report Reference FAC210817R7.6

The Committee suggested that the items they would like to cover in the Annual Report to Council include:

- Digital Transformation Program
- Assurance mapping and work with the internal auditors
- Work with external auditors
- Review of risk management
- Follow up of service reviews
- Asset management plans
- Annual Business Plan and budget process
- Utilisation of resources
- Prudential reporting

7.7 Finance and Audit Committee Effectiveness Survey Report Reference FAC210817R7.7

The Committee were comfortable with the Performance and Effectiveness Survey as provided and requested that the results be de-identifiable before being released.

Staff confirmed this would be the case and that the survey would be forwarded to Member through Survey Monkey.

8.2 Australian Service Excellence Standards - Audit Outcome Report Reference FAC210817R8.2

The Committee commended staff on achieving a great result. They acknowledged this is the second time we have achieved a certificate level and challenged staff to consider the Award level as a stretch target.

The implementation of recommendations and performance improvement was discussed, and the Committee queried how staff plan to track these.

Action: Investigate the options for tracking the recommendations and provide a report back to the Committee in August 2022 with an update on the implementation of actions.

9 Workshop / Presentation Items

9.1 CoM Security Position vs Western Australia Auditor General Report Reference FAC210817R9.1

The Committee noted the report and information contained within the presentation.

The Unit Manager IT Operations delivered the presentation and summarised the following key points focusing on the security status for City of Marion:

- The City of Marion is going well, however there is room to improve



10

- There is a lack of policy frameworks around cyber governance
- There is a shortfall in some areas which will be addressed in the next step is to document these.
- When looking at the benchmark for information security, City of Marion is currently sitting around "Defined and Repeatable", however we are aiming for "Managed and Measurable" and optimized to be achieved in 12-24 months. This is to be achieved through capability and vulnerability assessments.
- The focus will be on improving what we currently have, bringing people along and not moving too quickly to keep them on the journey
- It was acknowledged that we may be the subject of such a report and audit and although we are on the right track, this is an ongoing area of development and improvement, particularly around IT Operations and management of risks.

Management indicated that it will:

1. Continue external security audits and vulnerability assessments
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.

10 Other Business

Nil

11 Meeting Closure

The meeting was declared closed at 5.58 pm

CONFIRMED THIS 12th DAY OF OCTOBER 2021

CHAIRPERSON

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference	FAC211012R5.1
Originating Officer	Unit Manager Governance and Council Support – Victoria Moritz
Corporate Manager	Manager Office of the Chief Executive – 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 12 October 2021 [5.1.1 - 8 pages]

CITY OF MARION
BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS
AS AT 7 OCTOBER 2021



	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 1 st 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	Manager Finance	Feb 2022	The draft budget prior to consultation will be first presented to FAC in Feb next year.	

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

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		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.			All future KPI comparatives will include the current year and forecast years to enable proper assessment of the proposed KPI's	
5.	18 May 2021	<p>Annual Business Continuity Management Program</p> <p>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.</p> <p>Action: Check that all credit cards expenditure limits have returned to pre-COVID status.</p> <p>Action: Provide the committee with assurance that the Council is operating within its Credit Card Policy.</p> <p>Action: Confirm the Credit Card Policy has maximum limits specified.</p>	<p>Unit Manager Risk</p> <p>Manager Finance</p> <p>Manager Finance</p> <p>Manager Finance</p>	August 2021	<p>Covid Leave Policy: Still in place.</p> <p>Additional Cleaning: Still in place.</p> <p>Credit Cards: Review undertaken of 2 card limits raised during Covid last year. One card has. 1 reverted to 2k limit and 1 remains at the higher. Confirmed need for a card with a higher limit, to determine where it sits. Procurement?meet current operational needs</p> <p>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.</p> <p>The purchase card policy has maximum limits specified.</p>	<p>Revised due date to Dec 2021</p> <p>14 Dec 21</p>

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

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
6.	18 May 2021	Corporate Risk Quarterly Report 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.	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 higher or above and incorporated these in the next FAC reporting cycle.	17 Aug 2021
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	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	Aug 2021 October 2021

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

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		FAC comments			and hours were decreased. The review will be presented in October.	
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. FAC noted progress of the Service Review (SR) Program recommendations and provided feedback on a future model. The CoM's Executive Leadership Team (ELT) discussed a future approach to the program at its planning session on 24 September 2021. Further consideration is required and this will be covered again by the ELT in October 2021 with a view to provide recommendations for a future approach shortly thereafter.	December 2021
10.	17 August 2021	Internal Audit 2021/22 – Plan and scope (Fraud and Corruption) Action: An update be brought to the next FAC meeting on the status of the Digital	Manager Office of the Chief Executive	12 October 2021	A report has been prepared and will be presented to the FAC on 12 October 2021	October 2021

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

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		Transformation Program and the Independent assurance provided to date.	General Manager Corporate Services			
11.	17 August 2021	Internal Audit Program – Implementation of Recommendations Action: The Committee requested that PIO1.1 relating to the Asset Inspection Schedule Audit (p133) be re-opened as the data has not yet been transferred from the GIS to AMIS.	Unit Manager Asset Solutions	12 October 2021	Recommendation PIO1.1 reopened to align with AMIS implementation. This will be tracked through the AMIS Implementation timeline – refer AMIS Project Team for clarification	October 2021
12.	17 August 2021	Australian Service Excellence Standards – Audit Outcome Action: Investigate the options for tracking the recommendations and provide a report back to the Committee in August 2022 with an update on the implementation of actions.	Manager Community Connections	August 2022	Not yet commenced.	

* 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

City of Marion

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

City of Marion

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	Recommendation to Council
Fraud and Corruption Annual Review	Review and Feedback

6 Reports for Discussion

6.1 Elected Member Report

Report Reference	FAC211012R6.1
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 two times for General Council Meetings and once for a Special Meeting of Council. 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.

24 August 2021 – GENERAL COUNCIL MEETING

Proposal to initiate boundary realignment at Seacliff Park

Report Reference GC210824R11.2

Authorised the Administration to submit a ‘Stage 1 Potential Proposal’ to the Boundaries Commission for a realignment of the boundary for the development site on Scholefield Road, Seacliff Park (commonly known as Cement Hill) so that the relevant parcels of land are wholly located within the City of Marion council boundary.

Finance Report - July 2021

Report Reference GC210824R12.1

Council received the monthly Finance report with key financial information to assist in monitoring Council’s financial performance against budget.

WHS Monthly Performance Report July 2021

Report Reference GC210824R12.2

Council received the monthly WHS report which monitors Council's core target of a 10% reduction of the Lost Time Injury Frequency Rate (LTIFR) from the previous year.

Development expiations

Report Reference GC210824R12.3

This report informed Council of the Development and Regulatory Services Department's intention to issue expiations for offences committed under the Planning, Development and Infrastructure Act 2016.

Local Government Reforms

Report Reference GC210824R13.1

Council was informed of the amendments to the Local Government Act 1999 and associated regulations and provided feedback in response to the current consultations released by the Local Government Association (LGA) in relation to:

- The preferred method for determining the winning candidate when a casual vacancy occurs within 12 months of a periodic election; and
- The preferred timing for the implementation of the commencement of the new Member Behavioural Framework

Fraud and Corruption Matter - Investigation Status

Report Reference GC210824Q15.2

A questions was asked and answered through the public agenda relating to the status of an investigation of a former employee.

Confidential

Appointment of Warriparinga Advisory Team Members

Report Reference GC210824F18.2

Lot 707 Marion Road, Bedford Park

Report Reference GC210824F18.3

14 September 2021 - GENERAL COUNCIL MEETING

SRWRA Audit Committee Member - City of Marion Representative

Report Reference GC210914R11.6

Appointed Mr. Greg Connor to the Southern Region Waste Resource Authority Audit Committee as the City of Marion representative for the period of two years from the next SRWRA Annual General Meeting on 20th September 2021.

Policy Review - Prudential Management Policy

Report Reference GC210914R11.8

Endorse the reviewed Prudential Management Policy. Amendments to the policy include:

- Splitting the policy into a policy and a procedure
- Updates to formatting and language

Policy Review - Policies for Rescission

Report Reference GC210914R11.9

Council Rescinded a number of policies:

- Playground Policy, noting that it will be made into a procedure and incorporated into the Open Space Plan.
- Marion Library Service Customer Conditions of Use Policy, noting that it will be made into a procedure.
- Roads Opening and Closing Policy, noting that it is not a formal policy and is governed by the Roads (Opening and Closing) Act 1991. 4.

- How We Work Together Policy, noting that it is no longer valid due to the Statutes Amendment (Local Government Review) Act 2021.

Local Government Reform - September 2021 Proclamation and Repeal of S78A (Legal Advice) Report Reference GC210914R11.10

Council noted the updates from the first round of proclamations made on 20 September and resolved to:

- Rescind the Policy Access to Legal Advice for Council Members
- Update the Council Members' Allowances and Benefits Policy to include the provision of access to legal advice for defined purposes.

Confidential

Cove Sports and Community Club Feasibility Study and Business Case Report Reference GC210914F18.1 (minutes released with financial figures redacted)

Council noted the Feasibility Study and Business Case for the Cove Sports and Community Club redevelopment and endorses Administration to prepare a s48 Prudential Report and detailed design and fees for Stage 1, to be funded from savings identified through the first budget review.

28 September 2021 – SPECIAL GENERAL COUNCIL MEETING

Glenthorne National Park City Wide Attraction Report Reference SGC210928R5.1

Council endorsed the final design prepared by DEW prior to DEW calling tenders for construction for the City Wide Attraction for Glenthorne National Park – Ityamaitpinna Yarta, and released the second installment of \$1.0M in line with the Grant Funding Agreement.

Appointment of Deputy Mayor Report Reference SGC210928R5.5

Council appointed Councillor Hutchinson as Deputy Mayor for a term commencing 20 November 2021 until 11 November 2022.

Appointment of Date, Time and Place of Council Meetings for 2022 Report Reference SGC210928R5.7

For Council to adopt a schedule of meeting dates for 2022, noting this excluded the Finance and Audit Committee in accordance with their Term of Reference which will states that an annual schedule of meetings will be developed and agreed to by the Committee members. This will be presented to the Committee in December 2021.

Elected Member Representatives for various positions 2021-2022 Report Reference SGC210928R5.6

Council appointed Elected Members to various positions of Council and Council Committees for the 2022 calendar year. Councillor Maggie Duncan was appointed to the Finance and Audit Committee for a term commencing on 1 December 2021 and concluding on 11 November 2022.

Funding support for District Council of Loxton Waikerie Litigation Report Reference SGC210928R6.1

Council considered and declined a request without prejudice to support \$1,188.28 to the LGA for the District Council of Loxton Waikerie litigation and authorises that a letter be sent by the Chief Executive Officer advising them of the decision.

ATTACHMENTS

Nil

6.2 Independence of Council's Auditors

Report Reference	FAC211012R6.2
Originating Officer	Unit Manager Statutory Finance & Payroll – Andrew Doyle
Corporate Manager	Chief Financial Officer - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

In accordance with the *Local Government Act 1999* (the Act) and Local Government (Financial Management) Regulations 2011, Council's auditor can only undertake work that is within the scope and function of the auditor as prescribed under the Act. This includes undertaking the annual financial audit, and any audits as requested by Council under Section 130A of the Act in relation to the economy and efficiency of Council operations. The underlying principle of this requirement is to ensure that auditor independence is not compromised.

Regulation 22(3) requires Council's Chief Executive Officer and the Presiding Member of the Audit Committee to each provide, on an annual basis, a statement that provides a certification as to compliance for the relevant financial year with the requirement that the auditor be independent of the City of Marion (refer to **Attachment 1**).

EXECUTIVE SUMMARY

During the 2020/21 financial year, Council has not engaged Deloitte Touche Tohmatsu to provide any services outside the scope of the auditor's functions as prescribed in the Act.

Management confirms that it is not aware of any circumstance that would impact on the independence of Council's Auditor and that the CEO will be signing the certification within his delegation.

In addition to the above statement, regulation 22(5) also requires that Council's Auditor provide a statement (in the form provided at **Attachment 2**) attesting to their independence.

Auditor independence is an important aspect of an auditor's role. Independence is key to the confidence with which the audit is undertaken.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Notes the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2020/21 financial year.**
2. **Notes that the CEO will be signing a statement that Council's external auditor Deloitte Touche Tohmatsu maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2020/21 financial year.**
3. **Endorses the Chairperson signing a statement that Council's external auditor Deloitte Touche Tohmatsu maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2020/21 financial year.**

Legal / Legislative / Policy

Local Government Act 1999, Local Government (Financial Management) Regulations 2011.

ATTACHMENTS

1. Certification of Auditor Independence - CoM [6.2.1 - 1 page]
2. Deloitte Independence Declaration 2020-21 [6.2.2 - 2 pages]

City of Marion

General Purpose Financial Statements

for the year ended 30 June 2021

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Marion for the year ended 30 June 2021, the Council's Auditor, Deloitte Touche Tohmatsu has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

Tony Harrison
CHIEF EXECUTIVE OFFICER

Emma Hinchey
**PRESIDING MEMBER
FINANCE AND AUDIT COMMITTEE**

Date:

Independence Declaration

12 October 2021

Emma Hinchey
Chair, Finance and Audit Committee
City of Marion
245 Sturt Road
STURT SA 5047

Dear Emma

Auditor's Independence Declaration to the City of Marion

In accordance with the Local Government (Financial Management) Regulations 2011, I am pleased to provide the following declaration of independence to the councillors of the City of Marion.

I confirm that, for the audit of the financial statements of the City of Marion for the 30 June 2021 financial year, I have maintained my independence in accordance with the requirements of APES 110—Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) Local Government (Financial Management) Regulations 2011.

Yours faithfully
DELOITTE TOUCHE TOHMATSU



Lee Girolamo
Partner

This document and the information contained in it is confidential and should not be used or disclosed in any way without our prior consent.

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Australia

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Independence Letter

12 October 2021

Emma Hinchey
Chair, Finance and Audit Committee
City of Marion
245 Sturt Road
STURT SA 5047

Deloitte Touche Tohmatsu
ABN 74 490 121 060
11 Waymouth Street
Adelaide, SA, 5000
Australia

Phone: +61 8 8407 7000
www.deloitte.com

Dear Emma

Independence letter for the Finance and Audit Committee

Deloitte Touche Tohmatsu ("Deloitte") has prepared the following letter to facilitate our communication with the Finance and Audit Committee of the City of Marion (the "Council") and to assist you in meeting your requirements under the *Local Government Act 1999* to communicate matters to the members of Council regarding Auditor independence.

To the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Local Government Act 1999 or of any applicable code of professional conduct in relation to the audit for the financial year ended 30 June 2021.

We are not aware of any relationships between Deloitte and the Council that, in our professional judgment, may reasonably be thought to bear on our independence.

This report is intended solely for the information and use of the Council and management for the purposes stated herein and is not intended to be and should not be used or relied upon by any other person or by any person for any other purpose.

Should you have any queries or wish to discuss this matter further please do not hesitate to contact me on 8407 7070.

Yours faithfully
DELOITTE TOUCHE TOHMATSU



Lee Girolamo
Partner

This document and the information contained in it is confidential and should not be used or disclosed in any way without our prior consent.

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6.3 Annual Financial Statements for the year ended 30 June 2021

Report Reference	FAC211012R6.3
Originating Officer	Unit Manager Statutory Finance & Payroll – Andrew Doyle
Corporate Manager	Chief Financial Officer - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

This report presents the City of Marion's Annual Financial Statements for the financial year ended 30 June 2021. Reports provided include:

1. Representation letters (Attachment 1) - audit of annual financial report for period 1 July 2020 to 30 June 2021. The purpose of these letters is to express an opinion as to whether the financial report is prepared in accordance with Australian Accounting Standards, the *Local Government Act 1999* and other mandatory reporting requirements in Australia. These letters will be signed by Tony Harrison, CEO and Sorana Dinmore, General Manager Corporate Services once the statements have been adopted by Council.
2. Analytical Review (Attachment 2) - Comparative analysis to prior year audited financial statements and original adopted 2020-21 budget
3. Annual Financial Statements for year ended 30 June 2021 – (Attachments 3 to 4).
4. External Auditor (Deloitte Touché Tohmatsu) report to Council – (Attachment 5).

These reports are provided for consideration by the Finance and Audit Committee prior to adoption of the 2020-21 Annual Financial Statements by Council at its meeting on 26 October 2021.

EXECUTIVE SUMMARY

The 2020-21 Annual Financial Statements demonstrate Council's continued strong financial performance, providing a sound basis for long-term objectives set out in the Strategic Plan.

In summary, Council achieved an Operating Surplus of \$0.256m compared to an operating surplus of \$6.396m for 2019-20. The key factors contributing to the movement in operating surplus are detailed in Attachment 2 (Analytical Review - against Adopted Budget 2020-21).

The Annual Financial Statements for the year ended 30 June 2021 have been completed with no audit findings with regards to the financial statements. Council's Auditors have indicated that they expect to issue an unmodified audit opinion, subject to the satisfactory completion of the following matters:

- A subsequent events review up to the date of the audit opinion
- Receipt of management's signed representation letters

In accordance with its 'Terms of Reference' the Finance and Audit Committee provides independent advice and support to Council in helping it achieve its governance and prudential management obligations, including the review of Council's Annual Financial Statements to ensure they present fairly the state of affairs of the City of Marion.

This report has been prepared in accordance with section 127 of the Local Government Act 1999 and the Local Government Accounting Regulations.

In accordance with section 125 of the Local Government Act 1999 Council's external auditors have also assessed the internal financial control environment in regard to Council's compliance with all material aspects of the Act.

As outlined in their Management Letter (Attachment 5) Deloitte carried over two of their prior year internal financial control audit findings with recommendations made to further strengthen our internal control environment. Both of these findings, categorised as 'insignificant' under the risk matrix, are being addressed with the implementation of council's new Finance System and Asset Management Information System. Council's Auditors have indicated that they expect to issue an unmodified audit opinion with regards to council's internal control environment.

As part of the annual audit process Council's external auditors also perform a number of minor grant audits, which are required as part of each individual funding agreement.

Next Steps

In conjunction with the adoption of the 2020-21 audited Annual Financial Statements the 1st Budget Review 2021-22 process will be completed which includes:

- Adoption of the 2020-21 Carryovers & Unexpended Grants (noting that the funding relating to projects which have been re-timed will be brought into the budget when required) as part of the First Budget Review;
- Reconciling and identifying the 2020-21 funding savings achieved against Council's adopted 2020-21 budget.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2021, as included at Attachments 3-4, be adopted.**
- 2. Notes Deloitte's management letter, as included at Attachment 5.**
- 3. Notes the comparative analysis to prior year audited Annual Financial Statements and original adopted 2020-21 budget (Analytical Review), as included at Attachment 2.**

GENERAL ANALYSIS

The Statements have been prepared in accordance with applicable Australian Accounting Standards and the Local Government Regulations.

The Local Government Accounting Regulations require that a Council must prepare its accounts for audit by the second Friday in October and on or before 30 November, supply a copy of the Audited Financial Statements to each of the following:

- The Minister responsible for Local Government
- The Local Government Grants Commission
- The Deputy Commonwealth Statistician and Government Statistician

Legal / Legislative / Policy:

Local Government Act 1999, Local Government (Financial Management) Regulations 2011

DISCUSSION

Four main statements are prepared as part of the Annual Financial Statements as summarized below:

STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income details Council's revenues and expenses for the reporting period 1 July 2020 to 30 June 2021 and reveals an operating surplus (before capital revenues and contributed assets) of \$0.256m for 2020-21 compared to an operating surplus of \$6.396m for 2019-20. The key movements in operating revenue and expenses are noted below with further analysis detailed in the analytical review (Attachment 2).

Operating Income – prior year comparison

Total Operating income for 2020-21 was \$97.324m compared to \$93.815m in 2019-20. The increase of \$3.509m (3.7%) results primarily from an increase in grants revenue (\$2.656m). This grant revenue increase was largely a result of \$1.8m for the Birch Crescent Streetscape project originally received and carried over from 2018-19. Council adopted a zero per cent rate increase in 2020-21 with the increase in rates revenue of \$0.708m resulting from underlying growth in ratable properties also contributing to the increase in total operating income.

A number of other smaller variances are outlined and further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

Operating Expenses – prior year comparison

Total Operating expenses for 2020-21 were \$97.068m compared to prior year actuals of \$87.419m in 2019-20. The total increase of \$9.649m on prior year actual costs is a result of increases to:

- Materials, Contracts & Other Expenses of \$7.565m (21.6%) - the increase primarily relates to additional operating expenditure on projects including the Sam Willoughby UCI BMX Track (\$935k), Sturt Road Streetscape (\$560k) and Birch Crescent Streetscape (\$1.631m). Other increases include an increase in expenditure on waste management (\$719k including an increase in the solid waste levy of \$350k), Digital Transformation Projects (\$1.017m), Cleaning and Safety expenses due to COVID-19 requirements (\$247k), Community Club COVID relief (\$246k). Contributions expenses also increased due to contributions to Alawoona Avenue Streetscape (\$325k) and 50% of Council's contribution to the Destination Playspace (\$1.0m).
- Employee costs increased by \$1.751m stemming from Enterprise Agreements annual increases (\$883k), additional Council endorsed positions (\$671k), approved cross council project positions (\$247k) and an increase in grant funded positions (\$80k).
- Further analysis is detailed in Attachment 2 - ("Analytical Review – against Prior Year Actual").

Capital Revenues and Revaluation – prior year comparison

Other key variances reported on the Statement of Comprehensive Income:

Amounts Received Specifically for New or Upgraded Assets - (an increase of \$9.367m). This increase primarily relates to the use of attracted grant funding for three of Council's multi-year major projects - Mitchell Park Sports and Community Club (\$3.52m), the Sam Willoughby UCI BMX Track (\$2.6m) and Southern Soccer Facility (\$1.28m). In addition, the use of Local Roads and Community Infrastructure grants (\$796k), grants towards Sturt Road Streetscape (\$735k) and other minor grant funding contributed to this large increase in capital revenue.

Another key movement includes Changes in Revaluation Surplus – IPP&E a decrease of \$21.4m which reflects the change in the valuation of assets following a desktop revaluation of infrastructure assets undertaken by independent professional valuers in 2020-21 and data cleansing of asset information records prior to the implementation of the new Asset Management Information System.

Variances against the 2019-20 Statement of Comprehensive Income are further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

KEY OPERATING RATIOS

OPERATING SURPLUS RATIO	2021	2020	2019
Operating Surplus (before capital revenues)	0.26%	6.83%	12.7%

This ratio expresses the operating surplus as a percentage of total operating revenue. The target set in Council's Long Term Financial Plan is to "maintain a financial position at an average of between 0 and 10% over any five financial years".

Comment:

The Operating Surplus Ratio remains within Council's targeted bandwidth of 0 –10% but has been impacted by the increase of Materials, Contractors and Other Expenditure (\$7.565m) as noted in the analytical review – Attachment 2.

RATE REVENUE RATIO	2021	2020	2019
Rate Revenue Operating Revenue	82%	85%	81%

This ratio expresses rate revenue as a percentage of operating revenue.

Although this ratio is not a prescribed ratio required by the 'Model Set of Accounts' it is a valuable indicator as it highlights Council's reliance on rates as a revenue source and the need for Council to seek alternative sources of income.

Comment:

Council's reliance on rate revenue decreased in 2020-21 due to increases in Grants, Subsidies and Contributions and a minor increase in rate revenue.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position provides details of Council's assets, liabilities and equity as at 30 June 2021.

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

Council's IPP&E decreased by \$20.322m (1.8%) compared to 2019-20. Council constructed \$20.005m of new and renewed assets in 2020-21 offset by depreciation of \$15.963m, an infrastructure revaluation decrement of \$21.408m and disposals and other minor adjustments of \$2.956m. The table below identifies the key contributors to the movement in Council's non-current assets which can mainly be attributed to revaluations of its Infrastructure assets.

	2021 \$000s	2020 \$000s	Increase/(Decrease) \$000s
Buildings	111,825	115,014	(3,189)
Infrastructure	636,496	658,480	(21,984)

Other variances when comparing 2020-21 against the 2019-20 Statement of Financial Position are

further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

KEY FINANCIAL POSITION RATIOS

WORKING CAPITAL RATIO	2022	2020	2019
Current Assets - (Less Restricted Assets)	3.2	2.2	2.9
Current Liabilities - (Liabilities associated with Restricted Assets)			

This ratio focuses on the liquidity position of Council, adjusting for restricted assets - eg unspent specific tied grants that would need to be excluded from Council's current assets as Council would be restricted from using this cash to meet short term liabilities).

Council's target for this ratio is between 1.0 and 1.1.

Comment:

Council's cash flow is in a strong position to undertake day to day operations, along with having sufficient cash to cover the balances in its Asset Sustainability Reserve and Open Space Reserve. The utilisation of Council's cash reserves quarantined for multi-year major projects and long term asset management objectives will impact on this ratio in future periods.

ASSET RENEWAL FUNDING RATIO	2021	2020	2019
Net Asset Renewals	86%	58%	114%
Depreciation Expense			

Net asset renewal expenditure is defined as net capital expenditures on the renewal and replacement of existing assets and excludes new capital expenditure on the acquisition of additional assets.

This ratio indicates whether the Council is renewing or replacing existing assets at the rate of consumption. A long-term average ratio of 100% would indicate that Council is investing adequately in maintaining its asset base. The annual target is between 90–110%.

Comment:

Council's Long Term Financial Plan (LTFP) is set to achieve an average Asset Renewal Funding Ratio of 100% over the next three years and over the 10-year term of the LTFP.

The ratio of 86% achieved in 2020-21 is less than the target of 90% due to an underspend in vehicle replacement (\$0.251m) and along with savings on the Sturt linear path (\$0.265m) and Footpath Renewal Program (\$0.233m).

ASSET CONSUMPTION RATIO	2021	2020	2019
Carrying value of depreciable assets	74%	76%	77%
Gross value of depreciable assets			

This ratio shows the consumption of the asset stock at a point in time (or the percentage of useful life remaining). Depreciation represents the reduction in value of the assets each year and

therefore accumulated depreciation is the total reduction in the carrying value of the assets.

Council's target for this ratio is between 80-100%.

Comment:

A ratio higher than 80% indicates that Council's overall asset base has on average a relatively high remaining useful life. A result of between 40% and 80% is considered acceptable.

BORROWINGS

In assessing Council's financial position, it is appropriate to consider liabilities in relation to borrowings. Borrowings are required by Council from time to time to finance strategic long-term assets for the orderly development of the City. Council's total borrowings as at the 30 June 2021 were \$4.391m, a net decrease of \$1.244m over the level of borrowings in June 2020.

The following indicators are used to monitor Council's performance in relation to its current level of debt.

KEY DEBT RATIOS

NET FINANCIAL LIABILITIES RATIO	2021	2020	2019
Net Financial Liabilities			
Total Operating Revenue	(34%)	(32%)	(37%)

This ratio indicates the extent to which net financial liabilities of the council can be met by the council's total operating revenue and is based on the Net Financial Liabilities above.

Comment:

This result reflects Council's Financial Assets currently exceed its Financial Liabilities predominantly as a result a substantial holding of cash and other financial assets allocated for unexpended grants and funding for multi-year capital projects and projects carried over or re-timed to 2021-22 and beyond. Council's capacity to meet its financial obligations from operating revenues is strong and it has capacity to meet future requirements identified in its Long Term Financial Plan.

INTEREST COVER RATIO	2021	2020	2019
Net Interest Expense			
Total Operating Revenue	(0.2%)	(0.5%)	(0.8%)

Net interest costs are defined as total interest expenses less total interest revenues. This ratio indicates the extent to which Council's commitment to interest expenses are met by total operating revenues.

Comment:

Negative ratios have been recorded for the past 6 years reflecting interest revenues being greater than interest expenses.

DEBT SERVICING RATIO	2021	2020	2019
Principal + Interest			
Total Operating Revenue	1.6%	1.7%	1.6%

This ratio identifies Council's ability to service its debt obligations from operating revenues, with target range set at 0 to 5%.

Comment:

The ratio confirms that Council has a low debt holding and is well positioned for future borrowings outlined in its Long Term Financial Plan. The 1.6% result is well below the upper end of the target range of between 0 and 5%.

STATEMENT OF CHANGES IN EQUITY

The Statement of Changes in Equity reconciles the opening and closing balances of Council's equity over the reporting period.

The balance of equity represents Council's net worth of \$1,179.6m as reflected in the Statement of Financial Position.

CASH FLOW STATEMENT

The Cash Flow Statement details the cash movements for the year ended 30 June 2021 and reconciles with Note 11 of the Annual Financial Statements.

The Statement indicates a decrease in Cash, Cash Equivalents and Investments of \$0.219m compared to 30 June 2020. As previously mentioned, a sizable portion of the cash position is committed to unexpended grants, carryovers and re-timed capital works. Council also retains significant cash reserves quarantined for ongoing multi-year major projects and long term asset management objectives.

RESERVE FUNDS

A review of the balances of Council's reserves indicates that they are at a level sufficient to meet their purpose and intent which are listed in Note 9 Reserves in Attachment 3. Council's current Reserve funds are made up of the following:

Grants and Carryovers Reserve: \$23.085m

This is made up of grant funded carryover projects and capital works carried over to 2021/22 or re-timed to future years as required.

Open Space Reserve: \$2.441m

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

Asset Sustainability Reserve – General & Major Projects \$14.373m

The current balance in this fund is considered by management to be adequate to provide Council with the funding capacity to not only respond to a major infrastructure failure (\$2m is retained in this reserve for this specific purpose) but to also assist Council in managing its long term asset management objectives. Funding in this reserve will contribute to ongoing multi-year major projects

such as the Southern Soccer Facility, Sam Willoughby International BMX track, Council's contribution to Destination Playspace, Tarnham Road Reserve redevelopment, State Heritage Coach House Restoration and the Coastal Walkway.

Asset Sustainability Reserve – Community Facility Partnership Fund (CFPP) \$3.537m

Funding has been specifically set aside in the Asset Sustainability Reserve for the renewal, upgrade and purchase of Council assets as specifically resolved by Council. It includes a balance set aside to encourage organisations leasing council facilities to seek partnership funding for the required renewal and upgrade of those facilities.

Asset Sustainability Reserve – Water Reserve

\$0.859m

This reserve has been established to quarantine revenue received and savings identified from the sale and use of treated stormwater from the Oaklands Wetland to further develop third party supply opportunities.

EQUITY ACCOUNTED INVESTMENT

Council has part ownership in equity accounted investments and is required to include its equity share in these in its Annual Financial Statements along with copies of these entities' Financial Statements.

Southern Region Waste Resource Authority (SRWRA)

SRWRA provides and operates services for the management of waste and waste facilities on behalf of its constituent councils – The Cities of Onkaparinga, Marion and Holdfast Bay – ensuring that a long term Waste Management Strategy exists in the southern region of Adelaide. The City of Marion has a 30% share in SRWRA.

ATTACHMENTS

1. Draft Mangement Representation Letters [6.3.1 - 7 pages]
2. Analytical Review [6.3.2 - 3 pages]
3. City of Marion Annual Financial Statements 2020-2021 [6.3.3 - 45 pages]
4. SRWRA Annual Report 2020-2021 [6.3.4 - 52 pages]
5. City of Marion Management Letter 30 June 2021 [6.3.5 - 8 pages]
6. City of Marion Report to TCWG (Final) [6.3.6 - 16 pages]

(client letterhead)

26 October 2021

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide, SA 5000

This representation letter is provided in connection with your audit of the financial report of the Corporation of the City of Marion for the year ended 30 June 2021, for the purpose of expressing an opinion as to whether the financial report is presented fairly, in all material respects, in accordance with the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011.

We confirm that:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 23 February 2021, for the preparation of the financial report in accordance with the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011; in particular the financial report is presented fairly, in all material respects, in accordance therewith.
2. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit;
 - Unrestricted access to the persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - All requested information, explanations and assistance for the purposes of the audit.
3. All transactions have been recorded in the accounting records and are reflected in the financial report.
4. We are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
6. We have disclosed your knowledge of any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial report.

7. We have disclosed to you knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.
8. There have been no instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
9. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
10. In consideration of the impact of COVID-19 we have performed a going concern assessment as at the date of signing the financial report as required by AASB 110 "Events After the Reporting Period". We have determined that as at this date the Corporation of the City of Marion continues to be a going concern and, therefore, it continues to be appropriate to prepare the financial report of the Corporation of the City of Marion on the going concern basis in accordance with AASB 101 "Presentation of Financial Statements". We are not aware, as at the date of this letter, of a material uncertainty arising from COVID19 that casts significant doubt on the ability of the Corporation of the City of Marion to continue as a going concern.
11. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
12. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
13. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011.
14. All known actual or possible litigation and claims whose effects should be considered when preparing the financial report have been disclosed to you and accounted for and disclosed in accordance with the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011.
15. There are no uncorrected misstatements to the financial report as a whole.
16. All events occurring subsequent to the date of the financial report and for which the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011 require adjustment or disclosure have been adjusted or disclosed within the financial report.

17. In respect of other information:
- we have informed you of all the documents that we expect to issue that may comprise other information; and
 - The financial report and any other information obtained by you prior to the date of your auditor's report is consistent with one another, and the other information does not contain any material misstatements
18. The selection and application of accounting policies as described in Note [1] in the financial report are appropriate.
19. We have no plans or intentions that may affect the carrying value or classification of assets and liabilities.
20. Liabilities, both actual and contingent, have been properly recorded and, when appropriate, adequately disclosed in the financial report.
21. The entity has satisfactory title to, or control over all assets and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral.
22. We have properly recorded and, when appropriate, adequately disclosed in the financial report the effects of any laws, regulations and contractual agreements on the financial report, including non-compliance.
23. We have communicated to you all deficiencies in internal control of which we are aware.
24. All post-employment benefits have been identified and properly accounted for and all events impacting the plans have been brought to the Actuary's attention.
25. For defined benefit plans:
- (a) the actuarial assumptions underlying the valuation of the plan are in accordance with the Council's best estimate of future events and are consistent with our knowledge of the business;
 - (b) the actuary's calculations have been based on complete and up-to-date member information; and
 - (c) the amounts included in the financial report derived from the work of the Actuary are in accordance with the requirements of AASB 119 "Employee Benefits".
26. For any transactions and structures, including "Special Purpose Vehicles/Entities" that we consider are appropriately classified as off-balance sheet, we have not withheld any information and documentation from you and there are no side agreements that we have not disclosed to you. In addition, there are no other relationships of a related party nature which would affect how these transactions and structures are accounted for, that we have not disclosed to you.

27. We have obtained all necessary information from subsidiaries that are not subject to Accounting Standards in Australia, to enable us to make appropriate adjustments for the purpose of preparing the financial report. Appropriate adjustments have been made to the information provided by the subsidiaries, to enable the preparation of the financial report.
28. We have disclosed to you all financial guarantees that we have given to third parties and we have accounted for these guarantees in accordance with the requirements of AASB 9 “Financial Instruments”.

We understand that your audit was conducted in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial report of the entity taken as a whole, and that your test of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

Tony Harrison
Chief Executive Officer

Date

Sorana Dinmore
General Manager Corporate Services

Date

(client letterhead)

26 October 2021

Lee Girolamo
Deloitte Touche Tohmatsu
11 Waymouth Street,
Adelaide, South Australia,
5000, Australia

Dear Lee Girolamo,

This representation letter is provided in connection with your reasonable assurance engagement for the purpose of you expressing an opinion as to whether, the requirement to design and implement internal controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and incurring of liabilities has been performed, in all material respects, in accordance Section 125 of the Local Government Act 1999 ("the Act") for the period 1 July 2020 to 30 June 2021.

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

1. We have provided you with:
 - (a) access to all information of which we are aware that is relevant to the purposes of your reasonable assurance engagement such as records, documentation and other matters;
 - (b) additional information that you have requested from us for the purpose of the reasonable assurance engagement; and
 - (c) unrestricted access to persons within the Corporation of the City of Marion from whom you determined it necessary to obtain evidence.
2. We have fulfilled our responsibilities, as set out in the terms of the reasonable assurance engagement letter dated 23 February 2021 for ensuring that the requirement to design and implement internal controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and incurring of liabilities has been performed, in accordance Section 125 of the Local Government Act 1999 ("the Act") for the period 1 July 2020 to 30 June 2021.
3. The effects of control deficiencies are immaterial, individually and in aggregate, to the requirement to design and implement internal controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and incurring of liabilities. A summary of such items is attached to this representation letter as Appendix A.
4. Significant assumptions used by us in making any material estimates are reasonable.
5. We have communicated to you all deficiencies in internal control relevant to the reasonable assurance engagement that are clearly not trivial or inconsequential of which we are aware.
6. We acknowledge that we are responsible for the underlying subject matter.

Yours sincerely,

Tony Harrison
Chief Executive Officer

Date

Sorana Dinmore
General Manager Corporate Services

Date

The Corporation of the City of Marion

Appendix A

Findings Raised in Prior Year

Observation	Implication	Recommendation	Management Response	Update in the current year
2.1.1 Authority Exception Reports – Masterfile Changes				
GEI-ITE-0009 There is no way of generating a report in the system which shows changes to debtor masterfile. It is possible to see the date a debtor was edited by clicking into each individual debtor however details of the change cannot be seen (i.e. whether it was name, address etc.)	Deficiency in this control means there is no formal way of monitoring changes to the debtors master file data.	Deloitte recommends that changes to the debtor master file are reviewed and supported with documented evidence of review.	As the system remains to not be able to generate a report that shows changes to the Masterfile, this will continue to be a finding. Management is finalising its requirements to go to market for a finance system as part of its Financial Transformation project. This requirement will be considered as part of that process.	Management have commenced the implementation of its new Finance System, working towards a go live date of 1 July 2022. Reporting on changes to the masterfile have been included in the system requirements.
2.1.2 Asset Database Maintenance				
ASS-FIX-0031 It was noted that no formal reconciliation is currently performed on the asset listings that are provided to the valuers at year end. As the listings are not integrated and reconciled to the general ledger, the completeness of these listings cannot be ensured.	Deficiency in this control means there is no way of ensuring the completeness of the asset listings that are maintained by the asset team.	Deloitte recommends that the asset listings are integrated with the general ledger system and reconciliation be supported with documented evidence of review.	Management is aware of this issue and are in the process of assessing options for the replacement of its Asset Management System. This will extend to include that all control requirements can be met including links back to the general ledger.	Management have commenced the implementation of its new Asset Management Information System - working towards a go live date quarter 1 of 2022/23. The new system will be the one source of truth for all asset data linked back to the general ledger which will provide the ability to reconcile the asset data to the GL ensuring completeness.

ANALYTICAL REVIEW - against Prior Year Actual

Statement of Comprehensive Income	2020/21	2019/20	Variance	Variance	Favourable/ (Unfavourable)	Analysis
	\$000's	\$000's	\$000's	%		
Income						
Rates Revenues	80,179	79,471	708	0.9%	F	Council adopted a 0% rate rise 2020-21, this movement predominantly relates to the growth rateable properties.
Statutory Charges	2,175	2,114	61	2.9%	F	Primarily from an increase in Parking Fines and Development Assessment Fees revenue.
User Charges	2,701	2,233	468	21.0%	F	Predominantly relates to an increase in Sales Income from Council managing Edwardstown Sports Club and Cove Sports Club operations.
Grants, Subsidies & Contributions	9,819	7,163	2,656	37.1%	F	Council previously received State funding for the Birch Crescent Streetscapes in 2018-19 totalling \$1.8m, this has been recognised as operating income in 2020-21 and Smart Cities grant income of \$550k, CHSP of \$87k in addition to a number of minor grant increases.
Investment Income	503	946	(443)	(46.8%)	U	Significant reduction in official interest rates on cash holdings in 2020-21 resulted in lower than expected investment income.
Reimbursements	872	1,146	(274)	(23.9%)	U	Reflects a once off refund from SAPN for streetlighting electricity charges (-\$485k) from the 2019/20 (prior year) offset by an increase in revenue from private works \$119k and Local Government Association Risk Incentive Program funding \$112k.
Other Income	902	559	343	61.4%	F	Increase to cross council Labour Recovery due to arrangements being in place for a full year.
Net Gain - Equity Accounted Businesses	173	183	(10)	(5.5%)	U	Movement in equity accounted investments - refer Note 19 and SRWRA Annual Financial Statements
Total Income	97,324	93,815	3,509	3.7%		
Expenses						
Employee Costs	38,238	36,487	1,751	4.8%	U	Includes annual increases from Enterprise Agreements (\$883k), Council Resolutions/endorsed positions (\$671k), increase to fully Grant Funded positions (\$80k) and Cross Council position (\$247k) offset by labour recovery noted above and savings due to vacant positions.
Materials, Contracts & Other Expenses	42,532	34,967	7,565	21.6%	U	Primarily relates to operating expenditure on capital projects including the Sam Willoughby UCI BMX Track (\$935k), Sturt Road Streetscape (\$560k) and Birch Crescent Streetscape (\$1.631m). Other increases include Reserve Developments (\$794k), Waste Charges (\$719k including solid waste levy of \$350k), Digital Transformation Projects (\$1.017m), Cleaning and Safety expenses due to COVID-19 requirements (\$247k), Community Club COVID relief (\$246k) and an increase in Contributions Expenses due to Alawoona Avenue Streetscape (\$325k) and Destination Playspace (\$1.0m).
Depreciation, Amortisation & Impairment	15,963	15,542	421	2.7%	U	Increase in depreciation expense due to new assets mainly related to Buildings (\$81k), Infrastructure (\$138k) and other assets (\$84k).
Finance Costs	335	423	(88)	(20.8%)	F	No new borrowings were taken out resulting in a decrease in interest expense.
Total Expenses	97,068	87,419	9,649	11.0%		
Operating Surplus/(Deficit)	256	6,396	(6,140)	(96.0%)		
Asset Disposal & Fair Value Adjustments	(2,102)	(1,099)	(1,003)	91.3%	F	Asset disposal losses including the demolition of the Mitchell Park Sports Club (\$1.4m).
Amounts Received Specifically for New or Upgraded Assets	9,542	175	9,367	5352.6%	F	Increase in grant funds brought to account in 2020/21, a large number of these were received in prior periods and not previously fully controlled and recognised as a Liability on the balance sheet.
Physical Resources Received Free of Charge	2,001	2,283	(282)	(12.4%)	U	-
Net Surplus/(Deficit)	9,697	7,755	1,942	25.0%		
Other Comprehensive Income						
Changes in Revaluation Surplus - IPP&E	(21,408)	(9,131)	(12,277)	134.5%	F	Reflects change in the valuation of assets following data cleansing of asset information records and desktop revaluation of infrastructure assets undertaken by independent professional valuers in 2020/21.
Share of Other Comprehensive Income - Equity Accounted Council Business	0	367	(367)	(100.0%)	U	Relates to Councils share of SRWRA Asset Revaluation in 2019/20, not required in 2020/21
Total Other Comprehensive Income	(21,408)	(8,764)	(12,644)	144.3%		
Total Comprehensive Income	(11,711)	(1,009)	(10,702)	1060.7%		

ANALYTICAL REVIEW - against Prior Year Actual

Statement of Financial Position	2020/21 \$000's	2018/19 \$000's	Variance \$000's	Variance %	Analysis
ASSETS					
Current Assets					
Cash & Cash Equivalents	16,712	17,831	(1,119)	(6.3%)	Decrease in cash on hand and short term deposits and bills with additional funds received and invested in term deposits with over 90 day terms at 30 June included below in Other Financial Assets.
Trade & Other Receivables	8,110	6,000	2,110	35.2%	Movement primarily relates to Federal Grant Funding receivable in relation to Mitchell Park.
Other Financial Assets	37,300	36,400	900	2.5%	Relates to an increase of funds invested in term deposits with over 90 day terms at 30 June.
Inventories	311	331	(20)	(6.0%)	
Total Current Assets	62,433	60,562	1,871	3.1%	
Non-Current Assets					
Equity Accounted Investments in Council Businesses	6,627	6,454	173	2.7%	Movement in equity accounted investments - refer Note 19 and SRWRA Annual Financial Statements.
Infrastructure, Property, Plant & Equipment	1,129,486	1,149,808	(20,322)	(1.8%)	Movements in valuation of assets, net of asset acquisitions, disposals and depreciation including data cleansing.
Other Non-Current Assets	10,328	4,489	5,839	130.1%	Increase in Work In Progress balance relates primarily to Major projects that had commenced prior to 30 June 2021.
Total Non-Current Assets	1,146,441	1,160,751	(14,310)	(1.2%)	
TOTAL ASSETS	1,208,874	1,221,313	(12,439)	(1.0%)	
LIABILITIES					
Current Liabilities					
Trade & Other Payables	17,721	17,231	490	2.8%	Increase in creditors balance as at 30 June 2021.
Borrowings	827	1,245	(418)	(33.6%)	Current borrowings (current loan principle component) decreasing as existing loans are being paid down. No new loans established in 2020/21.
Provisions	6,430	6,305	125	2.0%	Increase in Employee Provisions (\$0.125m).
Lease Liabilities	15	153	(138)	-	Reduction in lease liability due to leases ending or being re-classified.
Total Current Liabilities	24,993	24,934	59	0.2%	
Non-Current Liabilities					
Borrowings	3,564	4,390	(826)	(18.8%)	Reduction in total borrowings in line with scheduled repayments of existing loans - no new borrowings taken out during 2020/21.
Provisions	702	610	92	15.1%	Increase in Employee Provisions (\$0.092m).
Lease Liabilities	11	64	(53)	-	Reduction in lease liability due to re-classification of a lease.
Total Non-Current Liabilities	4,277	5,064	(787)	(15.5%)	
TOTAL LIABILITIES	29,270	29,998	(728)	(2.4%)	
Net Assets	1,179,604	1,191,315	(11,711)	(1.0%)	
EQUITY					
Accumulated Surplus	403,189	396,604	6,585	1.7%	Refer Statement of Comprehensive Income & Statement of Change in Equity (movement in comprehensive income net of reserve transfers).
Asset Revaluation Reserves	732,120	753,528	(21,408)	(2.8%)	Reflects change in the valuation of assets following data cleansing of asset information records and desktop revaluation of infrastructure assets undertaken by independent professional valuers in 2020/21.
Other Reserves	44,295	41,183	3,112	7.6%	Increase in amounts held in Councils Accounting Reserves.
Total Council Equity	1,179,604	1,191,315	(11,711)	(1.0%)	

ANALYTICAL REVIEW - against Adopted Budget

Statement of Comprehensive Income	2020/21	Original Budget	Variance	Variance	Favourable/ (Unfavourable)	Analysis
	\$000's	\$000's	\$000's	%		
Income						
Rates Revenues	80,179	80,044	135	0.2%	F	Lower than forecast Rate Rebates.
Statutory Charges	2,175	2,161	14	0.6%	F	-
User Charges	2,701	2,278	423	18.6%	F	Predominantly relates to an increase in Sales Income from Council managing Edwardstown Sports Club and Cove Sports Club operations.
Grants, Subsidies & Contributions	9,819	7,824	1,995	25.5%	F	Grant funds for Birch Crescent Streetscapes carried over from 2019-20.
Investment Income	503	755	(252)	(33.4%)	U	Actual interest reflects a significant reduction in official interest rate on cash holdings throughout the year.
Reimbursements	872	1,164	(292)	(25.1%)	U	Budgeted cross council contribution towards IT (Data Governance) delayed (-\$160k) and other minor variances.
Other Income	902	1,235	(333)	(27.0%)	U	Contribution towards Sam Willoughby International BMX Facility (\$750k) from City of Onkaparinga, funds received have been reclassified to capital and offset by insurance reimbursements (83k) and a number of minor increases.
Net Gain - Equity Accounted Businesses	173	365	(192)	(52.6%)	U	Movement in equity accounted investments - refer Note 19 and SRWRA Annual Financial Statements.
Total Income	97,324	95,826	1,498	1.6%		
Expenses						
Employee Costs	38,238	37,959	279	0.7%	U	Primarily relates to increases in fully funded grant positions (\$80k), Additional requirements at Marion Outdoor Pool (Covid Related) (\$79k) and additional Council endorsed positions post budget endorsement.
Materials, Contracts & Other Expenses	42,532	35,148	7,384	21.0%	U	Primarily relates to elements of budgeted capital projects reclassified to operating including the Sam Willoughby UCI BMX Track (\$935k), Sturt Road Streetscape (\$965k), Birch Crescent Streetscape(\$1.685m), Alawoona Avenue Streetscape (\$325k), Quick Road Streetscape (\$264k) and multiple Reserve Developments (\$1.661m). A total \$1.062m of expenditure was also carried over from 2019-20 including grant funded programs and Council Resolutions. Unbudgeted expenditure was also incurred in relation to Community Club COVID relief (\$246k), Cleaning and Safety expenses due to COVID-19 requirements (\$247k) and a number of minor variances.
Depreciation, Amortisation & Impairment	15,963	15,708	255	1.6%	U	Increase in depreciation expense for AASB 16 Leases (\$124k) and a number of new assets being depreciated or the first time (\$130k).
Finance Costs	335	322	13	4.0%	U	-
Total Expenses	97,068	89,137	7,931	8.9%		
Operating Surplus/(Deficit)	256	6,689	(6,433)	(96.2%)	F	
Asset Disposal & Fair Value Adjustments	(2,102)	0	(2,102)	0.0%	U	Asset disposal losses including the demolition of the Mitchell Park Sports Club (\$1.4m), Open Space Assets (\$385k) and Capella Skate Park (\$158k).
Amounts Received Specifically for New or Upgraded Assets	9,542	8,163	1,379	16.9%	F	Primarily relates to grant funds received in 2019/20 and prior years which were not fully controlled and recognised as a Liability on the balance sheet, these have now been brought to account as revenue.
Physical Resources Received Free of Charge	2,001	0	2,001	0.0%	F	Contributed assets relating to the Tonsley redevelopment and a number of minor increases in infrastructure assets.
Net Surplus/(Deficit)	9,697	14,852	(5,155)	(34.7%)	F	
Other Comprehensive Income						
Changes in Revaluation Surplus - IPP&E	(21,408)	0	(21,408)	0.0%	U	Reflects change in the valuation of assets following data cleansing of asset information records and desktop revaluation of infrastructure assets undertaken by independent professional valuers in 2020/21.
Share of Other Comprehensive Income - Equity Accounted Council Business	0	0	0	0.0%		
Total Other Comprehensive Income	(21,408)	0	(21,408)	0.0%		
Total Comprehensive Income	(11,711)	14,852	(26,563)	(178.9%)	F	

City of Marion

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2021



City of Marion**General Purpose Financial Statements**for the year ended 30 June 2021

Contents	Page
Council Certificate	3
Principal Financial Statements	
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to and forming part of the Principal Financial Statements	8

City of Marion

General Purpose Financial Statements

for the year ended 30 June 2021

Certification of Financial Statements

We have been authorised by the Council to certify the financial statements in their final form.

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2021 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Tony Harrison
Chief Executive Officer

Date:

Kris Hanna
Mayor

Date:

City of Marion

Statement of Comprehensive Income
for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Income			
Rates Revenues	2a	80,179	79,471
Statutory Charges	2b	2,175	2,114
User Charges	2c	2,701	2,233
Grants, Subsidies and Contributions	2g	9,819	7,163
Investment Income	2d	503	946
Reimbursements	2e	872	1,146
Other income	2f	902	559
Net Gain - Equity Accounted Council Businesses	19(a)	173	183
Total Income		97,324	93,815
Expenses			
Employee costs	3a	38,238	36,487
Materials, Contracts and Other Expenses	3b	42,532	34,967
Depreciation, Amortisation and Impairment	3c	15,963	15,542
Finance Costs	3d	335	423
Total Expenses		97,068	87,419
Operating Surplus / (Deficit)		256	6,396
Physical Resources Received Free of Charge	2i	2,001	2,283
Asset Disposal & Fair Value Adjustments	4	(2,102)	(1,099)
Amounts Received Specifically for New or Upgraded Assets	2g	9,542	175
Net Surplus / (Deficit) ¹		9,697	7,755
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I,PP&E	9a	(21,408)	(9,131)
Changes in Revaluation Surplus - Equity Accounted Council Businesses	19	—	367
Total Other Comprehensive Income		(21,408)	(8,764)
Total Comprehensive Income		(11,711)	(1,009)

(1) Transferred to Statement of Changes in Equity

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

City of Marion

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash & Cash Equivalent Assets	5a	16,712	17,831
Trade & Other Receivables	5b	8,110	6,000
Other Financial Assets	5c	37,300	36,400
Inventories	5d	311	331
Total current assets		62,433	60,562
Non-current assets			
Equity Accounted Investments in Council Businesses	6a	6,627	6,454
Other Non-Current Assets	6b	10,328	4,489
Infrastructure, Property, Plant & Equipment	7a(i)	1,129,486	1,149,808
Total non-current assets		1,146,441	1,160,751
TOTAL ASSETS		1,208,874	1,221,313
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	17,721	17,231
Borrowings	8b	827	1,245
Provisions	8c	6,430	6,305
Lease Liabilities	8d	15	153
Total Current Liabilities		24,993	24,934
Non-Current Liabilities			
Borrowings	8b	3,564	4,390
Provisions	8c	702	610
Lease Liabilities	8d	11	64
Total Non-Current Liabilities		4,277	5,064
TOTAL LIABILITIES		29,270	29,998
Net Assets		1,179,604	1,191,315
EQUITY			
Accumulated surplus		403,189	396,604
Asset revaluation reserves	9a	732,120	753,528
Other reserves	9b	44,295	41,183
Total Council Equity		1,179,604	1,191,315
Total Equity		1,179,604	1,191,315

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

City of Marion

Statement of Changes in Equity
for the year ended 30 June 2021

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2021					
Balance at the end of previous reporting period		396,604	753,528	41,183	1,191,315
Net Surplus / (Deficit) for Year		9,697	–	–	9,697
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	(21,408)	–	(21,408)
Other comprehensive income		–	(21,408)	–	(21,408)
Total comprehensive income		9,697	(21,408)	–	(11,711)
Transfers between Reserves		(3,112)	–	3,112	–
Balance at the end of period		403,189	732,120	44,295	1,179,604
2020					
Balance at the end of previous reporting period		397,167	762,292	38,411	1,197,870
Adjustments (due to compliance with revised Accounting Standards) - not retrospective	24b	(5,546)	–	–	(5,546)
Net Surplus / (Deficit) for Year		7,755	–	–	7,755
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	(9,131)	–	(9,131)
- Share of Gain (Loss) on Revaluation - Equity Accounted Council Businesses		–	367	–	367
Other comprehensive income		–	(8,764)	–	(8,764)
Total comprehensive income		7,755	(8,764)	–	(1,009)
Transfers between Reserves		(2,772)	–	2,772	–
Balance at the end of period		396,604	753,528	41,183	1,191,315

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

City of Marion

Statement of Cash Flows

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Cash flows from operating activities			
<u>Receipts</u>			
Rates Receipts		80,535	79,813
Statutory Charges		2,193	2,123
User Charges		2,852	2,355
Grants, Subsidies and Contributions (operating purpose)		12,681	8,192
Investment Receipts		503	946
Reimbursements		939	1,244
Other Receipts		4,105	7,057
<u>Payments</u>			
Finance Payments		(335)	(423)
Payments to Employees		(38,172)	(35,961)
Payments for Materials, Contracts & Other Expenses		(47,072)	(38,513)
Net cash provided by (or used in) Operating Activities	11b	<u>18,229</u>	<u>26,833</u>
Cash flows from investing activities			
Amounts Received Specifically for New/Upgraded Assets		5,983	3,514
Sale of Replaced Assets		385	300
Sale of Surplus Assets		416	26
Distributions Received from Equity Accounted Council Businesses		—	124
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(7,530)	(9,246)
Expenditure on New/Upgraded Assets		(16,315)	(12,372)
Net Purchase of Investment Securities		(900)	(1,600)
Net cash provided (or used in) investing activities		<u>(17,961)</u>	<u>(19,254)</u>
Cash flows from financing activities			
<u>Payments</u>			
Repayments of Borrowings		(1,244)	(1,170)
Repayment of Finance Lease Liabilities		(143)	(362)
Net Cash provided by (or used in) Financing Activities		<u>(1,387)</u>	<u>(1,532)</u>
Net Increase (Decrease) in Cash Held		<u>(1,119)</u>	<u>6,047</u>
plus: Cash & Cash Equivalents at beginning of period		17,831	11,784
Cash and cash equivalents held at end of period	11a	<u>16,712</u>	<u>17,831</u>
Additional Information:			
plus: Investments on hand – end of year	6b	37,300	36,400
Total Cash, Cash Equivalents & Investments		<u>54,012</u>	<u>54,231</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

City of Marion

Notes to and forming part of the Principal Financial Statements for the year ended 30 June 2021

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9
2	Income	15
3	Expenses	18
4	Asset Disposal & Fair Value Adjustments	19
5	Current Assets	20
6	Non-Current Assets	21
7	Infrastructure, Property, Plant & Equipment	22
8	Liabilities	25
9	Reserves	26
10	Assets Subject to Restrictions	28
11	Reconciliation to Statement of Cash Flows	29
12(a)	Functions	30
12(b)	Components of Functions	31
13	Financial Instruments	33
14	Capital Expenditure and Investment Property Commitments	36
15	Financial Indicators	37
16	Uniform Presentation of Finances	38
17	Leases	39
18	Superannuation	41
19	Interests in Other Entities	42
20	Non-Current Assets Held for Sale & Discontinued Operations	43
21	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	44
22	Events after the Balance Sheet Date	44
23	Related Party Transactions	45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared on a going concern basis using the historical cost convention in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 31 May 2018

1.2 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

1.3 Estimates and assumptions

COVID-19 is not expected to have a significant financial impact on Council operations with the Council. It is expected limited financial impacts will flow into the 2021/22 financial year and these have been largely taken into account during the development of the budget process for 2021/22. The budget assumptions for 2021/22 assume that no further harsher restrictions are put in place by the government. However, Council has determined that there is no material uncertainty that casts doubt on Council's ability to continue as a going concern.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

(2) The Local Government Reporting Entity

City of Marion is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 245 Sturt Road, Sturt. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

Other entities in which Council has an interest but does not control are reported in Note 19.

(3) Income Recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

In recent years the payment of untied financial assistance grants has varied from the annual allocation as shown in the table below:

	Cash Payment Received	Annual Allocation	Difference
2018/19	\$4,416,029	\$3,380,264	+ \$1,035,765
2019/20	\$2,980,238	\$3,452,091	- \$471,853
2020/21	\$3,046,589	\$2,995,722	\$50,867

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

For works undertaken on a fixed price contract basis, revenues are recognised over time using the input method, with costs incurred compared to total expected costs used as a measure of progress. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(4) Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

(5) Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

(6) Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current

continued on next page ...

Page 10 of 45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Category	Individual Threshold
Infrastructure	\$10,000
Land	n/a
Land Improvements	\$5,000
Buildings	\$10,000
Furniture and Fittings	\$3,000
Equipment	\$3,000
Other	\$3,000

Thresholds are also applied to Aggregated Assets in determining whether the value is considered material.

Category	Aggregate Threshold
Infrastructure	
Reserve Lighting	\$250,000
Reserve Pathways	\$500,000
Buildings	
Bus Shelters	\$1,000,000
Shelters/Gazebos	\$250,000
Fencing	\$500,000
Furniture and Fittings	\$25,000
Equipment	
Irrigation	\$1,000,000
LED Lighting	\$1,000,000
Other	
BBQs	\$250,000
Reserve Furniture	\$500,000
Drink Fountains	\$50,000
Reserve Bollards	\$250,000
Reserve Bins	\$100,000
City Band Instruments	\$100,000
Council Artwork	\$100,000

6.3 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

6.4 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

continued on next page ...

Page 11 of 45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are listed below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

	Short Life Years	Long Life Years
Furniture & Equipment		
Office Equipment	3 to 10	n/a
Office Furniture	15	n/a
Vehicles and Heavy Equipment	3 to 15	n/a
Other Plant & Equipment	7 to 25	n/a
LED Lighting	50	n/a
Irrigation – Equipment	10	n/a
Irrigation - Pipework	60	n/a
Buildings		
Sub Structure	n/a	80 to 200
Super Structure	40 to 80	n/a
Roofing	40	n/a
Services	40 to 50	n/a
Fitout	30	n/a
Infrastructure		
Sealed Roads – Surface	25 to 40	n/a
Road Base	60 to 100	200
Road Formation	200	n/a
Kerb	70 to 105	200
Footpath – Bitumen/Rubber	20 to 40	60 to 100
Footpath – Concrete	50 to 85	n/a
Footpath – Paved	50 to 85	n/a
Other Road Structures	20 to 100	40 to 80
Traffic Signs	15 to 20	n/a
Bridges	80 to 140	200
Stormwater Pipes Concrete	100 to 175	200
Stormwater Pipes PVC	60 to 100	n/a
Stormwater Pipes Ribloc	60 to 100	200
Junction Boxes	100 to 175	200
Pollutant Traps	100 to 175	200
Box Culverts	100 to 175	200
Headwalls	100 to 175	200
Drainage Pits	100 to 175	200
Other Infrastructure		
Wetland Assets	15 to 100	250
Car Parks	25 to 40	n/a
Lighting	15 to 25	n/a
Recreation Pathways	30 to 40	n/a
Sports Floodlights	25	n/a
Other Assets		
Playground Equipment	20	n/a
Reserve Furniture	25	n/a
Band Instruments	30	n/a
Civic Art Structures	15 to 80	n/a

continued on next page ...

Page 12 of 45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

6.5 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

6.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

(7) Payables

7.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days from the date of invoice. No interest is payable on these amounts.

7.2 Payments Received in Advance & Deposits

Amounts other than grants received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

(8) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

(9) Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

continued on next page ...

Page 13 of 45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(10) Leases

The Council assesses at contract inception whether a contract is, or contains, a lease. That is, the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Council as a Lessee

Council recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

Council recognises the right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of the costs to be incurred to restore the leased asset. Right-of-use assets are depreciated on a straight line basis over lease term.

The right-of-use asset is also subject to impairment.

ii) Lease Liabilities

At the commencement date of the lease, Council recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. In calculating the present value of the lease payments the council uses the interest rate implicit in the lease.

iii) Short term leases and leases of low value assets

Council applies the short-term lease recognition exemption to its short term leases (i.e. a lease term less than 12 months from commencement date). Council also applies the low-value assets recognition exemption to leases that do not meet the underlying asset capitalisation threshold. These leases are recognised as an expense on a straight line basis over the lease term.

(11) Equity Accounted Council Businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

(12) GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

(13) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(14) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

City of Marion

Notes to the Financial Statements
for the year ended 30 June 2021

Note 2. Income

\$ '000	2021	2020
(a) Rates Revenues		
General Rates		
General Rates	79,924	79,174
Less: Mandatory Rebates	(1,959)	(1,899)
Less: Discretionary Rebates, Remissions & Write Offs	(25)	(72)
Total General Rates	77,940	77,203
Other Rates (Including Service Charges)		
Regional Landscape Levy	1,995	1,973
Total Other Rates (Including Service Charges)	1,995	1,973
Other Charges		
Penalties for Late Payment	244	295
Total Other Charges	244	295
Total Rates	80,179	79,471
(b) Statutory Charges		
Development Act Fees	750	783
Town Planning Fees	180	109
Animal Registration Fees & Fines	575	588
Parking Fines / Expiration Fees	670	634
Total Statutory Charges	2,175	2,114
(c) User Charges		
Hall & Equipment Hire	307	191
Sales - General	828	539
Sundry	853	772
Admission Fees	382	420
Rental Income	331	311
Total User Charges	2,701	2,233
(d) Investment Income		
Interest on Investments		
- Local Government Finance Authority	499	923
- Banks & Other	4	23
Total Investment Income	503	946

continued on next page ...

Page 15 of 45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Income (continued)

\$ '000	2021	2020
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(e) Reimbursements

Private Works	357	200
Other	515	946
Total Reimbursements	872	1,146

(f) Other income

Sundry	39	10
Donations & Contributions income	161	214
Labour Recovery	618	238
Insurance & Other Recoupments - Infrastructure, IPP&E	84	97
Total Other income	902	559

(g) Grants, Subsidies, Contributions

Amounts Received Specifically for New or Upgraded Assets	9,542	175
Total Amounts Received Specifically for New or Upgraded Assets	9,542	175
Other Grants, Subsidies and Contributions	8,141	5,543
Individually Significant Item - Additional Grants Commission Payment (refer below)	1,678	1,620
Total Other Grants, Subsidies and Contributions	9,819	7,163
Total Grants, Subsidies, Contributions	19,361	7,338

The functions to which these grants relate are shown in Note 12.

(i) Sources of grants

Commonwealth Government	10,786	3,095
State Government	8,002	4,152
Other	573	91
Total	19,361	7,338

(ii) Individually Significant Items

Grants Commission - Financial Assistance Grant recognised as income	1,678	1,620
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2021: In May 2021, Council received part payment for the 2021/22 Grants commission Financial Assistance Grants. This payment was adjusted for minor reconciling amounts relating to the 2020/21 Grants Commission payment received in June 2020.

2020: In June 2020, Council received part payment for the 2020/21 Grants Commission Financial Assistance Grants. This payment was adjusted for minor reconciling amounts relating to the 2019/20 Grants Commission payment received in June 2019.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Income (continued)

\$ '000	2021	2020
(h) Conditions over Grants & Contributions		
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:		
Unexpended at the close of the previous reporting period	7,167	7,414
Less:		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Other	(659)	(1,867)
Subtotal	(659)	(1,867)
Plus:		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Other	1,678	1,620
Subtotal	1,678	1,620
Unexpended at the close of this reporting period	8,186	7,167
Net increase (decrease) in assets subject to conditions in the current reporting period	1,019	(247)
(i) Physical Resources Received Free of Charge		
Roads, Bridges & Footpaths	2,001	2,283
Total Physical Resources Received Free of Charge	2,001	2,283

City of Marion

Notes to the Financial Statements
for the year ended 30 June 2021

Note 3. Expenses

\$ '000	Notes	2021	2020
(a) Employee costs			
Salaries and Wages		32,086	30,681
Employee Leave Expense		3,007	3,116
Superannuation - Defined Contribution Plan Contributions	18	3,027	2,813
Workers' Compensation Insurance		803	764
Less: Capitalised and Distributed Costs		(685)	(887)
Total Operating Employee Costs		38,238	36,487
Total Number of Employees (full time equivalent at end of reporting period)		370	358
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		39	39
Bad and Doubtful Debts		8	1
Elected Members' Expenses		365	352
Operating Lease Rentals - Cancellable Leases		317	400
Subtotal - Prescribed Expenses		729	792
(ii) Other Materials, Contracts and Expenses			
Contractors		21,118	17,108
Energy		1,445	1,556
Maintenance		4,141	3,276
Legal Expenses		300	271
Levies Paid to Government - Regional Landscape Levy		1,996	1,972
Levies - Other		226	199
Parts, Accessories & Consumables		4,116	3,999
Professional Services		1,430	1,423
Sundry		4,989	2,307
Insurance		586	591
Fringe Benefits Tax		162	169
Advertising		75	127
Printing & Postage		276	297
Memberships & Subscriptions		367	325
Bank Fees & Charges		202	169
Telecommunication Charges		176	187
Library Materials		198	199
Subtotal - Other Material, Contracts & Expenses		41,803	34,175
Total Materials, Contracts and Other Expenses		42,532	34,967

continued on next page ...

Page 18 of 45

City of Marion

Notes to the Financial Statements
for the year ended 30 June 2021

Note 3. Expenses (continued)

\$ '000	2021	2020
(c) Depreciation, Amortisation and Impairment		
(i) Depreciation and Amortisation		
Buildings & Other Structures	3,708	3,627
Infrastructure	8,858	8,762
- Other	1,178	1,136
Right-of-use Assets	124	162
Plant & Equipment	1,307	1,287
Furniture & Fittings	79	79
Intangible Assets	45	42
Other Assets	664	580
Subtotal	15,963	15,675
Less: Capitalised and Distributed costs	—	(133)
Total Depreciation, Amortisation and Impairment	15,963	15,542
(d) Finance Costs		
Interest on Loans	335	423
Total Finance Costs	335	423

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	2021	2020
Infrastructure, Property, Plant & Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	385	300
Less: Carrying Amount of Assets Sold	(2,465)	(1,410)
Gain (Loss) on Disposal	(2,080)	(1,110)
(ii) Assets Surplus to Requirements		
Proceeds from Disposal	416	26
Less: Carrying Amount of Assets Sold	(438)	(15)
Gain (Loss) on Disposal	(22)	11
Net Gain (Loss) on Disposal or Revaluation of Assets	(2,102)	(1,099)

City of Marion

Notes to the Financial Statements
for the year ended 30 June 2021

Note 5. Current Assets

\$ '000	2021	2020
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(a) Cash & Cash Equivalent Assets

Cash on Hand at Bank	1,112	3,031
Short Term Deposits & Bills, etc.	15,600	14,800
Total Cash & Cash Equivalent Assets	16,712	17,831

(b) Trade & Other Receivables

Rates - General & Other	1,897	2,261
Rates Postponed for State Seniors	167	159
Accrued Revenues	1,148	180
Debtors - General	3,315	2,377
GST Recoupment	1,051	561
Prepayments	532	462
Total Trade & Other Receivables	8,110	6,000

(c) Other Financial Assets

Other Financial Assets (Term Deposits with over 90 days to maturity)	37,300	36,400
Total Other Financial Assets	37,300	36,400

Amounts included in other financial assets that are not expected to be received within 12 months of reporting date are disclosed in Note 13.

(d) Inventories

Stores & Materials	311	331
Total Inventories	311	331

City of Marion

Notes to the Financial Statements
for the year ended 30 June 2021

Note 6. Non-Current Assets

\$ '000	Notes	2021	2020
(a) Equity Accounted Investments in Council Businesses			
Southern Region Waste Resource Authority	19(a)i	6,627	6,454
<u>Total Equity Accounted Investments in Council Businesses</u>		<u>6,627</u>	<u>6,454</u>
(b) Other Non-Current Assets			
Other			
Capital Works-in-Progress		10,328	4,489
<u>Total Other Non-Current Assets</u>		<u>10,328</u>	<u>4,489</u>

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant & Equipment

(a(i)) Infrastructure, Property, Plant & Equipment

		as at 30/06/20				Asset movements during the reporting period								as at 30/06/21			
		Fair Value Level	At Fair Value	Accumulated Depreciation	Carrying amount	Transition adjustment - AASB 16	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	WIP Transfers	Adjustments & Transfers	Revaluation Decrements to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
\$ '000																	
Land	2		351,177	844	352,021	—	1,519	—	(408)	—	—	—	—	353,132	—	—	353,132
Buildings & Other Structures	3		164,554	20,194	115,014	—	1,135	936	(1,553)	(3,708)	—	—	—	183,357	—	(71,532)	111,825
Infrastructure	3		775,795	2,570	621,586	—	2,859	4,484	—	(8,858)	—	3,238	(21,408)	778,153	—	(176,252)	601,901
- Other	3		41,618	9,023	36,894	—	1,719	544	(145)	(1,178)	—	(3,238)	—	48,752	—	(14,157)	34,595
Right-of-Use Assets			—	714	200	—	—	—	—	(124)	—	(56)	—	—	658	(637)	21
Plant & Equipment			—	23,236	13,866	—	2,482	770	(498)	(1,307)	—	—	—	—	25,207	(9,894)	15,313
Furniture & Fittings			—	1,910	787	—	—	25	—	(79)	—	—	—	—	1,407	(674)	733
Intangible Assets			1,215	—	102	—	54	—	—	(45)	—	—	—	1,043	—	(931)	112
Other Assets			10,798	2,638	9,338	—	3,226	252	(299)	(664)	—	—	—	16,279	—	(4,425)	11,854
Total Infrastructure, Property, Plant & Equipment			1,345,157	61,129	1,149,808	—	12,994	7,011	(2,903)	(15,963)	—	(56)	(21,408)	1,380,716	27,272	(278,502)	1,129,486
Comparatives			1,348,689	49,671	1,151,989	362	14,399	9,285	(1,424)	(15,675)	(343)	—	(9,131)	1,345,157	61,129	(256,478)	1,149,808

continued on next page ...

Page 22 of 45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant & Equipment (continued)

(b) Valuation of Infrastructure, Property, Plant & Equipment & Investment Property

Valuation of Assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 7a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

Information on Valuations

Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

There is no known market for buildings, infrastructure and other assets. These assets are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques

Other Information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.D5 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, current replacement cost is taken to be the fair value.

Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

continued on next page ...

Page 23 of 45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant & Equipment (continued)

AASB 13 - Fair Value Measurement

The requirements of AASB 13 Fair Value Measurement have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

Fair value hierarchy level 2 valuations: Land is shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of valuations of buildings, infrastructure and other assets: There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

Land & Land Improvements

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. A comprehensive revaluation was carried out by independent valuation for the previous reporting period, 30 June 2018.

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis. No capitalisation threshold is applied to the acquisition of land or interests in land.

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis. Additions are recognised at cost.

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset. Currently there are no assets that require this treatment.

Buildings & Other Structures

A comprehensive revaluation was carried out by independent valuation for the reporting period, 30 June 2018.

Infrastructure

A desktop revaluation of infrastructure assets (roads, footpaths, kerbs, drains, bridges, traffic devices and traffic signs) was carried out by independent valuation for this reporting period, 30 June 2021.

A comprehensive revaluation was carried out by independent valuation for the reporting period, 30 June 2018 for other infrastructure assets such as car parks, lighting, walking trails and reserve pathways

All acquisitions made after the respective dates of valuation are recorded at cost.

Plant, Equipment & Equipment

These assets are recognised on the cost basis.

All other Assets

A comprehensive revaluation was carried out by independent valuation for the reporting period, 30 June 2018.

City of Marion

Notes to the Financial Statements
for the year ended 30 June 2021

Note 8. Liabilities

\$ '000	2021 Current	2021 Non Current	2020 Current	2020 Non Current
(a) Trade and Other Payables				
Goods & Services	8,010	—	6,544	—
Payments Received in Advance	23	—	22	—
- Grants, Subsidies, Contributions - Operating	2,863	—	512	—
- Grants & Contributions - Capital	5,323	—	8,882	—
Accrued Expenses - Employee Entitlements	1,313	—	1,081	—
Accrued Expenses - Other	130	—	104	—
Other	59	—	86	—
<u>TOTAL Trade and Other Payables</u>	<u>17,721</u>	<u>—</u>	<u>17,231</u>	<u>—</u>

(b) Borrowings

Loans	827	3,564	1,245	4,390
<u>TOTAL Borrowings</u>	<u>827</u>	<u>3,564</u>	<u>1,245</u>	<u>4,390</u>

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

(c) Provisions

Employee Entitlements (including oncosts)	6,430	702	6,305	610
<u>TOTAL Provisions</u>	<u>6,430</u>	<u>702</u>	<u>6,305</u>	<u>610</u>

(d) Lease Liabilities

Lease Liabilities	15	11	153	64
<u>TOTAL Other Liabilities</u>	<u>15</u>	<u>11</u>	<u>153</u>	<u>64</u>

City of Marion

Notes to the Financial Statements
for the year ended 30 June 2021

Note 9. Reserves

	as at 30/06/20				as at 30/06/21
\$ '000	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
(a) Asset Revaluation Reserve					
Land	250,696	—	—	—	250,696
Buildings & Other Structures	84,875	—	—	—	84,875
Infrastructure	2,890	—	—	—	2,890
- Stormwater Drainage	96,157	(15,814)	—	—	80,343
- Other	298	—	—	—	298
- Roads, Bridges, Footpaths	313,172	(5,594)	—	—	307,578
Other Assets	5,073	—	—	—	5,073
JV's / Associates - Other Comprehensive Income	367	—	—	—	367
Total Asset Revaluation Reserve	753,528	(21,408)	—	—	732,120
Comparatives	762,292	(8,764)	—	—	753,528

	as at 30/06/20				as at 30/06/21
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
(b) Other Reserves					
Open Space Reserve	2,055	404	(18)	—	2,441
Grants/Carry Forward Projects Reserve	20,882	20,463	(18,260)	—	23,085
Asset Sustainability Reserve	17,633	3,659	(3,382)	—	17,910
Water Reserve	613	282	(36)	—	859
Total Other Reserves	41,183	24,808	(21,696)	—	44,295
Comparatives	38,411	21,440	(18,668)	—	41,183

continued on next page ...

Page 26 of 45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Reserves (continued)

PURPOSES OF RESERVES

Asset Revaluation Reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

Open Space Reserve

Purpose - this reserve has been established to account for the following:

- I. set aside open space contributions provided by developers in accordance with the Planning, Development and Infrastructure Act 2016 (conditions may apply)
- II. separate net proceeds associated with Road Closures.
- III. net proceeds associated with disposal of minor land holdings
- IV. funds received from the 'Urban Trees Fund'

Use of Fund - monies can be applied to the development of Open Space facilities as approved by Council and in accordance with the Open Space Policy. Interest revenues earned on contributions provided by developers are transferred to the Fund.

Grants and Carryovers Reserve

Purpose - this reserve was created for:

Grants received in advance - occasionally a funding body has provided Grant funds relating to the following financial year in advance. When this has occurred, it has been necessary to transfer these funds to this reserve so that they can be matched against the expenditures planned to be incurred in the next financial year.

Unexpended Grants - when grant monies have not been fully acquitted in the financial year this reserve is used to transfer the unexpended balance to the following year.

Carryovers - typically represents unspent capital and service improvements budgets carried forward to the following financial year.

Use of Fund - monies are utilised in accordance with the original purpose.

Asset Sustainability Reserve

Purpose - this is a reserve fund established to:

- I. Primary Purpose – Provide Council with the ability to access sufficient funds to enable it to respond to a major infrastructure failure or fund an infrastructure gap identified in periodic asset audits. A minimum balance of \$2 million will be retained in the Asset Sustainability Reserve for this purpose.
- II. Assist Council fund its Long Term Asset Management objectives.
- III. Provide a means by which to spread the cost of intergenerational assets thereby reducing the need for borrowings
- IV. Provide a means by which Council can strategically plan to maintain its asset base within a long term Financial framework.
- V. Quarantine funds specifically set aside in the Community Facilities Partnership Program (CFPP) for the purpose of funding the renewal, upgrade and purchase of Council assets as resolved by Council. This will include encouraging organisations leasing council facilities to seek partnership funding for required renewal and upgrade of those community facilities.

The Asset Sustainability Reserve will be funded from planned surpluses identified in the Long Term Financial Plan (LTFP) and from funds specifically set aside for the CFPP in the LTFP.

Use of Fund - Reserve transfers will be controlled by specific Council resolutions or identified as part of the approved annual Strategic Plan and Budget.

Water Reserve

Purpose - this reserve is established to quarantine revenue received and savings identified from the sale and use of treated stormwater from Oaklands Wetland to further develop third party supply opportunities.

Use of Fund - Reserve transfers require approval at Executive level.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 10. Assets Subject to Restrictions

\$ '000	2021	2020
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The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

Cash & Financial Assets

Other	8,186	7,167
Total Cash & Financial Assets	8,186	7,167
<u>Total Assets Subject to Externally Imposed Restrictions</u>	<u>8,186</u>	<u>7,167</u>

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2021	2020
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(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Total Cash & Equivalent Assets	5	16,712	17,831
Balances per Statement of Cash Flows		16,712	17,831

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

Net Surplus/(Deficit)		9,697	7,755
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		15,963	15,542
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(173)	(183)
Non-Cash Asset Acquisitions		(2,001)	(2,283)
Grants for capital acquisitions treated as Investing Activity		(9,542)	(175)
Net (Gain) Loss on Disposals		2,102	1,099
		16,046	21,755
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(2,110)	2,312
Net (Increase)/Decrease in Inventories		20	(88)
Net Increase/(Decrease) in Trade & Other Payables		4,049	2,101
Net Increase/(Decrease) in Unpaid Employee Benefits		217	536
Net Increase/(Decrease) in Other Liabilities		7	217
Net Cash provided by (or used in) operations		18,229	26,833

\$ '000	Notes	2021	2020
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(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

Physical Resources Received Free of Charge	21	2,001	2,283
Amounts recognised in Income Statement		2,001	2,283
Total Non-Cash Financing and Investing Activities		2,001	2,283

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Corporate Credit Cards	125	111
LGFA Cash Advance Debenture Facility	11,000	11,000

Council has immediate access to a short-term cash advance debenture facility at variable interest rate borrowings from the Local Government Finance Authority of SA.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 12(a). Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).										
\$ '000	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions/Activities										
Development Assessment	1,099	973	4,375	4,199	(3,276)	(3,226)	—	7	—	—
Crime Prevention	5	2	363	353	(358)	(351)	—	1	—	—
Community Support & Development	4,677	3,798	14,669	11,724	(9,992)	(7,926)	2,381	2,200	130,348	126,105
Public & Environment Health	120	122	929	912	(809)	(790)	78	74	—	—
Community Safety Inspection	1,277	1,276	1,869	1,848	(592)	(572)	—	1	—	—
Public Infrastructure	2,961	3,172	20,446	20,133	(17,485)	(16,961)	2,092	2,256	661,170	679,954
Open Space	2,026	618	19,069	14,009	(17,043)	(13,391)	1,463	341	293,244	292,220
Public Conveniences	8	3	633	612	(625)	(609)	—	1	3,304	3,375
Strategic Projects	131	115	1,966	1,489	(1,835)	(1,374)	50	7	66	43
Asset Management	—	—	—	—	—	—	—	—	15,349	15,627
Neighbourhood Centres	401	624	1,675	2,666	(1,274)	(2,042)	357	445	7,487	7,558
Cultural Development	336	326	3,306	3,283	(2,970)	(2,957)	93	19	14,472	14,525
Libraries	602	480	7,731	7,230	(7,129)	(6,750)	317	348	13,935	14,217
Waste & Recycling	757	147	9,945	9,392	(9,188)	(9,245)	573	25	—	6,454
Trees	—	—	2,092	1,864	(2,092)	(1,864)	—	2	—	—
Economic Development	100	115	1,194	1,047	(1,094)	(932)	60	86	—	—
Governance	—	4	4,062	3,974	(4,062)	(3,970)	—	—	—	—
Service Quality	2	1	108	101	(106)	(100)	—	—	411	473
Treasury	82,649	81,856	2,636	2,583	80,013	79,273	2,355	1,350	69,088	60,762
Total Functions/Activities	97,151	93,632	97,068	87,419	83	6,213	9,819	7,163	1,208,874	1,221,313

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, net gain (loss) from joint ventures & associated entities, amounts received specifically for new or upgraded assets and physical resources received free of charge.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 12(b). Components of Functions

The activities relating to Council functions are as follows:

DEVELOPMENT ASSESSMENT

Building and planning services which ensure that houses are safely constructed and designed and developed in a manner which is sympathetic to the local neighbourhood

CRIME PREVENTION

Services such as graffiti removal and working with other agencies to improve the safety and amenity of the community

COMMUNITY SUPPORT & DEVELOPMENT

Services such as home and community care, youth services, support for volunteers and community transport providing direct support to groups within the community

PUBLIC & ENVIRONMENTAL HEALTH

Services such as food safety and public health inspections, immunisation and enforcement of certain environmental regulations as well as Planning, information, advice and demonstration to promote environmentally sensitive practices by both Council and the community

COMMUNITY SAFETY INSPECTION

Services include dog and cat control, pest control, parking control and the enforcement of by-laws to ensure that the community is safe and orderly

PUBLIC INFRASTRUCTURE

Includes the design, development and maintenance of footpaths, streets, drainage and kerb and water table, as well as street signs, traffic control devices and line-marking ensuring that local neighbourhoods are safe and accessible with good amenity

OPEN SPACE

Parks, reserves, ovals and streetscape development and maintenance providing well maintained public spaces for use by all members of the community

PUBLIC CONVENIENCES

Services such as provision and maintenance of public toilets in close proximity to highly frequented reserves and other open space areas

STRATEGIC PROJECTS

Delivery of Major Projects across the city aimed at providing improved services and facilities for the Community

ASSET MANAGEMENT

Management and maintenance of Council properties enabling them to be utilised by members of the community for various purposes such as meetings, social activities and programs

NEIGHBOURHOOD CENTRES

Providing opportunities for learning and social activities for all ages and interests

CULTURAL DEVELOPMENT

Supporting community involvement in arts and cultural activity and expression, celebrating diversity, indigenous people and those from culturally and linguistically diverse backgrounds. This includes the Marion Cultural Centre and Living Kurna Cultural Centre providing cultural and artistic experiences for the community

LIBRARIES

Three libraries and a delivery service providing opportunities for learning and social activities for all ages and interests

WASTE & RECYCLING

Services including domestic kerbside collection, hard rubbish collection, street sweeping and general litter collection to maintain cleanliness and amenity

TREES

Provision of street trees and revegetation programs to improve amenity and promote, where possible, the use of indigenous plants

continued on next page ...

Page 31 of 45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 12(b). Components of Functions (continued)

ECONOMIC DEVELOPMENT

Planning and support for existing and potential businesses to assist businesses to adapt to changing circumstance and provide an employment base for the Marion community

ORGANISATION OF EXCELLENCE

To lead in the delivery of the Community Vision, the organisation must maintain its sustainability. This underpins our Corporate Vision of "An Organisation of Excellence". To achieve this, the following essential support services are funded in the budget.

Governance

Elected Member Support

Provision of services which enable Elected Members to undertake their role in making decisions for the Council and community, including Council meetings, elections, council receptions and Sister City activities.

Strategic, corporate and sustainability planning and policy development

To ensure that Council is progressing towards achieving the Community Vision 2040 and its strategic social, cultural, and economic and environmental sustainability goals in a transparent and accountable manner, working with our Local, State, and Commonwealth Government partners

Risk management policy, development and internal audit

Activities to ensure that Council is continuously improving its management systems

External relations, communication and community engagement

Enables the community to be appropriately and adequately informed about the activities and decisions of the Council.

Service Quality

Customer Experience

In particular the Customer Service Centre, which enables Council staff to liaise with the community to address issues and concerns directly with Council, as well as provide the community with information and referral to other services provided in the region.

Information Technology

Provides support to Council staff for their technological needs to enable them to contribute towards delivery of the Community Vision as well as access by the community to Council information and services through the internet and email

Information Management

Enables Council to keep adequate and appropriate records of activities and decisions

TREASURY

Including budgeting, rating, accounts management and payroll, which ensure sound and transparent financial management which enables Council to provide adequate services and facilities and appropriately address community needs

City of Marion

Notes to the Financial Statements for the year ended 30 June 2021

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost; interest is recognised when earned.

Terms & Conditions:

Deposits are returning fixed interest rates between 0.30% and 0.55% (2020: 0.5% and 1.4%). Short term deposits have an average maturity of 110 days and an average interest rate of 0.45% (2020: 110 days and 1.55%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Secured over the subject land, arrears attract interest of 2% (2019: 2%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Fees & Other Charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Other Levels of Government

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

Carrying Amount:

Approximates fair value.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13. Financial Instruments (continued)

Liabilities - Creditors and Accruals

Accounting Policy:

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities - Interest Bearing Borrowings

Accounting Policy:

Initially recognised at fair value and subsequently at amortised cost using the effective interest rate.

Terms & Conditions:

Secured over future revenues, borrowings are repayable over 10 to 15 years; interest is charged at fixed rates between 5.8% and 6.85% (2020: 5.8% and 6.85%).

Carrying Amount:

Approximates fair value.

Liabilities - Leases

Accounting Policy:

Accounted for in accordance with AASB 16 as stated in Note 17.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets					
2021					
Cash & Cash Equivalents	16,712	–	–	16,712	16,712
Receivables	7,058	–	–	7,058	7,058
Other Financial Assets	37,300	–	–	37,300	37,300
Total Financial Assets	61,070	–	–	61,070	61,070
Financial Liabilities					
Payables	17,721	–	–	17,721	17,721
Borrowings	827	2,991	1,244	5,062	4,391
Total Financial Liabilities	18,548	2,991	1,244	22,783	22,112
2020					
Cash & Cash Equivalents	17,831	–	–	17,831	17,831
Receivables	5,437	–	–	5,437	5,437
Other Financial Assets	36,400	–	–	36,400	36,400
Total Financial Assets	59,668	–	–	59,668	59,668
Financial Liabilities					
Payables	17,231	–	–	17,231	17,231
Borrowings	1,245	3,657	1,659	6,561	5,635
Total Financial Liabilities	18,476	3,657	1,659	23,792	22,866

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

\$ '000	2021		2020	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	6.08%	4,391	6.11%	5,635
		4,391		5,635

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13. Financial Instruments (continued)

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any impairment. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor **currency risk** apply.

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

Note 14. Capital Expenditure and Investment Property Commitments

\$ '000	2021	2020
---------	------	------

Capital Commitments

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

Buildings	10,490	1,646
Infrastructure	2,493	1,409
Plant & Equipment	1,749	805
Other	1,366	1,456
	<u>16,098</u>	<u>5,316</u>

These expenditures are payable:

Not later than one year	16,098	5,316
	<u>16,098</u>	<u>5,316</u>

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 15. Financial Indicators

\$ '000	Indicator 2021	Indicators 2020	Indicators 2019
Information paper 9 <i>These Financial Indicators have been calculated in accordance with Information paper 9 - Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.</i>			
1. Operating Surplus Ratio			
Operating Surplus	0.3%	6.8%	12.7%
Total Operating Income			
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>			
2. Net Financial Liabilities Ratio			
Net Financial Liabilities	(34)%	(32)%	(37)%
Total Operating Income			
<i>Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.</i>			
Adjusted Operating Surplus Ratio			
Operating Surplus	0.2%	7.2%	10.3%
Total Operating Income			
Adjustments to Ratios <i>In recent years the Commonwealth Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.</i>			
Adjusted Net Financial Liabilities Ratio			
Net Financial Liabilities	(34)%	(32)%	(37)%
Total Operating Income			
3. Asset Renewal Funding Ratio			
Net Asset Renewals	86%	58%	114%
Targeted Renewal Expenditure (Depreciation Expense 2020 and prior)			
<i>Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.</i>			

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 16. Uniform Presentation of Finances

\$ '000	2021	2020
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	97,324	93,815
less Expenses	(97,068)	(87,419)
Operating Surplus / (Deficit)	256	6,396
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(7,530)	(9,246)
add back Depreciation, Amortisation and Impairment	15,963	15,542
add back Proceeds from Sale of Replaced Assets	385	300
	8,818	6,596
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	(16,315)	(12,372)
add back Amounts Received Specifically for New and Upgraded Assets	5,983	3,514
add back Proceeds from Sale of Surplus Assets	416	26
	(9,916)	(8,832)
Net Lending / (Borrowing) for Financial Year	(842)	4,160

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 17. Leases

(i) Council as a lessee

Terms and conditions of leases

Computer and Office Equipment

Council has entered into non-cancellable operating leases for various items of computer and office equipment.

No contingent rentals were paid during the current or previous reporting periods.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased.

No lease contains any escalation clause.

Set out below are the carrying amounts of right-of-use assets recognised within Infrastructure, Property, Plant and Equipment and the movements during the period:

(a) Right of use assets

\$ '000	Ready to use	Total
2021		
Opening balance	201	201
Adjustments to right-of-use assets due to re-measurement of lease liability	(4)	(4)
Depreciation charge	(124)	(124)
Impairment of right-of-use assets	—	—
Reclassification to Software as a Service	(52)	(52)
Balance at 30 June	21	21
2020		
Opening balance	362	362
Adjustments to right-of-use assets due to re-measurement of lease liability	—	—
Depreciation charge	(161)	(161)
Impairment of right-of-use assets	—	—
Reclassification to Software as a Service	—	—
Balance at 30 June	201	201

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

\$ '000	2021	2020
Balance at 1 July	217	373
Accretion of interest	12	27
Payments	(144)	(183)
Reclassification to Software as a Service	(55)	—
Re-measurement of Lease liability	(4)	—
Balance at 30 June	26	217

Classified as:

continued on next page ...

Page 39 of 45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 17. Leases (continued)

\$ '000	2021	2020
Current	15	153
Non Current	11	64

The maturity analysis of lease liabilities is included in Note 13.

Council had total cash outflows for leases of \$460,332

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	124	161
Interest expense on lease liabilities	12	26
Expense relating to short term leases	–	6
Expense relating to leases of low-value assets	288	365
Other	29	28
Total amount recognised in profit or loss	453	586

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 18. Superannuation

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2020/21; 9.50% in 2019/20). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2019/20) of "superannuation" salary.

In addition, Council makes a separate contribution of 3.2% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2020. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 19. Interests in Other Entities

All joint ventures and associates are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

\$ '000	Council's Share of Net Income		Council's Share of Net Assets	
	2021	2020	2021	2020
Council's Share of Net Income				
Joint Ventures	173	183	6,627	6,454
Total Council's Share of Net Income	173	183	6,627	6,454

((a)i) Joint Ventures, Associates and Joint Operations

(a) Carrying Amounts

\$ '000	Principal Activity	2021	2020
Southern Region Waste Resource Authority (SRWRA)	Waste and Recycling	6,627	6,454
Total Carrying Amounts - Joint Ventures & Associates		6,627	6,454

Southern Region Waste Resource Authority (SRWRA)

The Southern Region Waste Resource Authority was established under Section 43 of the Local Government Act to provide and operate services for the management of waste and waste facilities under its control on behalf of its constituent councils.

The SRWRA owns and operates the Southern Region Waste Disposal Depot on behalf of the Cities of Holdfast Bay, Marion and Onkaparinga.

The City of Marion has an equal voting right and a 30% interest in the assets and liabilities of SRWRA. For the year ended 30 June 2021, the net assets of SRWRA total \$22,091,000. The City of Marion interest, totalling \$6,627,000 is disclosed below.

In 2006 the decision was taken to equity account for this investment due to a change in the operations of the business. Initial balances were brought to account through accumulated surplus.

(b) Relevant Interests

	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2021	2020	2021	2020	2021	2020
Southern Region Waste Resource Authority (SRWRA)	30.00%	30.00%	30.00%	30.00%	33.00%	33.00%

continued on next page ...

Page 42 of 45

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 19. Interests in Other Entities (continued)

(c) Movement in Investment in Joint Venture or Associate

\$ '000	Southern Region Waste Resource Authority (SRWRA)		Council Solutions	
	2021	2020	2021	2020
Opening Balance	6,454	5,890	—	138
Share in Operating Result	173	197	—	(14)
Share in Other Comprehensive Income	—	367	—	—
Distributions Received	—	—	—	(124)
Council's Equity Share in the Joint Venture or Associate	6,627	6,454	—	—

(d) Joint Operations Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

\$ '000	2021	2020
(i) Capital Expenditures Payable		
Committed Projects	1,250	12,580
	1,250	12,580
Operating Expenditures Payable		
Later than one year and not later than 5 years	—	—
Later than 5 years	—	—
	—	—

Note 20. Non-Current Assets Held for Sale & Discontinued Operations

Council does not have any Non-Current Assets Held for Sale or any Discontinued Operations.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2021

Note 21. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. LAND UNDER ROADS

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

2. POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

3. BANK GUARANTEES

Council currently has no guaranteed loans or other banking facilities advanced to community organisations and sporting bodies at reporting date.

4. LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 9 appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2021, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

On 11 March 2020, the World Health Organisation declared the health crisis sparked by the COVID-19 outbreak a pandemic. In order to address this health crisis, the Government of Australia implemented restrictions on the free movement of persons or the temporary cessation of certain business activities. This situation is having a significant effect on the Australian economy.

The impacts of this health crisis on the Council's activities in 2021-2022 will depend on its duration and the effect of the measures adopted in this regard. At the date on which the annual accounts were authorised for issue, there has been no significant impact on the Council's financial position or equity.

Council continues to monitor the situation and to take action as required to mitigate the ongoing potential impact on their operation.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements. Accordingly the "authorised for issue" date is 26 October 2021.

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

City of Marion

Notes to the Financial Statements for the year ended 30 June 2021

Note 23. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 20 persons were paid the following total compensation:

\$ '000	2021	2020
The compensation paid to Key Management Personnel comprises:		
Salaries, Allowances & Other Short-Term Employee Benefits	1,283	1,272
Post-Employment Benefits	83	76
Total	1,366	1,348

Amounts paid as direct reimbursement of expenses incurred on behalf of Council have not been included above.

Receipts from Key Management Personnel comprise:

Other than amounts paid as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.), Council received no receipts from Key Management Personnel.



SRWRA
Southern Region Waste Resource Authority

ANNUAL
REPORT

2020 to 2021



SRWRA is a regional subsidiary established by the Cities of Onkaparinga, Marion and Holdfast Bay, pursuant to Section 43 of the Local Government Act, 1999.

Under our Charter, SRWRA is responsible for providing and operating waste management services on behalf of our constituent Councils.

Our core business activity is the management of our recycling facilities and landfill. We partner with industry experts and pride ourselves in employing innovative resource recovery approaches to support the circular economy.

We are one of the State's major landfill operations currently receiving over 100,000 tonnes of waste annually.

Our joint venture operation with Integrated Waste Services (IWS) has continued to develop through the jointly operated Southern Recycling Centre (SRC) which is realising a significant reduction of waste to landfill.

We have recently established a new joint venture operation with Re.Group to form the Southern Materials Recovery Facility (SMRF) to provide a reliable and cost effective kerbside recyclables processing service for Southern Adelaide.

SRWRA CONSTITUENT
COUNCILS



JOINT VENTURE
PARTNERS





CONTENTS

CHAIRPERSON'S MESSAGE	4
CHIEF EXECUTIVE OFFICER'S MESSAGE	6
BOARD OF MANAGEMENT	8
FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021	9
AUDITOR COMMITTEE AUDITOR INDEPENDENCE	36
AUDITOR INDEPENDENCE DECLARATION	37
INDEPENDENT AUDITOR'S REPORT	38
AUDIT REPORT	40
BOARD CHAIR - AUDITOR INDEPENDENCE	42
COUNCIL CERTIFICATES OF COMPLIANCE	43
CITY OF ONKAPARINGA	43
CITY OF MARION	44
CITY OF HOLDFAST BAY	45
ATTENDANCE AT BOARD MEETINGS	46
ATTENDANCE AT AUDIT COMMITTEE MEETINGS	47
PERFORMANCE AGAINST BUSINESS PLAN	48
WORK HEALTH AND SAFETY	50
PROCUREMENT	51



CHAIRPERSON'S MESSAGE

The Commonwealth Government has stressed Australia needs to take responsibility for the waste it produces, using it to create jobs and promote investment in Australia. The Prime Minister recently said “It’s about making Australia a world leader in how we manage our waste and recycling”, in order to progress this he outlined the following three pillars:

“Firstly, it’s our waste, it’s our responsibility. Taking responsibility for our plastic waste.

Expanding industry capability, secondly.

And thirdly, encouraging demand for recycled products.”

This is very much at the core of what we do at SRWRA. We have progressively been taking increasing responsibility for the waste streams produced by our Constituent Councils and our other customers based on an underpinning philosophy of supporting the highest and best use of recovered materials.

At SRWRA we have consciously aligned ourselves with experts in their respective fields to ensure we can leverage the opportunities presented by what is rapidly developing into an integrated waste management precinct.

Through LMS and Joule we produce enough green energy from landfill gas and what is currently Australia’s largest solar array on a capped landfill cell to power the equivalent of 3,000 homes.

With IWS we jointly operate the Southern Recycling Centre which, over the past year, has diverted more than 20,900 tonnes of municipal material from landfill. While this is a significant achievement in the last 12 months we have continued to invest in and upgrade the facility to further increase the level of diversion of municipal waste away from landfill.

Most significantly the SRWRA operation has now moved to deal with the challenges of providing a processing solution for household recyclables for southern Adelaide. With our joint venture partner Re.Group, an Australian recycling and resource recovery specialist, we have completed the construction of a state of the art materials recovery facility. The facility incorporates the latest in sorting and screening technology and has the capacity to convert recycled glass into sand for use in civil and road construction work. This investment of more than \$20 million is designed to ensure that outputs from the facility are ‘of the highest quality providing a platform for the future development of circular economy industry in the south of Adelaide’.



I am pleased to advise that, while maintaining very competitive waste disposal costs, for the year ended 30 June 2021 SRWRA reported an Operating Surplus of \$0.438 million which will be reinvested in our future waste management activities.

We are extremely fortunate to have a very capable and dedicated team working throughout our operations, under the accomplished leadership of CEO Chris Adams they have collectively contributed to the success of SRWRA and it is my great pleasure to thank them on behalf of the Board. I also extend my thanks to the Board and the Audit Committee for their dedication and insight and unwavering commitment to ensuring that SRWRA continues to deliver sustainable waste management solutions for our Constituent Councils and the southern region of Adelaide.

On behalf of the Board of the Southern Region Waste Resource Authority, I am pleased to present the Annual Report for the 2021 financial year, it clearly demonstrates the Authority continues to fulfill its objects and purposes set out in the Charter in a financially responsible and environmentally sustainable manner.

Mark Booth
CHAIRPERSON



CHIEF EXECUTIVE OFFICER'S MESSAGE

It has been an exciting and transformative 12 months for the Authority with delivery of several significant construction projects, a visit by the Prime Minister and the establishment of a new Joint Venture.

SRWRA is consolidating its position as the circular economy hub for Southern Adelaide with the construction of the Southern Materials Recovery Facility (SMRF) which processes the contents of the kerbside recycling bin. This facility the largest of its kind in South Australia, is the most technically advanced and produces the highest product purity levels in Australia.

The SMRF received two rounds of grant funding, the first for the stage 1 construction of the initial facility was \$5.35m of Commonwealth funding with the Prime Minister, The Hon Scott Morrison MP, attending site to make the announcement. The second round of funding was \$3.14m from Green Industries SA (which combined State and Commonwealth funding) for the stage 2 construction of a glass processing plant.

I am pleased to welcome Re.Cycle (Adelaide) Pty Ltd, a subsidiary of Re.Group, to the fold as our new Joint Venture partner for the SMRF. This is SRWRA's second Joint Venture and builds on the successful model developed for the Southern Recycling Centre with Integrated Waste Services (IWS).

The Southern Recycling Centre has had a strong 12 months and plays a significant role in the diversion of waste from landfill in support of State strategy.

SRWRA's energy precinct has grown with the construction of South Australia's first solar farm on capped landfill. The solar farm is owned and operated by LMS Energy. SRWRA is open to exploring further opportunities to increase the solar farm footprint.

SRWRA's integrated site now provides processing facilities for both the kerbside waste and recycling bins, a landfill and a green energy precinct generating power from landfill biogas and solar farm. The integration of our site is unique in Australia and ensures we are leaders in delivering innovative and sustainable waste management solutions for the benefit of our southern Adelaide communities.

The Authority has continued to provide a cost effective waste management solution for its Constituent Councils and their communities. The Authority is in a strong financial position with net assets of \$22.091 million.

The SRWRA landfill received a significant upgrade with the completion of the Western Sideliner Project and upgraded pump infrastructure.



Over the last 12 months, the Authority invested in the education of schoolchildren within our communities through the Les Perry Memorial Grants Program and the SMRF School Recycled Art Competition. This year, 15 schools from our three Constituent Council areas took part in the Les Perry Memorial Grants Program and received a total of \$10,360 in grant funding to support learning about environmentally responsible waste management.

The SMRF School Recycled Art Competition was run to recognise the construction of the SMRF by engaging with local primary school students to highlight the process of recycling and waste management. Nine schools from our Constituent Council communities entered with the winning entry to be displayed at the SMRF education room. The winning class will also attend the formal opening of the SMRF. The entries judged to be in the first three will receive a bench seat made from recycled soft plastics.

COVID-19 continues to have an impact on our operation with new work practices now the norm for all staff. The commitment and positive attitude of the SRWRA staff has ensured the site continues to operate for the benefit of our Constituent Councils and their communities. I acknowledge their contribution and express my sincere appreciation for their efforts.

The significant milestones and operating result achieved this year are a testament to the commitment and focus of our Board, Audit Committee, staff and Joint Venture Partners. I look forward to the next 12 months as we continue to deliver innovative and sustainable waste management solutions for the benefit of our southern Adelaide communities and the environment.

Chris Adams
CHIEF EXECUTIVE OFFICER

BOARD OF MANAGEMENT

AS AT JUNE 30TH 2021



CHAIRPERSON
Mark Booth

MEMBERS



CITY OF ONKAPARINGA
Kirk Richardson



CITY OF ONKAPARINGA
Richard Peat



CITY OF MARION
Sorana Dinmore



CITY OF MARION
Ian Crossland



CITY OF HOLDFAST BAY
Roberto Bria



CITY OF HOLDFAST BAY
John Smedley

DEPUTY MEMBERS



CITY OF ONKAPARINGA
Heidi Greaves



CITY OF MARION
Bruce Hull



CITY OF MARION
Ray Barnwell



CITY OF HOLDFAST BAY
Clare Lindop



FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

SOUTHERN REGION WASTE RESOURCE AUTHORITY

General Purpose Financial Report for the year ended 30 June 2021

Contents

	Page Number
Certification of Financial Statements	1
Primary Financial Statements	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
CEO Statement	
Audit Report	
Council Certificates of Audit Independence	
Audit Certificate of Audit Independence	

SOUTHERN REGION WASTE RESOURCE AUTHORITY**ANNUAL FINANCIAL STATEMENTS**

For the year ended 30 June 2021


CERTIFICATION OF FINANCIAL STATEMENTS

I have been authorised by Southern Region Waste Resource Authority to certify the financial statements in their final form. In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and Australian Accounting Standards*.
- the financial statements present a true and fair view of the Authority's financial position at 30 June 2021 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Authority's accounting and other records.



Chris Adams
Chief Executive Officer



Mark Booth
Chairperson

Date: 23/8/2021

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Income			
User charges	2	11,774	10,746
Investment income	2	487	501
Other	2	454	493
Net gain - equity accounted Joint Venture	13	1,032	745
Total Income		13,747	12,485
Expenses			
Employee costs	3	1,131	1,248
Materials, contracts & other expenses	3	11,176	9,719
Depreciation, amortisation & impairment	3	1,002	860
Total Expenses		13,309	11,827
Operating Surplus		438	658
Asset disposal & fair value adjustments	3	140	-
Amounts received specifically for new/upgraded assets		-	-
Net Surplus		578	658
Other Comprehensive Income			
Changes in revaluation surplus - property, plant & equipment		-	1,222
Total Other Comprehensive Income		-	1,222
Total Comprehensive Income		578	1,880

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

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF FINANCIAL POSITION
as at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Assets			
Current Assets			
Cash and cash equivalents	4	4,643	15,506
Trade & other receivables	4	3,008	2,230
Loan - Related Party	11,13	1,500	-
Total Current Assets		9,151	17,736
Non-current Assets			
Equity accounted joint venture		5,801	677
Property, plant & equipment	5	25,745	19,319
Total Non-current Assets		31,546	19,996
Total Assets		40,697	37,732
Liabilities			
Current Liabilities			
Trade & other payables	6	4,752	2,339
Provisions	6	128	145
Borrowings		-	-
Total Current Liabilities		4,880	2,484
Non-Current Liabilities			
Borrowings		-	-
Provisions	6	13,726	13,735
Total Non-current Liabilities		13,726	13,735
Total Liabilities		18,606	16,219
Net Assets		22,091	21,513
Equity			
Accumulated surplus		20,869	20,291
Asset revaluation reserve		1,222	1,222
Total Equity		22,091	21,513

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

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2021

	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Total Equity \$'000
Balance at start of period - 1 July 2020	20,291	1,222	21,513
Net Surplus/ (Deficit) for Year	578	-	578
Other Comprehensive Income			
Gain on revaluation of property, plant & equipment	-	-	-
Transfers between reserves	-	-	-
Distributions to Member Councils	-	-	-
Balance at end of period - 30 June 2021	20,869	1,222	22,091
Balance at start of period - 1 July 2019	19,633	-	19,633
Net Surplus/ (Deficit) for Year	658	-	658
Other Comprehensive Income			
Gain on revaluation of property, plant & equipment	-	1,222	1,222
Transfers between reserves	-	-	-
Distributions to Member Councils	-	-	-
Balance at end of period - 30 June 2020	20,291	1,222	21,513

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

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF CASH FLOWS
for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Cash Flows from Operating Activities			
Operating receipts from customers		11,450	11,743
Investment receipts		487	501
Operating payments to suppliers & employees		(9,920)	(11,886)
Finance payments		-	-
Net Cash provided by (or used in) Operating Activities	7	2,017	358
Cash Flows from Investing Activities			
Amounts specifically for new or upgraded assets		-	-
Sale of replaced assets	3	244	-
Distributions from equity accounted Joint Ventures	13	600	900
Contributions to equity accounted Joint Ventures	13	(513)	-
Expenditure on equity accounted contributed assets	13	(5,679)	-
Expenditure on renewal/replacement of assets		(634)	(759)
Expenditure on new/upgraded assets		(6,898)	(2,490)
Net Cash provided by (or used in) Investing Activities		(12,880)	(2,349)
Cash Flows from Financing Activities			
Distribution to Member Councils		-	-
Net Cash provided by (or used in) Financing Activities		-	-
Net Increase (Decrease) in cash held		(10,863)	(1,991)
Cash & cash equivalents at beginning of period	4	15,506	17,497
Cash & cash equivalents at end of period	4	4,643	15,506

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

SOUTHERN REGION WASTE RESOURCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 1 – Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian equivalents to International Financial Reporting Standards

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations (UIGs) and relevant South Australian legislation.

The Authority is a Local Government Authority Section 43 Regional Subsidiary under the control of City of Onkaparinga, City of Marion and the City of Holdfast Bay.

1.2 Historical Cost Convention

Except where stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying the Authority's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

Southern Region Waste Resource Authority operates as a regional subsidiary pursuant to Section 43 of the SA Local Government Act 1999 and Section 25 of the Local Government Implementation Act 1999, and has its principal place of business at 112 Bakewell Dr, Seaford Heights SA 5169.

3 Income recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Authority obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at the Authority's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 9.

5 Infrastructure, Property, Plant & Equipment

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use".

SOUTHERN REGION WASTE RESOURCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 1 (cont.) – Significant Accounting Policies

5.1 Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Authority includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant & equipment when completed ready for use.

5.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Authority for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. No capitalisation threshold is applied to the acquisition of land or interests in land.

Capitalisation threshold applied of \$1,000 for all asset classes. Any purchases greater than this amount are capitalised and depreciated on the Authority's asset register.

5.3 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Major depreciation periods for each class are shown below. Depreciation of Landfill Construction and Future Capping, Rehabilitation and Restoration costs are amortised proportionately to the rate of filling based upon the projected remaining airspace of landfill cells as at the beginning of the reporting period. The Authority annually assesses the remaining airspace of landfill cells and accordingly, depreciation and amortisation rates are adjusted to reflect these estimates. Depreciation periods for infrastructure assets have been estimated based on the best information available to the Authority, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimated.

Plant, Furniture & Equipment	3-10 years
Buildings	30-50 years
Waste Facility	10-15 years
Landfill construction	Amortised proportionately to rate of filling
Future capping costs	Amortised proportionately to rate of filling
Future rehabilitation and restoration costs	Amortised proportionately to rate of filling

6 Payables

6.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7 Employee Benefits

7.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

The Authority recognises all presently entitled liabilities as current liabilities regardless of whether it is expected to be paid within the preceding 12 months of reporting date.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2021

Note 1 (cont.) – Significant Accounting Policies

7.2 Superannuation

The Authority makes employer superannuation contributions in respect of its employees to Statewide Super. The Scheme has two types of membership, each of which is funded differently.

Accumulation Fund Members

Accumulation fund members receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation 9.5% in 2020/21 (9.5% in 2019/20).

No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Defined benefit scheme is where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. The Authority makes employer contributions as determined by the scheme's Trustee based on advice from the Scheme's Actuarial. The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2020.

The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to the Authority's contribution rates at some future time.

The Authority also makes contributions to other superannuation schemes selected by employees under the 'choice of fund' legislation.

All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the new assets of the scheme, and no further liability attaches to the Authority.

8 Provisions for Landfill Capping, Rehabilitation and Restoration Costs

The Authority's provision for landfill capping, post closure rehabilitation costs and restoration costs are calculated based on the net present value of the future cash outflows expected to be incurred to remediate the landfill which will include the costs of capping, rehabilitating and restoring the landfill site.

The measurement of the provisions requires significant estimates and assumptions such as discount rate, inflation rate, assessment of the requirements of the Environment Protection Authority (EPA) or other government authorities, the timing, extent and costs of activities required and the area of the landfill to be remediated, which is determined by volumetric aerial surveys.

These uncertainties may result in future actual expenditure differing from the amounts currently provided. Expenditure relating to ongoing rehabilitation and restoration will reduce any provision previously established.

The Authority monitors the remaining airspace, the airspace consumption efficiency (compaction) ratio, the discount rate and the inflation rate used to calculate the net present value of the future landfill capping, rehabilitation and restoration costs on an annual basis and makes adjustments to the liability as required to ensure an accurate projected cost of the liability is showing in the balance sheet.

A complete review of all future capping, rehabilitation and restoration costs including a review of all the key assumptions and estimates in relation to the measurement of these costs is performed on a regular basis with the assistance of external consultants to ensure all projected costs have been independently verified.

The dates of the last review of the key assumptions and estimates in relation to the measurement of the future capping, rehabilitation and restoration costs are shown below:

Costs	Effective Date	Independent Assessor
Capping costs	30 June 2019	Golder Associates
Restoration costs	30 June 2018	Golder Associates
Rehabilitation costs	30 June 2016	Katalyse Pty Ltd

SOUTHERN REGION WASTE RESOURCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 1 (cont.) – Significant Accounting Policies

9 Inventory

Inventory held by the Authority reflect materials stored on site which have either been purchased or gifted which will be used for future Cell and Capping construction works to be undertaken in future years.

10 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax". Receivables and Creditors include GST receivable and payable. Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable. Non-current assets and capital expenditures include GST net of any recoupment.

Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

11 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with AIFRS.

12 New Accounting Standards

The Authority applied for the first-time certain new standards and amendments, which are effective for annual reporting periods beginning on or after 1 January 2020. New standards and amendments relevant to the Authority are listed below. The Authority has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to AASB 101 and AASB 108 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Authority.

13 Valuation of Land and Building Assets

Building assets held by the Authority were valued by Opteon (South Australia) Pty Ltd with an effective valuation date of 30 June 2014 applied for financial reporting purposes. Assets were valued to their market value based on highest and best use. All purchases made post 30 June 2014 have been recorded at cost.

Land assets held by the Authority were valued by AssetVal with an effective valuation date of 30 June 2020 applied for financial reporting purposes. Where there is an active and liquid market as evidenced by sales transactions of similar property types, a Market approach by way of Direct Comparison or Income methods were utilised.

Some parcels of land are subject to restrictions as to use and sale and the value of these land assets has been determined after considering suitable market evidence and making necessary adjustment to account for these restrictions.

14 Valuation of Landfill Assets

Landfill assets comprise the acquisition of landfills, cell development costs, landfill improvements costs and the assets related to future landfill capping, rehabilitation and restoration costs.

Assets related to future landfill capping, rehabilitation and restoration costs are valued based on the net present value of the future cash outflows expected to remediate the landfill which will include the costs of capping, rehabilitating and restoring the landfill asset. The assumptions used to estimate these costs and details of their regular review are described in item 8 – Provision for Landfill Capping, Rehabilitation and Restoration Costs.

All landfill assets are amortised proportionately to the rate of filling as described in item 5.3 Depreciation of Non-Current Assets.

SOUTHERN REGION WASTE RESOURCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 1 (cont.) – Significant Accounting Policies

15 COVID-19

Given the nature of the business activities undertaken by the Authority, there has been no restrictions imposed on waste processing operations of the Authority due to government enforced restrictions introduced as a result of the COVID-19 pandemic event.

SOUTHERN REGION WASTE RESOURCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

	2021 \$'000	2020 \$'000
Note 2 - Income		
User Charges		
Landfill Operations	11,774	10,746
	<u>11,774</u>	<u>10,746</u>
Investment Income		
Interest on investments	102	249
Banks & other	-	12
Rental income	385	240
	<u>487</u>	<u>501</u>
Other Income		
Other income	171	204
Southern Recycling Centre	283	289
	<u>454</u>	<u>493</u>
Note 3 - Expenses		
Employee Costs		
Salaries and Wages	1,092	1,151
Employee leave expense	(25)	10
Superannuation	98	102
Workers' Compensation Insurance	47	58
Less: Capitalised and distributed costs	(81)	(73)
	<u>1,131</u>	<u>1,248</u>
Materials, Contracts & Other Expenses		
Auditor's Remuneration	21	19
Board Expenses	36	39
Contractors	397	271
Fuels & oils	128	161
Equipment hire	10	18
Maintenance	450	217
Legal	160	32
Levies - EPA	9,570	8,542
Professional services	26	12
Southern Recycling Centre	108	183
Sundry	270	225
	<u>11,176</u>	<u>9,719</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 3 - Expenses (cont)

	2021 \$'000	2020 \$'000
Depreciation, Amortisation & Impairment		
Buildings	184	138
Plant & Equipment	408	274
Office Equipment	8	9
Super Cell	205	196
Super Cell Capping	174	215
Post Closure Rehabilitation	19	24
Future Restoration Costs	4	4
Work in Progress	-	-
	1,002	860
Asset Disposals		
Proceeds from disposal	244	-
Less: Carrying amount of assets sold	(104)	-
Gain (Loss) on disposal	140	-
Note 4 - Current Assets		
Cash & Cash Equivalents		
Cash on Hand and at Bank	4,519	1,601
Short-term deposits	124	13,905
	4,643	15,506
Trade & Other Receivables		
Debtors - general	3,008	2,207
Accrued Revenues	-	23
	3,008	2,230

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 5 - Property, Plant & Equipment

	2020 \$'000				2021 \$'000			
	At Fair Value	At Cost	Accumulated Depreciation	Carrying Amount	At Fair Value	At Cost	Accumulated Depreciation	Carrying Amount
Land	5,205	-	-	5,205	5,205	-	-	5,205
Buildings	560	4,081	(772)	3,869	560	5,810	(955)	5,415
Plant & Equipment	-	5,350	(3,252)	2,098	-	4,938	(2,718)	2,220
Office Equipment	-	160	(133)	27	-	172	(141)	31
Super Cell	-	8,202	(5,391)	2,811	-	8,970	(5,599)	3,371
Super Cell Capping	5,426	-	(2,395)	3,031	5,426	-	(2,570)	2,856
Post Closure Rehabilitation	6,143	-	(5,799)	344	6,143	-	(5,818)	325
Future Restoration Costs	4,228	-	(4,165)	63	4,228	-	(4,169)	59
Work in Progress	-	1,871	-	1,871	-	6,263	-	6,263
	21,562	19,664	(21,907)	19,319	21,562	26,153	(21,970)	25,745

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 5 - Property, Plant & Equipment

	2020 \$'000		Movement in Property, Plant & Equipment during the Financial Year					2021 \$'000	
	Carrying Value	Renewal / Replacement	Additions New/Upgrade	Disposals	Revaluation	Adjustment / Transfer	Depreciation	Carrying Value	
Land	5,205	-	-	-	-	-	-	5,205	
Buildings	3,869	-	45	-	-	1,685	(184)	5,415	
Plant & Equipment	2,098	634	-	(104)	-	-	(408)	2,220	
Office Equipment	27	-	12	-	-	-	(8)	31	
Super Cell	2,811	-	766	-	-	(1)	(205)	3,371	
Super Cell Capping	3,031	-	-	-	-	(1)	(174)	2,856	
Post Closure Rehabilitation	344	-	-	-	-	-	(19)	325	
Future Restoration Costs	63	-	-	-	-	-	(4)	59	
Work in Progress	1,871	-	11,754	-	-	(7,362)	-	6,263	
	19,319	634	12,577	(104)	-	(5,679)	(1,002)	25,745	
2020 \$'000	15,440	759	2,793	-	1,222	(35)	(860)	19,319	

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 6 - Liabilities

	2021 \$'000		2020 \$'000	
	Current	Non-current	Current	Non-current
Trade & Other Payables				
Goods & services	4,752	-	2,323	-
Payments received in advance	-	-	16	-
	4,752	-	2,339	-
Provisions				
Annual Leave	70	-	80	-
Long Service Leave	58	8	65	17
Super Cell Capping	-	7,980	-	7,980
Post Closure Rehabilitation	-	4,064	-	4,064
Future Restoration Costs	-	1,674	-	1,674
	128	13,726	145	13,735

Reconciliation of Movement in Landfill &
Restoration Provisions

	Super Cell Capping	Post Closure Rehabilitation	Future Restoration Costs	Total
Opening Balance	7,980	4,064	1,674	13,718
Additional Amounts Recognised/ (Derecognised)	-	-	-	-
Payments	-	-	-	-
Unwinding of Present Value Discounts	-	-	-	-
Closing Balance	7,980	4,064	1,674	13,718

An independent review and update of key assumptions and estimates included in the calculation of landfill capping and post closure liabilities is expected to be undertaken in 2021/22 at which time the liability will be updated.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 7 - Cash Flow Reconciliation

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2021 \$'000	2020 \$'000
Total cash & equivalent assets	4,643	15,506
Less: Short-term borrowings	-	-
Balances per Cash Flow Statement	<u>4,643</u>	<u>15,506</u>

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

Net Surplus (Deficit)	578	658
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	1,002	860
Net (Gain) Loss on equity accounted joint ventures	(1,032)	(745)
Net (Gain) Loss on disposal of assets	(140)	-
	<u>408</u>	<u>773</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(778)	(564)
Net increase (decrease) in trade & other payables	2,411	138
Net increase (decrease) in other provisions	(24)	11
Net Cash provided by (or used in) operations	<u>2,017</u>	<u>358</u>

(c) Financing Arrangements

Corporate Credit Cards	18	18
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SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 8 - Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.

Short Term Deposits **Terms & conditions:** Deposits on Call do not have a maturity period and have an average interest rates of 0.3% (2020: 1.25% - 2.25%).

Carrying amount: approximates fair value due to the short term to maturity.

Receivables - Gate Fees & Associated Charges Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

Carrying amount: approximates fair value (after deduction of any allowance).

Liabilities - Creditors and Accruals Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Authority.

Terms & conditions: Liabilities are normally settled on 30 day terms.

Carrying amount: approximates fair value.

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Authority.

Risk Exposure

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Authority is the carrying amount, net of any provision for doubtful debts. All investments are made with the SA Local Government Finance Authority and Bank SA. There is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of the Authority's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that the Authority will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Policy (LGA Information Paper 15), liabilities have a range of maturity dates based on cash inflows. The Authority also has available a range of bank overdraft and short-term draw down facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Most of the Authority's financial instruments are at fixed rates. Any such variations in future cash flows will not be material in effect on either the Authority's incomes or expenditures.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 8 - Financial Instruments

Liquidity Analysis

	2021	≤ 1 year	Maturity > 1 year ≤ 5 years	> 5 years	Non- interest bearing	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Amortised Cost						
Cash Assets		4,643	-	-	-	4,643
Receivables		-	-	-	3,008	3,008
Total		4,643	-	-	3,008	7,651
Financial Liabilities						
Payables		-	-	-	4,752	4,752
Borrowings		-	-	-	-	-
Total		-	-	-	4,752	4,752

	2020	≤ 1 year	Maturity > 1 year ≤ 5 years	> 5 years	Non- interest bearing	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Amortised Cost						
Cash Assets		15,506	-	-	-	15,506
Receivables		-	-	-	2,230	2,230
Total		15,506	-	-	2,230	17,736
Financial Liabilities						
Payables		-	-	-	2,339	2,339
Borrowings		-	-	-	-	-
Total		-	-	-	2,339	2,339

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 9 - Commitments for Expenditure

	2021 \$'000	2020 \$'000
Capital Commitments		
Capital expenditure committed at reporting date but which is not recognised in the financial statements as liabilities are as follows:		
Committed Projects	1,250	12,580
	<u>1,250</u>	<u>12,580</u>

Note 10 - Events Occurring After Reporting Date

There were no events that occurred after reporting date that requires to be disclosed.

Note 11 - Disclosure of Related Party Transactions

The Key Management Personnel include the Chair of the Board, Chief Executive and other officers prescribed under

	2021 \$'000	2020 \$'000
Salaries, allowances & other short term benefits	404	404
Termination benefits	-	37
Total	<u>404</u>	<u>441</u>

Transactions with Related Parties:

The following transactions occurred with Related Parties:

Related Party Entity	Sale of Goods and Services (\$'000)	Amounts Outstanding from Related Parties (\$'000)	Description of Services Provided to Related Parties
City of Onkaparinga	6,626	362	Provision of waste disposal services
City of Holdfast Bay	1,233	107	Provision of waste disposal services
City of Marion	3,015	270	Provision of waste disposal services
Southern Recycling Centre	7,096	503	Provision of waste disposal services

Amounts recorded as outstanding from Related Parties are recorded in Trade and other receivables in Note 4. The Related Parties disclosed above are equity owners of the Authority and are referred to as Member Councils. Member Councils have equal representation on the Board of the Authority and accordingly have significant influence on the financial and operating decisions of the Authority. No one Member Council individually has control of those policies.

The Authority has an outstanding receivable loan with the Southern Materials Recovery Facility totalling \$1.5 million as at reporting date. The Authority has recorded no sales with the Southern Materials Recovery Facility during 2020/21 given operations are not due to commence until 2021/22.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 12 - Uniform Presentation of Finances

	2021 \$'000	2020 \$'000
Income	13,747	12,485
Expenses	(13,309)	(11,827)
Operating Surplus / (Deficit)	<u>438</u>	<u>658</u>
Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(634)	(759)
Depreciation, Amortisation, Impairment and Movement in Landfill Provisions	1,002	860
Proceeds from Sale of Replaced Assets	244	-
	<u>612</u>	<u>101</u>
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	(6,898)	(2,490)
Amounts received specifically for New and Upgraded Assets	-	-
Proceeds from Sale of Surplus Assets	-	-
	<u>(6,898)</u>	<u>(2,490)</u>
Net Lending / (Borrowing) for Financial Year	<u><u>(5,848)</u></u>	<u><u>(1,731)</u></u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 13 - Equity Accounting Joint Ventures

Southern Recycling Centre (SRC)

The Authority has entered into a joint venture arrangement with Integrated Waste Services Pty Ltd to operate the Southern Recycling Centre located on the Authority's landfill site.

	2021 \$'000	2020 \$'000
The Authority's respective interests are:		
- interest in operating result:	50.00%	50.00%
- ownership of equity	49.99%	49.99%
- the proportion of voting power	50.00%	50.00%
<u>Movement in Investment in Joint Operation:</u>		
Opening Balance	677	832
New Capital Contributions	-	-
Share in Operating Result	1,087	745
Equity Adjustment	-	-
Distributions Received	(600)	(900)
Share in Equity of Joint Operation	1,164	677

Expenditure Commitments

There were no expenditure commitments at reporting date that required to be recognised in the financial statements.

Contingent Liabilities

There were no contingent liabilities at reporting date that required to be recognised in the financial statements.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 13 (cont.) - Equity Accounting Joint Ventures

Southern Materials Recycling Facility (SMRF)

The Authority has entered into a joint venture arrangement with Re.Cycle (Adelaide) Pty Ltd to operate the Southern Material Recovery Facility located on the Authority's landfill site. The Joint Venture entity was established as from 13 April 2021.

As at reporting date, plant and equipment was still being commissioned and the facility has not commenced processing waste. The facility is expected to commence operations and processing recycled waste in July 2021.

	2021 \$'000
The Authority's respective interests are:	
- interest in operating result:	50.00%
- ownership of equity	50.00%
- the proportion of voting power	50.00%
 <u>Movement in Investment in Joint Operation:</u>	
Opening Balance	-
Capital Contributions (cash contribution)	513
Capital Contributions (transfer of plant assets)	5,679
Capital Contribution (conversion to loan)	(1,500)
Share in Operating Result	(55)
Share in Equity of Joint Operation	4,637
 The Authority provided the following contributions to the SMRF:	
- Cash Contribution	513
- Transfer of Plant and Equipment	5,679
Total Contribution	6,192

The amounts above resulted in a total initial contribution of \$6.192 million made by the Authority. Re.Cycle (Adelaide) Pty Ltd contributed an additional amount of \$6.192 million in cash. After the contributions described above were made by both joint venturers, the federal government agreed to contribute \$5.35 million to fund the purchase of plant and equipment. The Southern Materials Recovery Facility Joint Venture Advisory Committee resolved that \$3 million of the \$5.35 million funding from the Federal government is to be repaid to the joint venturers on the receipt of the grant as a loan from each joint venturer as at 30 June 2021.

The Authority has an outstanding receivable loan with the Southern Materials Recovery Facility totalling \$1.5 million as at the reporting date.

Expenditure Commitments

The Joint Venture has a \$5.813 million capital commitment as at reporting date relating to the construction of plant and equipment which is expected to be completed in the 2021/22 period.

Contingent Liabilities

There were no contingent liabilities at reporting date that required to be recognised in the financial statements.

22

SOUTHERN REGION WASTE RESOURCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 14 - Fair Value Measurements

The Authority measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Land assets.

The Authority does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information according to the relevant level in the fair value hierarchy. This hierarchy categorises fair value measurements into one of three possible levels based on the lowest level that a significant input can be categorised into. The levels are outlined below:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair value of assets and liabilities that are not traded in an active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Authority selects valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the association are consistent with one or more of the following valuation approaches:

- *Market approach*: uses prices and other relevant information generated by market transactions involving identical or similar assets or liabilities.
- *Income approach*: converts estimated future cash flows or income and expenses into a single current (i.e. discounted) value.
- *Cost approach*: reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Authority gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

SOUTHERN REGION WASTE RESOURCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 14 (cont.) - Fair Value Measurements

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2021					
Recurring fair value measurements					
Property, Plant & Equipment and Landfill Assets					
- Land	5	-	3,450	1,755	5,205
- Buildings	5	-	560	-	560
- Super Cell Capping	5	-	-	5,426	5,426
- Post Closure Rehabilitation	5	-	-	6,143	6,143
- Future Restoration Costs	5	-	-	4,228	4,228
Total financial assets recognised at fair value		-	4,010	17,552	21,562
2020					
Recurring fair value measurements					
Property, Plant & Equipment and Landfill Assets					
- Land	5	-	3,450	1,755	5,205
- Buildings	5	-	560	-	560
- Super Cell Capping	5	-	-	5,426	5,426
- Post Closure Rehabilitation	5	-	-	6,143	6,143
- Future Restoration Costs	5	-	-	4,228	4,228
Total financial assets recognised at fair value		-	4,010	17,552	21,562

(b) Disclosed fair value measurements

The following tables provide the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used.

	Fair Value Hierarchy Level	Valuation Technique	Inputs Used
There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.	2	Market Value	Observable sales of similar properties – both vacant land and land with improvements

SOUTHERN REGION WASTE RESOURCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 14 (cont.) - Fair Value Measurements

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.	3	Cost Approach	Landfill assets unobservable inputs. The measure of these costs requires significant estimates and assumptions such as: discount rate, inflation rate, assessment of EPA requirements, the timing, extent and costs of the required activities and the estimated remaining airspace of the landfill.
There has been no change in the valuation technique(s) used to determine the value of parcels of land where there are restrictions as to use and sale of these assets.	3	Market Value	Land assets unobservable inputs. Some parcels of land are subject to restrictions as to use and sale and the value of these land assets has been determined after considering suitable market evidence and making necessary adjustments to account for these restrictions. These adjustments are usually unobservable inputs that are likely to have a significant effect on valuation.




Southern Region Waste Resource Authority

Audit Committee – Auditor Independence

Presiding Member Certification

I, Greg Connor, the person occupying the position of Presiding Member of the Southern Region Waste Resource Authority's Audit Committee, do hereby certify (for the purposes of Regulation 21 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the Southern Region Waste Resource Authority, Galpins, has not been engaged by the Southern Region Waste Resource Authority to provide services to the Southern Region Waste Resource Authority outside the scope of the audit functions under the Local Government Act 1999.


.....
Greg Connor
Presiding Member
Southern Region Waste Resource Authority Audit Committee

17/8/2021
.....
Dated



Accountants, Auditors
& Business Consultants

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renae Nicholson CA
Tim Muhlhausler CA
Aaron Coonan CA
Luke Williams CA, CPA
Daniel Moon CA



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ABN: 30 630 511 757

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under Professional Standards Legislation

SOUTHERN REGION WASTE RESOURCE AUTHORITY

GENERAL PURPOSE FINANCIAL STATEMENTS For the year ended 30 June 2021

Statement by Auditor

I confirm that, for the audit of the financial statements of the Southern Region Waste Resource Authority for the year ended 30 June 2021, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulation 2011*.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA, Registered Company Auditor

Partner

9 September 2021

Galpins

Accountants, Auditors
& Business Consultants

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INDEPENDENT AUDITOR'S REPORT

To the members of the Southern Region Waste Resource Authority

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of the Southern Region Waste Resource Authority ("the Authority"), which comprises the balance sheet as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by the Executive Officer and the Chairman.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Authority as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards, *Local Government Act 1999 and Local Government (Financial Management) Regulations 2011*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility for the Financial Report

The Authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as the Authority determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Authority is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit of the financial report in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA, Registered Company Auditor

Partner

9 September 2021

Galpins

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INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE SOUTHERN REGION WASTE RESOURCE AUTHORITY

To the members of the Southern Region Waste Resource Authority

Opinion

We have audited the compliance of the Southern Region Waste Resource Authority ("the Authority") with the requirements of *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Authority to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2020 to 30 June 2021 have been conducted properly and in accordance with law.

In our opinion, the Authority has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to internal controls established by the Authority in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Authority have been conducted properly and in accordance with law for the period 1 July 2020 to 30 June 2021.

Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Authority has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2020 to 30 June 2021. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The Authority's Responsibility for Internal Control

The Authority is responsible for implementing and maintaining an adequate system of internal controls, in accordance with *Section 125 of the Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applied Auditing Standard ASQC 1 *Quality Control for Firms that Performs Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Auditor's responsibility

Our responsibility is to express an opinion on the Authority's compliance with Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Authority to ensure that financial transactions relating to receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with the law, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Authority has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2020 to 30 June 2021. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Limitations of Use

This report has been prepared for the members of the Authority in Accordance with *Section 129 of the Local Government Act 1999* in relation to the Internal Controls Specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Authority, or for any purpose other than which it was prepared.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA, Registered Company Auditor

Partner

09 September 2021



**Southern Region Waste Resource Authority
Board Chairperson – Auditor Independence**

I, Mark Booth, the person occupying the position of Chairperson of the Southern Region Waste Resource Authority's Board, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the Southern Region Waste Resource Authority, Galpins, has not been engaged by the Southern Region Waste Resource Authority to provide services to the Southern Region Waste Resource Authority outside of the scope of the audit functions under the Local Government Act 1999.



Mark Booth

Chairperson

Southern Region Waste Resource Authority

23 / 8 / 2021

Date



**Chief Executive Officer's Certificate of Compliance
Auditor Independence
Southern Region Waste Resource Authority**

I, Scott Ashby the person for the time being occupying the position of Chief Executive Officer of the City of Onkaparinga, being a Constituent Council of the Southern Region Waste Resource Authority, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the subsidiary, Galpins, has not been engaged by the subsidiary to provide services to the subsidiary outside of the scope of the audit functions under the Local Government Act 1999.


.....
Scott Ashby
Chief Executive Officer
City of Onkaparinga

7/9/21
.....
Dated



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**Chief Executive Officer's Certificate of Compliance
 Auditor Independence
 Southern Region Waste Resource Authority**

I, Tony Harrison, the person for the time being occupying the position of Chief Executive Officer of the City of Marion, being a Constituent Council of the Southern Region Waste Resource Authority, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the subsidiary, Galpins, has not been engaged by the subsidiary to provide services to the subsidiary outside of the scope of the audit functions under the Local Government Act 1999.



 Tony Harrison
 Chief Executive Officer
 City of Marion

30.8.2021

 Dated

The City of Marion acknowledges it is part of Kaurna land and recognises the Kaurna people
 as the traditional and continuing custodians of the land.



holdfast.sa.gov.au

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PO Box 19 Brighton SA 5048

P 08 8229 9999 F 08 8298 4561

Glenelg Customer Service Centre and Library
2 Colley Terrace, Glenelg SA 5045

**Chief Executive Officer's Certificate of Compliance
Auditor Independence
Southern Region Waste Resource Authority**

I, Roberto Bria, the person for the time being occupying the position of Chief Executive Officer of the City of Holdfast Bay, being a Constituent Council of the Southern Region Waste Resource Authority, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the subsidiary, Galpins, has not been engaged by the subsidiary to provide services to the subsidiary outside of the scope of the audit functions under the Local Government Act 1999.


.....
Roberto Bria
Chief Executive Officer

6/9/2021
Dated

ATTENDANCE AT BOARD MEETINGS

BOARD MEMBERS	MEETINGS HELD WHILST MEMBER	MEETINGS ATTENDED
CHAIRPERSON Mark Booth	9	9
CITY OF ONKAPARINGA Kirk Richardson	9	7
CITY OF ONKAPARINGA Richard Peat	9	8
CITY OF MARION Sorana Dinmore	9	8
CITY OF MARION Ian Crossland	9	7
CITY OF HOLDFAST BAY Roberto Bria	9	8
CITY OF HOLDFAST BAY John Smedley	9	6
DEPUTY BOARD MEMBERS		
Please Note: Deputy Members are only required to attend a Meeting when the Member is an apology		
CITY OF ONKAPARINGA Heidi Greaves	9	3
CITY OF MARION Bruce Hull	9	4
CITY OF MARION Ray Barnwell	9	9
CITY OF HOLDFAST BAY Clare Lindop	9	7

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

	MEETINGS HELD WHILST MEMBER	MEETINGS ATTENDED
Please Note: Deputy Members are only required to attend a Meeting when the Member is an apology		
PRESIDING MEMBER Greg Connor	5	5
Sam Spadavecchia	5	5
David Powell <i>Term completed December 2020</i>	2	2
Emma Hinchey <i>Term commenced February 2021</i>	3	3
Mark Booth	5	4
John Smedley <i>Deputy SRWRA Representative</i>	5	1

PERFORMANCE AGAINST BUSINESS PLAN

Each year SRWRA prepares an Annual Business Plan that is submitted to the Constituent Councils detailing its aims and objectives.

AIMS, OBJECTIVES AND KEY MEASURES	STATUS
RESOURCE RECOVERY OBJECTIVES	
Complete SRC shed extension	Completed
Progress the Material Recovery Facility	Completed
Progress the Solar Farm	Completed
Identify and assess the feasibility of advanced waste treatments opportunities as they arise	Completed
Explore options to treat organics and greens	Completed
Identify and support potential markets/business opportunities for recovered resources	Completed
Seek expert advice regarding the impact of planning and zoning to determine the best use of the buffer land	Completed
RESOURCE RECOVERY KEY MEASURES	
Diversion of incoming waste material from landfill >30% to increase by 1% per year	Achieved 39%
Future landfill airspace = 30 years	30 Years available
Carbon emission offset >100,000 tonnes per year	Achieved 120,173 t
Deliver agreed projects on time and on budget	80% Complete
STAKEHOLDER RELATIONSHIPS OBJECTIVES	
Establish and maintain consistent communication with stakeholders and communities to ensure SRWRA's role and capabilities are understood	Completed
Provide information to Constituent Councils to support them with waste avoidance and positive waste behaviours and initiatives	Completed



AIMS, OBJECTIVES AND KEY MEASURES	STATUS
Identify industry initiatives and outcomes that are locally relevant and provide to Constituent Councils	Completed
Hold Joint Venture Committee meetings in accordance with agreed schedule	Completed
STAKEHOLDER RELATIONSHIPS KEY MEASURES	
One presentation to Elected Members in each Constituent Council per annum	Completed
Bi-monthly communication with Constituent Councils	Completed
OPERATIONAL EXCELLENCE OBJECTIVES	
Update LEMP to reflect new EPA Licence	Completed
Review and update Governance Manual	50% Complete
Review and update Policies and Procedures	85% Complete
Implement 2020 Risk Evaluation Action Plan (WHS&IM)	Completed
Future landfill rehabilitation and capping is assessed and funded over the lifetime of the site	Completed
Deliver operating surplus	Completed
Review fill plan and program supercell construction	Completed
Establish strategic and operational KPI's	Completed
OPERATIONAL EXCELLENCE MEASURES	
Maintain EPA Licence	Completed
Reduction in the number of lost time injuries from the previous year	Not achieved
Achieve or surpass operating surplus budget	Completed

WORK HEALTH AND SAFETY

LOST TIME INJURIES

At SRWRA safety is part of our culture, a value considered with each decision made by management and staff. SRWRA is committed to providing a healthy and safe work environment that minimises the risk of injury or illness arising from work activities.

SRWRA recorded only one lost time injury in 2020-2021 which is an increase over the previous twelve months when no lost time injuries were recorded.

ANNUAL LOST TIME INJURIES

(Lost time injuries represent one complete shift or more of lost time)

2019-2020	2020-2021
0	1

INJURY MANAGEMENT

SRWRA received one only worker compensation claim during 2020-2021. This is an increase in claims lodged this year compared to the previous year, which had zero compensation claims lodged.

PROCUREMENT

SRWRA is committed to a fair, transparent and accountable process when acquiring goods and services, consistent with Section 49 of the Local Government Act 1999.

Each year goods and services are procured to support the delivery of the Annual Business Plan and Budget. The SRWRA Board has adopted the Procurement Policy to govern all procurement activities, excluding the purchase and disposal of land and other assets owned by the Authority.

In certain circumstances, the Authority may, after approval from its Board, waive application of this Policy and pursue a method which will bring the best outcome for the SRWRA. The Authority must record its reasons in writing for waiving application of this Policy.

ANNUAL PROCUREMENT PERFORMANCE

NUMBER OF PROCUREMENT EVENTS	NUMBER OF PROCUREMENT POLICY WAIVERS
340	7

Key reasons for the granting of Procurement Policy waivers in the last 12 months include:

- the best value for money outcome for SRWRA
- the limited size of the market and the number of credible suppliers
- the proprietary nature of specialised products
- Expert knowledge and technical capability in a specific field
- Leveraging existing infrastructure owned by third parties



SRWRA CONSTITUENT
COUNCILS



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Deloitte.



The Corporation of the City of Marion Management letter

Year ended 30 June 2021



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6 October 2021

STRICTLY PRIVATE & CONFIDENTIAL

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

Dear Sir

Matters arising from the Audit of the Corporation of the City of Marion for the year ended 30 June 2021

We have completed our audit of the Corporation of the City of Marion ("the Council") for the year ended 30 June 2021, and our Report to the Finance and Audit Committee and Elected Members will be discussed at the Finance and Audit Committee meeting on 12 October 2021. That report includes the most significant internal control, accounting and other matters which came to our attention during the 30 June 2021 audit. This report provides a discussion on certain matters concerning the company's internal control and accounting practices which came to our attention during our field work in connection with the audit for the year ending 30 June 2021 and our recommendations for improvements.

You will appreciate that our normal audit procedures are designed primarily to enable us to form an opinion on the financial statements as a whole and therefore do not necessarily bring to light at each audit all the weaknesses in internal control or accounting practice which a special investigation might do. Recommendations for improvements should be assessed by you for their full commercial impact before they are implemented.

We have prepared this report solely for the use of the Council's management. As you know, this report forms part of a continuing dialogue between the Council and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept any responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and staff throughout the Council for their assistance and cooperation during the course of our audit.

We shall be pleased to discuss with you any matters mentioned in this report.

Yours faithfully



Lee Girolamo
Partner

The Corporation of the City of Marion

Contents

1	Introduction and scope of work	4
2	Audit Findings – Internal Controls	5
	Risk Matrix	6
	2.1.1 Authority Exception Reports – Masterfile Changes	7
	2.1.2 Asset Database Maintenance	7

The Corporation of the City of Marion

1 Introduction and scope of work

We have completed both the statutory audit of the Corporation of the City of Marion ("the Council") and the ASAE 3100 engagement with respect to the Council's compliance with *Section 125 of the Local Government Act* for the year ended 30 June 2021. The scope of our audit was set out in our audit engagement letter dated 23 February 2021 and the audit service plan dated 23 February 2021.

During the audit, every effort was made to identify audit, accounting, internal and IT control deficiencies, disaster recovery and other issues which would be of benefit to the Council and its controlled entities.

In accordance with our normal practice, we write to draw your attention to those matters which came to our attention during the audit for the year ended 30 June 2021.

The Corporation of the City of Marion

2 Audit Findings – Internal Controls

2.1 Background

Amendments to the *Local Government Act 1999* (the “Act”) require local government auditors to provide separate formal opinions in relation to:

- The financial statement audit; and
- Financial internal controls audit as prescribed in Section 125 of the Act.

Implications for Councils

To comply with these changes Council has implemented an internal control framework as that prescribed in the South Australian Local Government Financial Management Group (“SALGFMG”) Better Practice Model – Financial Internal Controls.

Objectives

We have provided you with the following risk rating matrix and details of the results of our testing and recommendations for improvement as part of the services as determined by the scoping agreed on between City of Marion management and Deloitte.

The Corporation of the City of Marion

2.2 Overview

Sample controls within the best practice model as developed by the SALGFMG have been tested by Deloitte. Any control deficiencies identified by Deloitte on the controls tested have been summarised below.

Summary	Strategic Planning	Revenue	Expenses	Assets	Liabilities	External Contracts	Governance	Total
Number of controls tested	12	12	8	14	8	2	1	57
Findings	0	1	0	1	0	0	0	2
No Findings	12	11	8	13	8	2	1	55

Risk Matrix

The Risk Ratings provided in this report were based on the criteria below and have been determined in accordance with the Local Government Act –Better Practice model.

Likelihood	5 (almost certain)					
	4 (likely)					
	3 (possible)					
	2 (unlikely)					
	1 (rare)					
		2.1.1, 2.1.2				
		1 (insignificant)	2 (minor)	3 (moderate)	4 (major)	5 (critical)
		Consequence				

Key	
	Extreme
	High
	Moderate
	Low

The Corporation of the City of Marion

Findings Raised in Prior Year

Observation	Implication	Recommendation	Management Response	Update in the current year
2.1.1 Authority Exception Reports – Masterfile Changes				
GEI-ITE-0009 There is no way of generating a report in the system which shows changes to debtor masterfile. It is possible to see the date a debtor was edited by clicking into each individual debtor however details of the change cannot be seen (i.e. whether it was name, address etc.)	Deficiency in this control means there is no formal way of monitoring changes to the debtors master file data.	Deloitte recommends that changes to the debtor master file are reviewed and supported with documented evidence of review.	As the system remains to not be able to generate a report that shows changes to the Masterfile, this will continue to be a finding. Management is finalising its requirements to go to market for a finance system as part of its Financial Transformation project. This requirement will be considered as part of that process.	Management have commenced the implementation of its new Finance System, working towards a go live date of 1 July 2022. Reporting on changes to the masterfile have been included in the system requirements.
2.1.2 Asset Database Maintenance				
ASS-FIX-0031 It was noted that no formal reconciliation is currently performed on the asset listings that are provided to the valuers at year end. As the listings are not integrated and reconciled to the general ledger, the completeness of these listings cannot be ensured.	Deficiency in this control means there is no way of ensuring the completeness of the asset listings that are maintained by the asset team.	Deloitte recommends that the asset listings are integrated with the general ledger system and reconciliation be supported with documented evidence of review.	Management is aware of this issue and are in the process of assessing options for the replacement of its Asset Management System. This will extend to include that all control requirements can be met including links back to the general ledger.	Management have commenced the implementation of its new Asset Management Information System - working towards a go live date quarter 1 of 2022/23. The new system will be the one source of truth for all asset data linked back to the general ledger which will provide the ability to reconcile the asset data to the GL ensuring completeness.

The Corporation of the City of Marion



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Deloitte.



City of Marion

Final report to the the Finance and Audit Committee and Elected Members for
the year ended 30 June 2021

6 October 2021

Contents



Section 1 – Our Final report

Introduction
Executive Summary
Key Audit Focus Areas
Internal control
Compliance with laws and regulations
Fraud responsibilities and representations



Section 2 – Appendices

Independence Declaration
Independence Letter



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Introduction

Emma Hinchey
Chair, Finance & Audit Committee
City of Marion

Dear Members

We are pleased to present the results of the audit of City of Marion ("the Council") for the year ended 30 June 2021.

We have substantially completed our audit and, subject to the satisfactory resolution of the matters detailed in the Executive Summary, we expect to issue an unmodified audit report. Included in the attached report are matters arising from our audit of the financial report of the City of Marion for the year ended 30 June 2021 which we consider appropriate for the attention of the Finance & Audit Committee ("the Committee") and Elected Members. These matters have been discussed with management of the Council and their comments have been included, where appropriate.

This report has been provided to the Finance & the Audit Committee and elected members on a confidential basis. It is intended solely for the use of the Finance & Audit Committee and the elected members to assist you in discharging your responsibilities with respect to the financial report for the year ended 30 June 2021 (the "Financial Report") and is not intended for any other purpose.

Yours sincerely,



Lee Girolamo
Lead Audit Partner

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01

02



Executive Summary



Outstanding items of importance

1 Procedures related to subsequent events

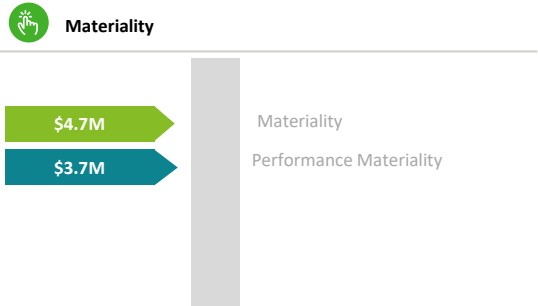
2 Signed management representation letter

3 Adoption of the accounts by the Council and signing of Certification of the financial report by the Chief Executive Officer and Mayor

Key Audit focus areas	Findings
1 Rates revenue and grant income	
2 Infrastructure, Property, Plant and Equipment	
3 Expenditure	
4 Management override of controls	
5 Internal controls testing	

Matters of interest

Uncorrected misstatements
We have not identified any uncorrected misstatements for the year ended 30 June 2021.



Completed, no issues noted.

Completed, insights identified.

Completed, significant findings identified.



Key audit focus areas

Rates revenue and Grant income

Risk identified

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

Grant revenue has been identified as a material account balance in relation to recognition requirements as set out in AASB 1058 (Income of Not-for-profit entities). In accordance with this standard local government councils are required to recognise the revenue at the point where:

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

Results and Findings

We performed the following procedures:

Rate Revenue

Given the stability of rate revenue, we have established an expectation of the overall rate revenue using published rates and Valuer General reports to support property valuations.

Grant Income

We performed the following procedures:

- Obtained understanding of the key controls related to the recognitions of the grant revenue
- Performed procedures including enquiries with the relevant personnel to assess that the identified controls have been designed appropriately and effectively implemented.
- Obtained the list of grants received during the year and the management assessment of grant revenue recognised during the year and deferred grant revenue at 30 June 2021
- Selected appropriate samples in accordance with our methodology and performed test of details to assess that the grant revenue has been appropriately recognised and deferred in accordance with the terms of grant agreement and requirements of AASB 1058 and AASB 15.

Based on the above, we have assessed the revenue recognised during the current year and checked that the grant revenue has been recognised based on the terms of the agreements and the requirements of AASB 1058 and AASB15, no grant revenue was inappropriately deferred to the statement of financial position.

Based on the above procedures, no issues were noted.



01

02



Key audit focus areas

Infrastructure, Property, plant and Equipment

Risk identified

The majority of Infrastructure, Property, Plant & Equipment gets re-valued on an annual basis at a value equal to depreciated replacement cost per City of Marion policy. In the 2021 financial year the revaluation resulted in a net decrease in revaluation surplus of \$21.4m.

Results and Findings

We performed the following procedures:

- Evaluation of the assumptions made by your independent expert (APV) in their valuation report, by comparing the assumptions they have made with prior year valuation reports and understanding any material variances. We also performed testing around the key controls in the property, plant and equipment business cycle.

Our detail testing covered the following areas:

- Existence of fixed assets
- Additions of fixed assets
- Disposal of fixed assets

We also performed the following procedures:

- Developing an expectation of depreciation expenditure in accordance with policy.
- Review of the reconciliation of the fixed asset register to the financial statements.

Based on the above procedures, no issues were noted.



01

02



Key audit focus areas

Expenditure

Risk identified

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

Results and Findings

We performed the following procedures:

Detailed testing has been performed over operating expenditure.

For employee costs, an expectation was developed using staff numbers, average pay and known increases awarded.

Depreciation expenditure was analysed for each asset category for compliance with the City of Marion approved policy which also included an assessment of the useful lives and residual values of the fixed assets.

Based on the above procedures, no issues were noted.



01

02



Key audit focus areas

Management Override of Controls



Management Override of Controls - Journals

Risk:

The Council's Management is in a unique position to override controls that otherwise appear to be operating effectively. We do not assume that Management is dishonest, but we are required to exercise professional skepticism and objectivity to determine that the Financial Statements are presented fairly in all material respects.



Why is this a risk?

Due to the unpredictable way in which management could override controls, it is considered a presumed risk of fraud under current auditing standards. Techniques to intentionally override controls may include:

- Recording fictitious journal entries to manipulate operating results or achieve other objectives
- Inappropriately adjusting assumptions and changing judgments used to estimate account balances
- Engaging in complex transactions that are structured to misrepresent the financial position or financial performance of the Company
- Altering records and terms related to significant and unusual transactions
- Omitting, obscuring, or altering the timing of recognition and/or disclosure of transactions which are required under IFRS

Deloitte view

Based on the procedures performed, we did not note any issues and all the journal entries identified for further investigation were appropriate explanations and supporting evidence.

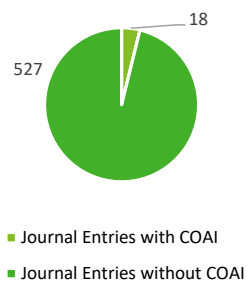


Deloitte response and challenge

We address the risk of management override of controls in part through our selection of the engagement team and involvement of relevant experts. We also designed specific procedures to address the risk of fraud, including:

- Tested journal entries recorded in the general ledger and adjustments recorded directly to the financial statements for evidence of override of controls. We used data analytics to identify journal entries that exhibit characteristics of audit interest ("COAI").
- Reviewed accounting estimates for evidence of biases.
- Evaluated the business rationale of unusual and significant transactions outside of the normal course of business. To date, there have been no such transactions.

2021 Journal Entry Testing Results



Characteristics of audit interest include:

- Entries containing key words of audit interest or unusual descriptions
- Entries posted by employees who we would not expect to make entries
- Back and pre dated entries
- Income statement entries posted immediately before period end

Entries exhibiting COAI are individually reviewed and subject to focused audit procedures.



01

02



Key audit focus areas

Assessment of Internal Control



01

02

Assessment of internal control

We were engaged to perform a compliance audit of the City of Marion with the requirements of Section 125 of the Local Government Act 1999 in relation to the Internal Controls established by the City of Marion to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2020 to 30 June 2021 are in accordance with legislative provisions.

Summary of internal control

The 31 business processes are divided into 6 risk categories including Assets, Liabilities, Expenses, Revenue, Strategic Financial Planning and External Services. The Better Practice Model provided by the South Australian Local Government Financial Management Group (SALGFMG) identifies risks for each business process and suggests several controls to address each risk. The 31 business process are divided into 6 risk categories and the Better Practice Model identifies risks for each business process and suggests several controls to address each risk. In total there are 491 controls, of which 233 are considered "Core" and 258 are considered "Additional".

In the current year, an update of controls was carried out by the Council to consolidate and refine controls. As part of this update the total number of controls identified as "Core" controls for the Council reduced from 233 to 200 from the previous year.

Summary of results

We have performed the control assessment on a rotation basis for each of six risk categories. For the financial year ended 30 June 2021, we have selected the risk categories of Revenue and Expenses as well as scoping in controls that fit the following profile:

- Control activities which are significant to the statutory audit
- Controls which are assessed to be key controls for each of the core audit category
- Control activities which are different from last year and different from the Better Practice Model
- Control activities which have different assessors or reviewers from last year
- Control activities which have a rating for assessor or reviewer which are equal or less than 2
- Control activities which the rating for assessor and reviewers are different by 2 or more
- Control activities which had findings identified from last year

In performing our audit of the City of Marion for the year ended 30 June 2021 whilst we have not identified any significant deficiencies in internal controls relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial report for the year ended 30 June 2021, we noted a number of control observations as part of our engagement on the compliance with section 125 of the Local Government Act 1999. These findings are summarised in our letter to management circulated separately.



Compliance with laws and regulations

Below is a summary of our respective responsibilities with respect to compliance with laws and regulations.



Your Responsibilities:

- It is the responsibility of management, with the oversight of the Members, to ensure that the Council's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the financial report.



Our Responsibilities and work performed:

- We performed the following audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial report:
 - a) Enquiring of management and, where appropriate, those charged with governance, as to whether the entity is in compliance with such laws and regulations; and
 - b) Inspecting correspondence, if any, with the relevant licensing or regulatory authorities
- We shall request management and, where appropriate, those charged with governance, to provide written representations that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report have been disclosed to the auditor. Those representations are included on the right.
- We performed audit procedures to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement associated with compliance with laws and regulations.

Deloitte view

Based on the procedures performed, We have not become aware of any instances of non-compliance with applicable laws and regulations that would have an impact on the determination of material amounts and disclosures in the financial report.

We will request the following to be stated in the representation letter signed by management:

- There have been no instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
- We have properly recorded and, when appropriate, adequately disclosed in the financial report the affects of any laws, regulations and contractual agreements on the financial report, including non-compliance



01

02



Fraud responsibilities and representations

The Council is responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1999* and for such internal control as the Council determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. Below is an overview of fraud characteristics and a summary of our respective responsibilities with respect to fraud.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.



Your Responsibilities:

In relation to fraud, the primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting



Our Responsibilities:

- We are required to obtain an understanding how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks
- We are required to make enquiries of you to determine whether you have knowledge of any actual, suspected or alleged fraud affecting the entity
- We are required to obtain written representations from management and, where appropriate, those charged with governance. Those representations are included on the right

We will request the following to be stated in the representation letter signed by management:

- We are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud
- We have disclosed to you knowledge of any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial report.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others]



01

02



Fraud responsibilities and representations

Scope of our fraud enquiries

We made the following inquiries regarding fraud:



Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We have involved management from outside the finance function in our inquiries.



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

Our approach to address fraud risks

- ✓ Professional scepticism
- ✓ Unpredictability in testing
- ✓ Information produced by entity (IPE) testing – Assess accuracy and completeness of reports received from management
- ✓ Obtain an understanding of the business rationale for significant transactions and perform procedures over significant transactions
- ✓ Journal entry testing
- ✓ Focused testing on certain revenue streams and assertions (presumed risk of fraud)
- ✓ Review accounting estimates and judgements for biases
- ✓ Discussions with management and Audit Committee members

Deloitte view

We noted that a fraud incident was reported involving a Council employee during the year. The incident involved the use of forged signatures to obtain a liquor license for one of the facilities. The fraud incident was discovered through an internal investigation. We note that the incident has been investigated and management has engaged the internal auditor to undertake a review of Council's Community Facilities Management Models. At the time of the audit, the review is in progress.

Other than the matter noted above, no actual or suspected fraud has been noted.



01

02



City of Marion | Final report to the Finance & Audit Committee and Elected Members on the 2021 audit



Appendices



Independence Declaration

12 October 2021

Emma Hinchey
Chair, Finance and Audit Committee
City of Marion
245 Sturt Road
STURT SA 5047

Deloitte Touche Tohmatsu
ABN 74 490 121 060
11 Waymouth Street
Adelaide, SA, 5000
Australia

Phone: +61 8 8407 7000
www.deloitte.com.au

Dear Emma

Auditor's Independence Declaration to the City of Marion

In accordance with the Local Government (Financial Management) Regulations 2011, I am pleased to provide the following declaration of independence to the councillors of the City of Marion.

I confirm that, for the audit of the financial statements of the City of Marion for the 30 June 2021 financial year, I have maintained my independence in accordance with the requirements of APES 110—Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) Local Government (Financial Management) Regulations 2011.

Yours faithfully
DELOITTE TOUCHE TOHMATSU



Lee Girolamo
Partner

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Independence Letter

12 October 2021

Emma Hinchey
Chair, Finance and Audit Committee
City of Marion
245 Sturt Road
STURT SA 5047

Deloitte Touche Tohmatsu
ABN 74 490 121 060
11 Waymouth Street
Adelaide, SA, 5000
Australia

Phone: +61 8 8407 7000
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Dear Emma

Independence letter for the Finance and Audit Committee

Deloitte Touche Tohmatsu ("Deloitte") has prepared the following letter to facilitate our communication with the Finance and Audit Committee of the City of Marion (the "Council") and to assist you in meeting your requirements under the *Local Government Act 1999* to communicate matters to the members of Council regarding Auditor independence.

To the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Local Government Act 1999 or of any applicable code of professional conduct in relation to the audit for the financial year ended 30 June 2021.

We are not aware of any relationships between Deloitte and the Council that, in our professional judgment, may reasonably be thought to bear on our independence.

This report is intended solely for the information and use of the Council and management for the purposes stated herein and is not intended to be and should not be used or relied upon by any other person or by any person for any other purpose.

Should you have any queries or wish to discuss this matter further please do not hesitate to contact me on 8407 7070.

Yours faithfully
DELOITTE TOUCHE TOHMATSU



Lee Girolamo
Partner

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6.4 Meeting with the External Auditors in Confidence

Report Reference	FAC211012R6.4
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
FAC201013R11	Meeting with the external 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 Mr Lee Girolamo from Deloitte Touche Tomatsu, as the Finance and Audit Committee meets with Council's External Auditors, on the basis that the Finance and Audit Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information of the Council.**
- 2. Include the following comments within the minutes:**

ATTACHMENTS

Nil

6.5 Finance and Audit Committee Annual Report to Council 2020/21

Report Reference	FAC211012R6.5
Originating Officer	Manager Office of the Chief Executive – Kate McKenzie
Corporate Manager	N/A
General Manager	Chief Executive Officer - Tony Harrison

REPORT HISTORY

This report is presented annually to the Finance and Audit Committee (FAC).

Report Reference	Report Title
FAC201013R12	Finance and Audit Committee Annual Report to Council 2020/21

REPORT OBJECTIVE

To seek feedback and endorsement from Finance and Audit Committee (FAC) on the attached draft report on the operations of the FAC for 2020/21 in accordance with the Committee's Terms of Reference. The final report will be presented to General Council on 26 October 2021.

EXECUTIVE SUMMARY

The FAC Terms of Reference provides that the Committee shall report annually to the Council on its operation and activities during the previous financial year.

This report provides an important communication tool with Council in addition to the minutes received after each meeting.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Endorses the Annual Report to Council for 2020/21 provided at Attachment 1 to this report, subject to amendments as required, prior to being presented to the General Council meeting on 26 October 2021.**

ATTACHMENTS

- 1. FAC Annual report 2020 [48SC] [6.5.1 - 5 pages]**

**REPORT TO THE CITY OF MARION COUNCIL
ON THE OPERATIONS OF THE FINANCE AND AUDIT COMMITTEE FOR 2020/21**

INTRODUCTION

This report provides an overview of the City of Marion Finance and Audit Committee (The Committee) operations for 2020/21 financial year. Clause 4.21 of the Committee's Terms of Reference provides that the Committee shall report annually to the Council summarising the activities of the Committee during the previous year.

This report includes:

- A summary of the Committee's assessment of the City of Marion's Risk & Control Framework
- An overview of the key items considered by the Committee during the year including:
 - The Digital Transformation Program
 - Assurance Mapping
 - Workings with both internal and external auditors
 - Annual Business Plan
 - Prudential Reporting
- Meeting statistics
- Future work scheduled for 2021/22.

This report is intended to invite comment and discussion from Council.

**THE FINANCE AND AUDIT COMMITTEE'S ASSESSMENT OF THE CITY OF MARION'S
RISK & CONTROL FRAMEWORK**

The Committee's assessment of the Council's Risk, Control and Audit Frameworks draws from several sources including Council's external and internal audits/reviews, and Council's risk management framework.

The Committee noted that significant work has progressed with the adoption of a 3-year Strategic Risk Management Plan with targeted outcomes to increase the maturity of the organisations risk and opportunity management. Significant improvement has also been demonstrated in the management of the Council's risk reporting.

The Committee has received quarterly risk reports that are connected to environmental scanning processes to ensure that emerging risk and opportunities are managed and maximised. This process has closely monitored the Council's high risks, that have reduced over the course of the year.

The Council's risk management program continues to be aligned to the ISO3100 Risk Management Standards and management have continued to make evident the ongoing leadership commitment to further embed the risk management systems and processes across the Council.

The Committee received an assurance map against 19 aggregated risks that assessed 1st, 2nd and 3rd line of defence against each risk. The assurance map process is still in its infancy however further work is progressing.

The Committee recognises that Council has a mature and planned internal and external audit program. They are both outsourced, creating an increased level of independency to review the Council's control environment. The audits take a risk approach and a small number of high-risk recommendations have been identified. The majority of the recommendations identified sit below Council's risk tolerance.

The Committee met with both the Internal and External Auditors in confidence with no issues reported. The Council continues to benefit from the audit programs which test control environments and mitigate organisational risks.

It is evident that the Council's governance and risk management culture continues to improve and is being used to reduce risk to acceptable levels.

SUMMARY OF WORK PERFORMED DURING THE FINANCIAL YEAR (2020/21)

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

The Digital Transformation Program

The Digital Transformation Program (DTP) continues to be a large focus to improve the efficiency and effectiveness of the Council's operations. Significant investment of people and resources has been allocated to this program already and the Committee is closely monitoring the management of the risk associated with this major project that will impact across all areas of the organisation.

Assurance Mapping

The Committee recommended that the Internal Auditor include an assurance mapping exercise as part of this year's audit program. This work assessed the level of assurance that Council currently has against its each of its key risk areas. The review aggregated risks from the corporate risk register to identify a top 19 list of strategic risks. Each of the 19 risks were then reviewed to determine what level of assurance we have over the control of each risk. The current controls over each risk was assessed under 8 areas, summarised into 3 lines of defence to provide an assurance assessment of either high, medium, or low. Each risk was identified as having some improvement opportunities. This has provided clear direction for the Committee in prioritising the risk-based internal audit program going forward.

Internal Auditors

The Committee noted the completion of the previous year's internal audit program and monitored the progress of the audits scheduled for 2020/21 which included:

- Stores Management (Collaborative audit with Charles Sturt)
- Business Continuity
- Assurance Mapping
- Asset Inspections and Schedules
- Project Carry Overs and
- Community Facilities Management Models

All audits apart from the Community Facilities Management Model were completed prior to the end of the financial year. The Committee noted that the internal auditors have not reported any extreme findings and a limited number of High rated findings, which demonstrates a solid internal control environment for the Council.

The Committee reviewed the KPMG contract and recommended to Council that the contract be extended for a further two years.

External Auditors (October 2020)

The 2019/20 external audit was completed by Deloitte Touch Tohmatsu in accordance with the Australian Auditing Standards and the requirements of the Local Government Act 1999. No contraventions of the *Local Government Act 1999* were identified, and an unmodified audit opinion was given by Deloitte's identifying that:

- The Financial accounts as presented show Council's continued strong financial position.

- Achieving an operating surplus of \$6.396m (6.83%) although \$885k less than original budget was sound.
- Financial Statements completed with a clean bill of health about the financials and internal controls with no uncorrected misstatements or disclosure deficiencies.
- Council has implemented the new accounting standards.
- The Asset Renewal Funding Ratio is low for this year at 58%. It doesn't include the effect of some of Council's expenditure on new or upgraded assets such as Morphetville Park Upgrade \$3.5m, Marion Outdoor Pool upgrade \$1m and Streetscape upgrade of \$2.7m.

The Committee recognized that this audit was challenging with Deloitte's working offsite due to COVID-19 and documents being required to be uploaded via portal which added additional process.

Annual Business Plan

The Committee reviewed the framework and assumptions for the Annual Business Plan and Long-Term Financial Plan in December 2020 in preparation for the Council's Planning Day in January 2021. The Committee supported keeping rates low and minimising the impact on the Community. The Committee acknowledged that 2021/22 was a large delivery year with three major projects being delivered along with the opportunities to maximise stimulus grant funding. Challenges for the Council to consider included the workforce profile and employee costs, the opportunities for stimulus funding, potential rate increases in future years, ensuring that the costs of the adopted Asset Management Plans are included in the Long-Term Financial Plan.

The Committee commends the Council on achieving a 1% rate increase for its community and encourages the Council to invest its cash surplus on positive outcomes for its community. The Committee also encourages the Council to consider the resources that are available to further invest in the community given Council's relatively high cash levels and low debt levels compared to similar Councils. The Committee also commented on ensuring that appropriate human resources were provided to ensure that major projects could be completed successfully whilst maintaining appropriate control over the FTE count, particularly in the project space.

Prudential Reporting

The Committee considered one prudential report during the year. This report remains confidential due to the commercial information, preliminary designs, and financial figures. However, the Committee encourages the Council to maximise opportunities aligned with its strategic objectives to improve the quality and wellbeing of the community.

Service Reviews

Service reviews were delivered for Neighbourhood and Community Centre, Public litter and Fleet Management and Maintenance. Each review provided opportunities for operational improvements for Council operations.

Other items considered

- Insurance and Claims Management 2019/20 Annual Report
- Service Review Program and Implementation of Recommendations
- Implementation of Internal Audit Recommendations
- Irrigation Construction Report
- Health Safety and Environment (HSE) - Annual Performance Report 2020
- Independence of Council's Auditor
- Fraud and Corruption Management Policy and Framework Review
- Investment Performance 2019/20
- Debtors Report

- Annual Ombudsman Report 2019/20
- External Audit Engagement for the Year Ending 30 June 2021

DETAILS OF MEETINGS

During 2020/21, seven meetings were convened.

- 10 July 2020 (Special)
- 18 August 2020 (joint Council and FAC Forum)
- 13 October 2020
- 8 December 2020
- 23 February 2021
- 13 April 2021 (Special)
- 18 May 2021

FINANCE & AUDIT	SFAC200710	FAC200818	FAC201013	FAC201208	FAC210223	SFAC210413	FAC210518
Mayor Kris Hanna	N	N	N	N	N	Y	N
Emma Hinchey (Chair)	Y	Y	Y	Y	Y	Y	Y
Natalie Johnston (Independent Member)	Y	Y	Y				
David Papa (Independent Member)	N	Y	Y	Y	Y	Y	Y
Tim Gard	Y	Y	Y				
Ian Crossland	Y	Y	N				
Nicolle Rantanen (Independent Member)				Y	Y	Y	Y
Maggie Duncan				Y	Y	N	Y

FUTURE WORK PROGRAM PROPOSAL

Major items for the Committee to review and provide comment / feedback for 21/22 include:

- Strategic Risk Register
- ITT and Cyber Risks
- Implementation of Councils Asset Management Planning
- Implementation of Councils Digital Transformation Project
- Internal Audit Program
- Annual Business Plan and Budget 2022/23
- Framework for the 4-year Business Plan 2023-2027
- Review of the Committees Terms of Reference

CONCLUSION

In conclusion, this report indicates that the Committee has undertaken its principal functions as set out in Section 126(4) of the Local Government Act 1999 which include:

- Reviewing annual financial statements to ensure that they present fairly the state of affairs of the Council.
- Proposing, and providing information relevant to, a review of the Council's strategic management plans and annual business plan.
- Liaising with the Council's auditor.

The body of work undertaken by the Committee is maturing and the Committee is striving to ensure that its work is useful in the context of contributing to the City of Marion's strategic objectives.

I record my thanks for the support and diligence of those currently and previously involved in the Committee being my fellow Finance and Audit Committee Members and the Council's Elected Members.

I would also like to thank the management team for their hard work in the production of quality reporting that allows robust and fruitful discussions and particularly for their openminded approach to working collaboratively with the Committee and inviting and welcoming constructive feedback from the Committee.

The Committee notes and commends the high level of engagement and significant level of continuous improvement visible to the Committee in the areas under the Committee's terms of reference.

The Committee invites Council's feedback on any opportunities for continuing development of the Committee's operations.

Emma Hinchey
Chairperson
City of Marion Finance and Audit Committee

6.6 Internal Audit 2021/22 - Plan and scope (Fraud and Corruption, Community Facilities Management Model, Scope Collaboration)

Report Reference	FAC211012R6.6
Originating Officer	Acting Manager Office of the Chief Executive – Sherie Walczak
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:

- Community Facilities Management Model Review Report (Attachment 1)
- Fraud and Corruption Internal Audit Review Report (Attachment 2)
- Collaborative Project(s) Health Check Scope (Collaborative) (Attachment 3)
- Contract Management Scope (Collaborative) (Attachment 4)

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 worked collaboratively (with KPMG) to develop a joint IA Plan.

The FAC endorsed the IA Plan for 2021/22 at the August 2021 meeting. The IA Plan now identifies five (5) projects for this financial year, with three (3) projects identified as collaborative projects with CCS. The Projects include:

- Fraud Framework Review (Complete)
- Collaborative Project(s) Health Check (Collaborative) (Scope for endorsement)
- Contract Management (Collaborative) (Scope for endorsement)
- Project Management (Collaborative) (not commenced)
- Desktop review of Stakeholder Management (not commenced)

Community Facilities Management Model Review

The Community Facilities Management Model Review is the final report from the 2020/21 IA Plan. The objective of this audit was to review the adequacy of the community facilities management model employed by the CoM with respect to single occupancy sporting facilities. The internal audit observed that the CoM's fee model, the 'Percentage of Market Value' fee model, is that the subsidy process applied to the model is highly administrative compared to other councils. It was noted that progress has been made regarding improving the management of ensuring critical compliance obligations by tenants have been completed, additional resourcing has achieved improvement the number of community facility tenants now having active and updated tenancy agreements in place and the implementation of initiatives to improve the management of tenants. The internal audit identified 3 moderate risk findings and 1 performance improvement.

Fraud Framework Review

The objective of this internal audit was to perform a gap analysis comparing the CoM's current Fraud Management 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. The internal audit observed that City of Marion is committed to a Fraud Management Framework that provides a robust approach, designed to protect public funds, assets as well as the integrity, security and reputation of the Council. Overall, it was noted that the City of Marion Fraud Management Framework was of a high maturity compared to other comparable councils. The internal audit identified 4 low risk findings and 2 performance improvements.

Collaborative Project(s) Health Check (Collaborative) - scope for endorsement

This internal audit is a collaborative audit with both Cities of Charles Sturt and Port Adelaide Enfield. In recent years, the Councils have conducted several collaborative projects across a broad range of services and activities. The objective of this audit will be to assess the governance structures supporting the collaborative model between the Councils including the articulation and measurement of project benefits, communication and knowledge sharing, resources and cost sharing plus lessons learnt.

Contract Management (Collaborative) - scope for endorsement

This internal audit is a collaborative audit with Cities of Charles Sturt. The objective of this audit will be to review the CoM's overarching contract management framework with a specific focus on the end-to-end contract management in relation to the post-contract award process.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Endorses the Community Facilities Management Model Internal Audit Review**
- 2. Endorses the Fraud Framework Internal Audit Review**
- 3. Endorses the Collaborative Project(s) Health Check (Collaborative) Scope**
- 4. Endorses the Contract Management (Collaborative) Scope**

ATTACHMENTS

1. Co M Community Facility Management Models Final Report - 6.10.21 [**6.6.1** - 23 pages]
2. Co M Fraud Framework Internal Audit Final Report - 6.10.21 [**6.6.2** - 19 pages]
3. F Y 22 Co M Collaborative Projects Internal Audit Draft Scope 09.09.21 [**6.6.3** - 4 pages]
4. F Y 22 Co M Contract Management Internal Audit Draft Scope 6.10 [**6.6.4** - 4 pages]



City of Marion

Communities Facilities
Management Models
Internal Audit Report

October 2021



Table of Contents



1.0 Executive summary	Page 3
2.0 Background	Page 5
3.0 Model Analysis	Page 6
4.0 Findings	Page 15
Appendices	Page 20



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1.0 Executive Summary

[Table of Contents](#)
[Executive Summary](#)
[Background](#)
[Model Analysis](#)
[Internal Audit Findings](#)
[Appendices](#)

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

1.1 Objective

The objective of this audit was to review the adequacy of the community facilities management model employed by the CoM with respect to single occupancy sporting facilities.

1.2 Scope

The scope of this internal audit has considered the following areas:

- Alignment of management models with the CoM's overarching strategic objectives to create communities that embrace active living and healthy lifestyles under the Council's strategic theme of "Liveable".
- The extent to which the CoM's current governance and policy frameworks (including the CoM's leasing policy) has supported the achievement of CoM's "Liveable" strategic objectives as well as manage related risks (including the financial sustainability of sporting clubs).
- Clarity of roles and responsibilities, including the effective execution of key responsibilities detailed under the relevant governance and policy frameworks.
- A high-level comparison of the CoM's leasing policy and management models for single occupancy sporting facilities to other councils. This benchmarking analysis has also included stakeholder consultation with staff from a sample of comparable councils to understand pros and cons of different leasing and management models.
- Based on the results of the benchmarking performed, identify potential alternate leasing policies and management models. The output from this analysis has included a summary of key considerations to be factored when considering alternate models (such as potential financial implications, resourcing requirements, etc).

1.3 Key Observations and Recommendations

Overall, our review has noted that there is a diverse range of leasing models deployed by different councils with no standardised practice across the local government sector. This includes a variety of fee and other key leasing arrangements in place.

Our observations of the CoM's fee model, the 'Percentage of Market Value' fee model, is that the subsidy process applied to the model is highly administrative compared to other councils. Specifically, the subsidy scheme, which provides a discount on the stated lease fees, involves a highly manual documentation intensive process performed annually to assess, calculate and manage this model. Other alternative models identified from our benchmarking research were noted as providing a similar alignment to the CoM's strategic objectives for community clubs whilst reducing the administrative requirements to manage these models by the Council.

Overall, our key observations were:

- Gaps were identified in the areas of managing tenant obligations related to rent subsidy application processing and enforcing the provision of required supporting documentation.
- Opportunities were identified to provide further guidance in relation to supporting processes, such as on-going inspections.
- Overall, the management of the CoM's community facilities was noted to be more manual and labour intensive compared to other councils, due to a lack of a supporting leasing system.

1.4 Positive Observations

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

- ✓ Progress has been made regarding improving the management of ensuring critical compliance obligations by tenants have been completed. This includes improvements in the provision of key tenant documentation, including relevant insurances. However, it was observed that further implementation of a supporting system could remove highly manual elements of this process and may help to identify and address any potential future lapse in compliance by tenants.
- ✓ The CoM utilised an additional staff member from existing resourcing this year, which has resulted in the significant improvement in a number of community facility tenants now having active and updated tenancy agreements in place.
- ✓ A number of future initiatives to improve the management of tenants have been identified. These improvements have been facilitated through the collaborative model, including a member of another council stepping into the role of the Unit Manager Land & Property.

1.0 Executive Summary

Table of Contents	Executive Summary	Background	Model Analysis	Internal Audit Findings	Appendices
-------------------	-------------------	------------	----------------	-------------------------	------------

1.5 Internal Audit Findings

Through our discussions with the process owners, documentation review, external stakeholder consultation, and sample testing performed, Internal Audit identified three findings and one process improvement opportunity (PIO). 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 the CoM Management. Management has accepted the findings and has agreed action plans to address the recommendations.

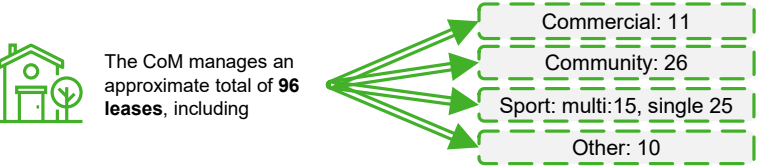


Rating	Ref #	Description	Issue Owner(s)	Target Date(s)
Moderate	F1	Further rigour is required related to the CoM’s Subsidy Model	Unit Manager Land and Property & the Senior Property Officer	April 2022
Moderate	F2	Lack of ongoing reporting which can be utilised to identify non-compliances and other reoccurring and systematic issues	Unit Manager Land and Property & the Senior Property Officer	April 2022
Moderate	F3	Lack of guidance and policies in place to support the CoM’s Community Facility Model	Unit Manager Land and Property & the Senior Property Officer	April 2022
PIO	PIO1	Efficiency Opportunities	Unit Manager Land and Property & the Senior Property Officer	April 2022

2.0 Background

Table of Contents	Executive Summary	Background	Model Analysis	Internal Audit Findings	Appendices
-------------------	-------------------	------------	----------------	-------------------------	------------

2.1 CoM Community Facilities Management Overview



The CoM provides a range of leases including for Single Occupancy Sporting Facilities (SOSF) to the community, including for sportsgrounds, clubrooms, and indoor recreation and community centres.

The CoM may lease or license Council owned or managed land to meet the CoM's strategic plans based on community priorities. Leases or licences are provided to a diverse number of organisations that include small community groups, sporting clubs, not-for-profits, state government agencies and commercial entities.

Currently, across the CoM's diverse portfolio, there are 25 leased and licensed SOSF.

2.2 CoM Community Facilities Policy and Governance

The aim of the Leasing and Licensing of Council Owned Facilities Policy (the Policy) is to ensure an equitable and consistent approach to leases and licenses which also encourages high utilisation rates, diversity of use and supports organisations occupying Council facilities to be sustainable.

The following principles also guide the provision and management of CoM owned facilities:

- ❖ Community Benefit & Social Inclusion
- ❖ Good Governance & Accountability
- ❖ Environmental Sustainability

The Policy outlines that the Council will ensure the facilities are fit for purpose and the terms and conditions of leases are equitable, consistent, support good governance, accountability and optimise the use of Council facilities.

2.3 Relevant Strategic Objectives and Community Outcomes

The provision of these services to the community are closely aligned to a number of the outcomes outlined in the CoM Strategic Plan, including:

Community Vision	Community Outcomes
Liveable	<ul style="list-style-type: none">Communities that are safe and inclusive, embracing active living and healthy lifestylesAccess to housing choices and services for a growing and diverse population
Engaged	<ul style="list-style-type: none">Communities that embrace partnering, volunteering and social interactionMeaningful opportunities for community engagement, partnerships and co-creation
Innovative	<ul style="list-style-type: none">A community that harnesses creativity, research and collaboration to pursue innovative ideasA city that provides infrastructure and support that enables innovation to flourish
Prosperous	<ul style="list-style-type: none">An exciting urban environment that attracts business investment and economic activityA welcoming city offering residents and visitors a wide range of leisure and cultural experiences

2.4 Relevant Management and Organisational Structure

The management of community facilities is currently performed by two staff members, which report to the Unit Manager Land and Property. All new leases and licences are reviewed and approved by the Unit Manager Land & Property in accordance with the CoM's approved delegations and sub-delegations. A temporary staff member was also engaged by the CoM for six months to assist in updating tenant agreements.

The management of community facilities was observed as being highly manual. This includes all record keeping and administration activities being managed through an Excel spreadsheet.

From a benchmarking perspective, it was noted that other councils consulted have utilised a lease management system. It is recognised that a transition to a supporting system will be considered as part of the Council's Digital Transformation Program.

Model Analysis

3.1 Comparison and Considerations

[Table of Contents](#)
[Executive Summary](#)
[Background](#)
[Model Analysis](#)
[Internal Audit Findings](#)
[Appendices](#)

3.1.1 Community and Facilities Management Models Comparison and Considerations (Fee Models)

The table below includes a high-level comparison between various Community Facilities Models benchmarked across three different councils in the context of different revenue models, and other key arrangements.

	CITY OF MARION	Council A – SA Based	Key Considerations
Fee Models	<p>Portfolio size: 96 active leases including commercial, sporting and community leases and licences.</p> <p>The fee model employed by the CoM is the 'Percentage of Market Value' fee model. This involves the CoM utilising external valuers to conduct market valuations on the SOSF at the expense of the CoM. A subsidy is then applied to the market rate and based on the tenant meeting certain criteria.</p> <p>The maximum subsidy achievable is 93% of the market valuation, although a minimum fee of \$300 per annum is set. Rent increases are manually calculated annually by CPI and the market rate is reviewed every five years.</p> <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> The fee is determined through a valuation performed by an independent third party, including market value appraisal performed. Model is reliant on community and sporting clubs applying for a 93% fee subsidy, which increases the administrative requirement of participating lease holders. High associated administrative cost by the Council to administer this model. Community and sporting clubs have high administrative requirements to provide the level of documentation for the subsidy. Clubs are often run by volunteers who may lack experience in provision of this data. Uncertainty in relation to annual rental fee increases as this is linked to CPI. 	<p>Portfolio size: 151 active leases, including 74 sporting and community leases and licences.</p> <p>The fee model employed by Council A is the 'Peppercorn Rent' fee model. A nominal amount (generally \$1) is set for the rental fee. Although the tenants are on peppercorn agreements, they are required to pay the Council rates for the property.</p> <p>In accordance with Council A's Leasing Policy, tenants are eligible to apply for up to 85% rebate on the cost of rates.</p> <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> Low fees reduce the financial burden allowing tenants to focus on community benefit. Peppercorn agreements are simple to administer and invoice. Low or no fees may result in a perception that tenant feelings of obligation and ownership for the facility are negatively impacted. Fee is not directly linked to the value or cost of the community facility, which may cause a perception of inequity across tenants, e.g. the 'rent' for newer larger facilities similar to that of older smaller facilities. 	<p>Resourcing requirements to implement each model needs careful consideration</p> <ul style="list-style-type: none"> ❖ Operational costs associated with each model, including the models shown on the following page should be sufficiently considered. ❖ This includes the administrative costs to implement various rebate and subsidy requirements associated with relevant models. <p>Desired community outcomes and relevant strategic objectives</p> <ul style="list-style-type: none"> ❖ For small community and sporting clubs who manage leases, the annual fulfillment of overly administrative requirements may result in further focus on complying with on-going administrative requirements versus community outcomes. As an example, it was noted that the criteria to be completed by tenants for the CoM subsidy includes 12 different requirements. <p>Council property portfolio, including the mix of new and older rental properties:</p> <ul style="list-style-type: none"> ❖ Consideration of the Council's portfolio mix is important when deciding a revenue model, particularly when considering equitable outcomes for tenants. For example, models such as the flat rate model can result in tenants paying the same for older buildings as others in brand new facilities.

3.1 Comparison and Considerations

Table of Contents

Executive Summary

Background

Model Analysis

Internal Audit Findings

Appendices

3.1.1 Community and Facilities Management Models Comparison and Considerations (Fee Models)

	Council B – SA Based	Council C – Non-SA Based
Fee Models	<p>Portfolio size: 198 active leases, including 51 sporting and community, 91 independent living units and 56 commercial leases.</p> <p>Council B employs a mixed model approach consisting of a hybrid of three fee options depending on the situation:</p> <ol style="list-style-type: none"> 1. Percentage of Capital Replacement Value', calculated at 2.5% of book value based on Council equity in the building. This fee is not applied to facilities with tenants holding 100% of the building equity. 2. Percentage of Ground Maintenance' calculated based on a differential rate and schedule per sqm. 3. 'Land rental fee' calculated based on the playing surface size. Currently, this fee has not been employed and would only apply if the tenant requests exclusive use of sporting fields adjoining the facility. <p>Tenants are eligible for up to a 55% rent subsidy, due to the increasing calculated rents as a result of capital improvements on older facilities. Tenants are not required to contribute to water usage costs. CPI is applied to rental increases annually and the rent increased calculated on the Capital Replacement Value is reviewed every five years.</p> <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> • Fee is objective and has a direct relationship to the cost (or value) of the community facility and/or service levels of ground maintenance. • Fee is equitable across the various tenants, including sporting codes with an objective and transparent fee applied based on the tenants' level of facilities. • Definition of 'replacement value' is important for this fee model. For example, if replacement is considered to be 'like-for-like' then this model provides a degree of equity for tenants. If replacement is considered to be 'bring to modern standards' then tenants at older facilities may be paying disproportionately more than those in newer facilities. • Tenants may perceive the higher fees associated with the mixed model approach as inequitable when considering the low/no fee models across the sector, such as peppercorn agreements employed. 	<p>Portfolio size: 600 active leases including commercial, sporting and community leases, and licences. Approximately, two thirds of leases are sporting facilities.</p> <p>The fee model employed by Council C is a 'Flat Fee per Playing Area' fee model. This involves the Council establishing a price per playing area (field, court, oval, greens, etc.) at the site then aggregating this for rent. This is assessed on a case-by-case basis and in some instances the fee is waived based on an expected community return that a tenant may offer, e.g. the tenant invests \$300k into activities that directly benefit the community over the financial year.</p> <p>Tenants are responsible for waste management fees, bush fire service levies, and all water usage charges. Rates are not charged to the tenant. CPI is factored into long term leases over 5 years, although not into short term leases under 5 years.</p> <p>Notably, the building is considered ancillary to the playing fields and not assessed as part of fee. However, the tenant is solely responsible for all maintenance and the capital replacement of building items.</p> <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> • Fee is objective and has a direct relationship to the number of playing areas at the community facility. • Fee is administratively efficient with fees applied across the portfolio based on a schedule of fees and charges. • Fee has no direct link to the value or cost of the community facility itself (only to the playing area), which may cause a perception of inequity across tenants, e.g. the 'rent' for newer larger facilities may be similar to that of older smaller facilities with the same number of playing areas. That said, maintenance and management costs are the responsibility of the tenant and 'scale' with the nature of the facility. • Tenants are responsible for the full cost of water fees. In some instances tenants have not been able to afford the water expenses causing the playing fields and ovals to not be watered. It was noted that this is causing negative reputational impacts to Council C due to the poor standard of the playing fields available to the community.

3.1 Comparison and Considerations

Table of Contents

Executive Summary

Background

Model Analysis

Internal Audit Findings

Appendices

3.1.2 Community and Facilities Management Models Comparison and Considerations (Policy & Governance).

	CITY OF MARION	Council A – SA Based	Key Considerations
Policy & Governance	<p>FTE Size: 2 staff members, reporting into the Unit Manager Land and Property.</p> <p>Supporting System: Microsoft Excel is used in a master spreadsheet document.</p> <ul style="list-style-type: none"> The CoM has adopted the Leasing and Licensing of Council Owned Facilities Policy (the Policy) to provide guiding principles and statements to inform the conditions that are met when entering into leases or licences based on community priorities. The Policy outlines that the Council will ensure the facilities are fit for purpose and the terms and conditions of leases and licences are equitable, consistent, support good governance, accountability and optimise the use of Council facilities. Issues, such as lapsed or missing certificates of currency, missed inspections, likelihood of financial insolvency, and adherence to regulatory reporting requirements are not flagged through routine reporting. These issues might be flagged during ad hoc processes or as part of annual reporting requirements. <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> The Policy provides guidance to ensure effective, fair and equitable access to Council facilities. There is a lack of supporting procedures and guidelines to ensure consistent and equitable application of the Policy, (refer Finding 3). The current manual process and lack of a supporting system, has resulted in gaps in processes and key controls, (refer Finding 1 & 2). 	<p>FTE Size: 2 staff members, reporting into the Team Leader Property</p> <p>Supporting System: TechOne Property & Rating Module.</p> <ul style="list-style-type: none"> Council A has adopted the Lease, Licence and Property Agreements Policy (the Policy) to provide a framework for entering into agreements support the Council's objectives. The Policy sets out the terms, conditions and principles upon which occupancy agreements will be developed and is supported with guidelines. Compliance of tenants is largely verified during one annual visit where a number of items (inspection, certificate of insurance, required documentation) are performed. Issues, such as lapsed or missing certificates of currency, missed inspections, likelihood of financial insolvency, and adherence to regulatory reporting requirements are flagged through routine reporting. These issues can also be flagged during ad hoc processes or as part of annual reporting requirements. <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> The Policy is supported by a set of detailed and comprehensive guidelines. The Policy provides consistency and assists to ensure effective, fair and equitable access to Council facilities. Aligning subsidies to principles incentivises the tenant to the adhere to the principles. 	<ul style="list-style-type: none"> ❖ Requirements under the relevant Policy and supporting procedures and guidelines should be considered in light of Council resources to support the management and implementation of relevant policies. ❖ Level of guidelines and procedures should be developed to facilitate Council staff having the required level of understanding of what is needed to effectively manage community facilities and leases in alignment to the organisation's expectations and policy. ❖ Governance processes and procedures, including automated and regular reporting should be considered to manage compliance requirements and raise compliance and other issues (late insurance, missed inspections, etc.) in a timely manner. ❖ Efficiency of service provision should be considered, including the manual nature of administration and compliance requirements. ❖ The Policy revision periods should be frequent enough to ensure the Policy is sufficiently agile to deal with the current climate and objectives of the Council. It was observed that 2-year periodic reviews was considered effective by other councils.

3.1 Comparison and Considerations

Table of Contents

Executive Summary

Background

Model Analysis

Internal Audit Findings

Appendices

3.1.2 Community and Facilities Management Models Comparison and Considerations (Policy & Governance)

	Council B – SA Based	Council C – Interstate
Policy & Governance	<p>FTE Size: 2 staff members, reporting into the Manager Open Space, Recreation & Property.</p> <p>Supporting System: TechOne Property & Rating Module.</p> <ul style="list-style-type: none"> Council B has adopted the Sporting and Community Club Fees Policy (the Policy) to provide guiding principles and frameworks to support all areas of the agreements. The purpose of the Policy is to support the provision of a diverse range of recreation and sport facilities in collaboration with local clubs and associations to meet the needs of the community, as well as providing accessible infrastructure and services which engage the community. The Policy is used in conjunction with a procedure document. Council B has recently implemented a supporting system to identify and flag issues in compliance, such as lapsed or missing certificates of currency, missed inspections, and outstanding tenant action items. This system includes a monthly report of compliance issues and outstanding action items that is sent to the Manager Open Space, Recreation & Property. <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> The Policy is supported by a procedure document to assist staff in achieving its intent. The Policy is community centric and focuses on the provision of accessibility to Council B's infrastructure and services. Comprehensive areas detailed in the policy reduces confusion across the various type of lease and licence agreements. A supporting system to identify and flag issues in compliance and outstanding tenant action items reduces the administrative burden on Council due to the automation of manual processes, such as Microsoft Excel spreadsheets for tracking tenant compliance obligations. 	<p>FTE Size: 25 staff members, with 10 dedicated Sports and Recreation Officers responsible for the management and capacity building of the sporting facilities. The Sports and Recreation Officers report into the Community Facilities Operations Manager.</p> <p>Management of the community facilities is separated into 26 ward areas. Approximately, 1 Sports and Recreation Officers is allocated per 80 sites, however, high need facilities will be allocated a greater proportion of the Sports and Recreation Officer's time.</p> <p>Supporting System: SAP Contracts Management and Microsoft Excel.</p> <ul style="list-style-type: none"> Council C has adopted the Community Facilities Policy (the Policy) to outline Council's approach to planning, developing and managing community facilities. The purpose of the Policy is to provide a broad framework and vision for decision making relevant to planning, developing and managing existing and new community facilities, including roles and responsibilities. This includes describing Council's objectives and principles for facility provision, various facility values, and management models. The Policy is used in conjunction with supporting guidelines and procedure documents. Issues, such as lapsed or missing certificates of currency, missed inspections, likelihood of financial insolvency, and adherence to regulatory reporting requirements are not flagged through routine reporting. These issues might be flagged during ad hoc processes or as part of annual reporting requirements. <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> The Policy is supported by a procedure document to assist staff in achieving its intent. The Policy outlines multiple Facility Management and Maintenance models available to the Council based on the circumstance, such as shared Community and Council management, shared Commercial and Council management, and solely Council management. Subsidies and rebates are not offered or considered for any of the management models detailed. This may cause inequitable outcomes for tenants with fewer resources and comparable financial obligations as an increase in expenses are passed onto tenants, such as the previously mentioned water usage expense charged to all tenants.

3.1 Comparison and Considerations

Table of Contents

Executive Summary

Background

Model Analysis

Internal Audit Findings

Appendices

3.1.3 Community and Facilities Management Models Comparison and Considerations (Property Management)

	CITY OF MARION	Council A – SA Based	Key Considerations
Property Mgmt. (Maintenance & Capital)	<ul style="list-style-type: none"> The CoM provides a maintenance schedule to tenants that clearly sets out responsibilities. The CoM is responsible for capital replacement items. The tenant is responsible for maintaining the facility in good repair and condition, including equipment and services. This involves day to day repairs and maintenance of interior fittings, signage, internal paint works, and ensuring statutory requirements for emergency and fire and safety procedures. <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> The maintenance schedule details the facility maintenance responsibilities for the CoM and the tenant ensuring clear maintenance responsibilities and accountabilities for both parties. The maintenance table within the maintenance schedule enables efficient governance as it can act as a checklist during inspections. A risk based approach has been put into place, whereby the number of inspections is based upon the risk of the tenant. However, the risk rating criteria, risk rating, and associated inspection frequency have not been defined (refer Finding 3). 	<ul style="list-style-type: none"> Council A provides a comprehensive maintenance schedule that clearly sets out responsibilities with detailed descriptions. Council A is responsible for capital replacement items. The tenant is responsible for the day to day maintenance, as per the agreement, including building internal surfaces, external surfaces and playing surfaces where they form part of the premise, and statutory requirements for emergency and fire and safety procedures. <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> The maintenance schedule details the facility maintenance responsibilities for the Council and the tenant ensuring clear maintenance responsibilities and accountabilities for both parties. The maintenance table within the maintenance schedule enables efficient governance as it can act as a checklist during inspections. 	<ul style="list-style-type: none"> ❖ The level of maintenance regiments and the upkeeping of the facilities may directly impact on the value of the Council's assets. ❖ Consideration may be given to whether a tenant is able to take on more of the maintenance responsibilities, in lieu of other obligations, such as rent. Although, it was observed that the current maintenance model employed by the CoM is logical and appears to be effective. ❖ Consideration should be given to the tenants ability to forecast future maintenance and capital replacement costs when determining the level of tenant maintenance and capital replacement obligations. Noting that less resourced/sophisticated tenants may not have the capabilities to effectively forecast and manage financial resources to meet future maintenance and capital replacement obligations. ❖ It is noted based on our benchmarking discussions, that councils often undertake maintenance and capital replacement activities that are technically the responsibility of the sporting and community clubs.

3.1 Comparison and Considerations

Table of Contents

Executive Summary

Background

Model Analysis

Internal Audit Findings

Appendices

3.1.3 Community and Facilities Management Models Comparison and Considerations (Property Management)

	Council B – SA Based	Council C – Interstate
Property Mgmt. (Maintenance & Capital)	<p>Council B assesses maintenance responsibilities based on the tenant's equity in the building.</p> <ul style="list-style-type: none"> Tenants with 100% equity in the building are required to maintain the building in line with legislation and comply with audits. Tenants with 100% equity in the building are responsible for capital replacement items. However, if Council B undertakes capital works in excess of \$5,000 on the building with 100% tenant equity, Council B will assume an equity position in the building and change the tenants' equity ownership. Tenants with no equity in the building are required to maintain the facilities as per the responsibilities in their agreement. Council B is responsible for capital replacement items in buildings with no tenant equity. Ground maintenance service levels are defined and agreed with the tenant on a case by case basis. Ancillary facilities are the tenant's responsibility to provide and maintain. <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> Tenants are wholly or largely responsible for maintenance depending on their equity in the building. A more significant burden of the maintenance responsibilities on the tenant may mean the facilities are not as well maintained. 	<ul style="list-style-type: none"> Council C devolves all maintenance responsibilities and capital replacement obligations to the tenant, including structural items, such as the roof of the building. Council C has an asset management team that undertakes building assessments and provides these to the tenant, including any identified high-risk issues, however, these remain the sole responsibility of the tenant to rectify. Tenants are responsible for all day-to-day maintenance responsibilities, including the maintenance of the playing areas. Tenants are responsible for capital replacement items Tenants are permitted to assess when the facilities and playing areas are considered safe and open for community use. This is not the responsibility of the Council. <p>Benefits / Drawbacks</p> <ul style="list-style-type: none"> Tenants are wholly responsible for maintenance responsibilities and capital replacement obligations. However, it was noted that across the community facilities portfolio a significant number of tenants could not adequately maintain their facilities. This has resulted in poorly kept buildings and playing areas that are impacting the Council's reputation and damaging the related assets. Across the community facilities portfolio the average age of a facility is 42 years; thus, with many facilities approaching end of life on numerous capital replacement items, this is putting a considerable financial burden on the tenant. Anecdotally it was noted that many tenants would prefer an increased 'rental' fee and have the Council share a greater burden of the maintenance responsibilities. Council C does not have an allocated maintenance budget, although a reactive maintenance budget is allocated. It was noted that increasingly the reactive maintenance budget is used to meet general maintenance responsibilities to ensure the community facilities are safe and maintain a level of usability. Furthermore, it was anecdotally noted that the reactive budget was substantially increasing year on year with no noticeable improvement to the condition of the community facilities across the portfolio.

3.2 List of Model Key Considerations

Table of Contents

Executive Summary

Background

Model Analysis

Internal Audit Findings

Appendices

3.2 List of Key Model Observations and Opportunities

Detailed below, are seven practical and actionable initiatives that will support the CoM to improve its service delivery, strategic ambition and internal operations related to community facility management. Going forward, each opportunity will need to be carefully considered by the CoM and through required consultation and agreed if appropriate to put into action.

ID

CONSIDERATIONS

1 Consider simplifying the subsidy scheme applied to the fee model

As noted, the CoM current fee model is highly administrative, and places a large amount of manual effort on both the Council and relevant community tenants. As a result of our review, opportunities to utilise either an alternative model or simplify the current CoM model would be recommended to provide for a more streamlined approach which will reduce ongoing administrative effort whilst still maintaining similar levels of rental income. This would also reduce the risk of required documentation not being provided by tenants.

If a subsidy is retained, it is recommended that a simplified model is developed versus the current model which provides for a percentage of subsidy received under each of the criteria items. This will provide for a more streamlined process and less subjectivity.

2 Consider adopting a fixed yearly rental increase based on a percentage of the rental income

Currently, the CoM annual rental increase is based upon a CPI increase as stated in individual tenant agreements.

There is an opportunity (as noted as being in place at other councils) for the annual increases to be based upon a flat rate per year based on a percentage of rental income and established for the full term of lease periods. Thus, a flat percentage increase will likely reduce the administration required to calculate an annual CPI increases based on the individual market valuations.

3 Consider developing guidelines to support the CoM Leasing and Licensing of Council Owned Facilities Policy

Currently, the CoM has a lack of a supporting procedure or guidance in relation to the management of community leases. Opportunities to provide further guidance are detailed in **Finding 3**. This would also reduce the risk in inconsistent practices and requirements not being monitored by the CoM.

ID

CONSIDERATIONS

4 Consider adopting scaled criteria for subsidy document and reviewing the necessity of items

If the CoM continue with the current fee model, consideration should be given to developing scaled criteria for the documentation within the subsidy categories based on the size of the club and reviewing the necessity of the documentation. This will likely reduce uncertainties around the need for what documentation is needed and the administrative burden on the CoM and the tenant.

5 Consider developing Key Performance Indicators to verify performance against the subsidy criteria

Going forward, the achievement of KPIs could count towards the subsidy criteria or other on-going reporting requirements. This would increase alignment to the CoM strategic priorities, such as increased community participation.

6 Consider aligning timings of reviews to annual reporting processes

Consider establishing reporting periods across the sporting and community club portfolio and establishing an annual review process. This will likely reduce the duplication of information requested and the resource burden on the CoM and the tenant. This may include, facility maintenance, inspections and tenant risk rating, capital development planning, AGM, financial reviews, and the evidencing Certificates of Insurance all being done at one time through an annual inspection.

7 Implementation of a supporting system to reduce administrative effort and provide for efficiencies

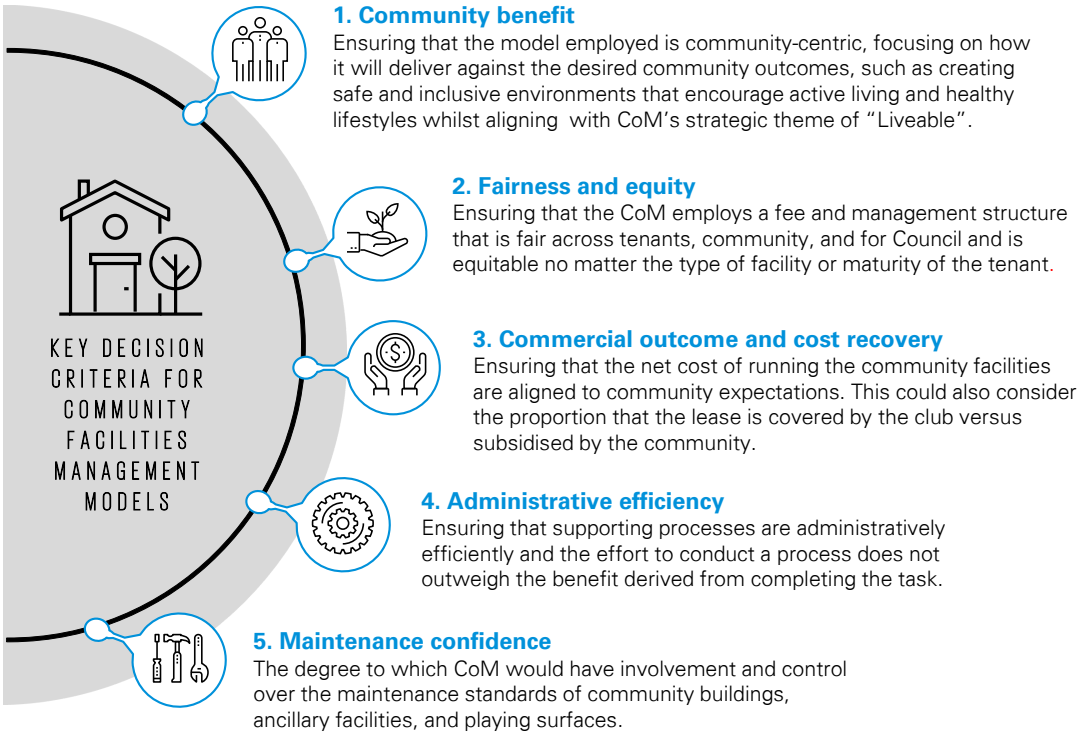
The lack of a supporting system has resulted in a highly manual process and inefficiencies across a number of the supporting processes. These include the Microsoft Excel Governance and Compliance master document sheet.

3.3 Key Decision Criteria

Table of Contents	Executive Summary	Background	Model Analysis	Internal Audit Findings	Appendices
-------------------	-------------------	------------	----------------	-------------------------	------------

3.3 Key Decision Criteria

If it is decided that the CoM will assess alternate community facility management models, it would be recommended that a set of evaluation criteria is developed which can be leveraged to support identification of a preferred community management model. Summarised below are five key decision criteria that could be utilised as part of this review.



Next Steps

Based on the result from the benchmarking analysis, the CoM should give consideration to what decision criteria are most important to achieve the Council's desired outcomes from the Community Facilities Management Model and the alignment to support the achievement of CoM's "Liveable" strategic objectives.

- The following actions are recommended to the CoM:
- Formalise the key decision criteria that the CoM will adopt if considering a new model.
 - Define the decision criteria, including descriptions of each criteria and alignment to a broader framework, such as community centric, strategic, and operational goals.
 - Develop weighted ratings for the decision criteria to determine the importance of each area based on the Council's strategic objectives.
 - Evaluate the implementation of a new model with consideration to the key decision weightings, including what the likely risks may be when transitioning from the current model to the future model.

Findings

4.0 Internal Audit Findings

Table of Contents

Executive Summary

Background

Model Analysis

Internal Audit Findings

Appendices

Finding 1 – Further rigour is required related to the CoM's Subsidy Model

Risk Rating: Moderate

Finding(s)

Gaps were identified in the management and controls related to the Community Model Subsidy Process.

Further management and controls of the Community Model Subsidy process is required, including the assessment of the criteria and submission of the annual Subsidy Report.

The *Leasing and Licensing of Council Owned Facilities Policy* specifies that clubs are eligible to receive (up to) 93% subsidy of the market rental rate, of the desired area(s), if they demonstrate the substantial criteria and produce all relevant supporting documentation along with submission of the Subsidy Report. Reports are received by the CoM Property Management Team, and recorded within the Governance and Compliance Excel spreadsheet.

As a result of our review, the following items were noted:

- Of 49 active lessees or licensees, only 45 had submitted a Subsidy Report, with a number of the submitted reports observed as lacking all required supporting documentation.
- The CoM complete compliance checks on submissions, however these are not routinely undertaken and lack a detailed review to ensure all supporting documentation is accurate and submitted.
- Guidance is not in place detailing how to assess the required documentation.

More prescriptive guidance would assist to ensure that inconsistencies in the evaluation of potential tenants does not occur, and the assessment of potential tenants is in line with community expectations and Council requirements.

Internal Audit further noted that producing the level of detail required by the CoM's subsidy criteria, may place a significant administrative burden on clubs which may not reflect the subsidy benefit.

Risk(s) and/or Opportunities

Risk:
Gaps in the initial assessment and ongoing monitoring of key lessee/licensee eligibility criteria may result in the following:

- Lessees/licensees may be in breach of the internal CoM policies surrounding leasing.
- The assessment of subsidy applications may be inconsistent, resulting in reputational risk to the CoM, as lessees and licensees may engage in activities which do not accord with the Council's policies.

Recommendation(s)

It is recommended that if the CoM continues to implement the current subsidy rebate, that supporting guidelines are developed which details:

- Guidance on the documentation allowable to evidence the meeting of each criteria item.
- Review the documentation requirements for the subsidy and consider developing weighted criteria base on the importance of each item.
- Clarify compliance requirements for ongoing annual assurance checks.
- Develop annual reporting to be provided to the CoM which outlines the current status of compliance of community facilities leasing tenants.

Agreed Management Action(s)

- The CoM Leasing and Licensing Policy is currently under review and will be presented to the November Elected Member Forum.
- The future fee model will include a supporting procedure that will provide guidance to support the Policy which will include the following items:
 - Associated documentation requirements; and
 - On-going compliance requirements.
- Further reporting methods will be investigated following the implementation of a supporting system. In the interim, annual compliance spot checks will be performed by CoM Management.

Responsibility: Unit Manager Land and Property, and the Senior Property Officer

Target date(s): April 2022

4.0 Internal Audit Findings

[Table of Contents](#)
[Executive Summary](#)
[Background](#)
[Model Analysis](#)
[Internal Audit Findings](#)
[Appendices](#)

Finding 2 – Lack of ongoing reporting which can be utilised to identify non-compliances and other re-occurring and systematic issues

Risk Rating: Moderate

Finding(s)	Risk(s) and/or Opportunities	Recommendation(s)	Agreed Management Action(s)
<p>The CoM has highly manual monitoring processes in place to help manage tenant compliance requirements, and to identify key issues, such as expired insurance.</p> <p>A master leasing spreadsheet (as noted in the 2019 Leasing Internal Audit Report) is utilised to manage and record the status of the compliance of each individual tenant. Our review observed however, a noted improvement in the provision of required insurance certificates being in place.</p> <p>Due to the reliance on the current process which is heavily manual and the lack of system reporting to flag non-compliances and the status of lease obligations, there is an increased risk of key information being missed and follow-up with tenants not occurring.</p> <p>Specifically, as a result of our review it was observed that across 96 tenants the following items are manually tracked within the spreadsheet:</p> <ul style="list-style-type: none"> • PI Insurance status, including expiry date and cover amount • Constitution • AGM Minutes • Annual Chair/Treasury Reports • Receipt of Audited Financials. 	<p>Risk:</p> <p>Inadequate and inconsistent monitoring of tenant compliance requirements may result in the following:</p> <ul style="list-style-type: none"> • Lapses in compliance requirements at community facilities exposing the CoM to the risk of litigation. • Breaches of regulatory requirements under the relevant Acts. • Reputational damage due to non-compliant and unsafe community facilities. 	<p>To address the inadequate and inconsistent monitoring processes, it is recommended that the CoM:</p> <ul style="list-style-type: none"> • Review the current monitoring processes in place and evaluate the ineffectiveness with consideration to the frequency, thoroughness, tenant compliance, and resource requirements required to undertake these processes. • Consider standardising the monitoring and reporting periods across the community facility portfolio. • Consider the implementation of a supporting system with functionality to automate monitoring of compliance requirements, such as reminders for key actions and non-compliance flags, as well as integration into other systems, such as records management. 	<ul style="list-style-type: none"> • As noted in the Finding 1 Management Actions, pending the implementation of a supporting system, further reporting will be investigated. • The Governance and Compliance Excel spreadsheet will also be reviewed to include conditional formatting to facilitate the tracking of compliance requirements. • To reduce documentation requirements at one set period, the CoM will investigate the alignment of documentation requirements to annual property inspection dates to increase the efficiency of the process with available resources.
<p>Responsibility: Unit Manager Land and Property, and the Senior Property Officer</p> <p>Target date(s): April 2022</p>			

4.0 Internal Audit Findings

[Table of Contents](#)
[Executive Summary](#)
[Background](#)
[Model Analysis](#)
[Internal Audit Findings](#)
[Appendices](#)

Finding 3 – Lack of guidance and policies in place to support the CoM's Community Facility Model

Risk Rating: Moderate

Finding(s)	Risk(s) and/or Opportunities	Recommendation(s)	Agreed Management Action(s)
<p>There is a lack of a supporting procedure or guidelines to guide the management of the CoM's Community Facilities.</p> <p>In March 2017, the CoM created the <i>Leasing and Licensing of Council Owned Facilities Policy</i> which included eligibility criteria for sporting and community organisations. However, at the time of adoption, supporting guidance was not developed to supplement the Policy.</p> <p>Specifically, as a result of our review the following issues related to the lack of the guidance were noted:</p> <ul style="list-style-type: none"> The CoM has recently implemented a risk based approach to conducting lessee property inspections. However, guidance is not in place relating to what criteria this risk rating should be based upon, nor the impact the assigned risk rating has on the frequency of tenant inspections. When to seek a Council resolution of tenancy. Required steps to implement a new tenant agreements, such as internal and external consultation required and Council workflow process steps (such as altering Finance of new debtor requests). Interpretation and practical application of the CoM strategic theme of "Liveable". As noted in Finding 1, detailed guidance on how to assess tenant submissions related to the 93% Subsidy, including required documentation to fulfill the criteria. 	<p>Risk:</p> <p>Without sufficiently detailed guidelines and procedures, the CoM may be exposed to the following risks:</p> <ul style="list-style-type: none"> Management activities may be undertaken inconsistently, at varying levels of effort, or not at all. Staff may not fully understand what is required to effectively manage community facilities and leases in alignment to the organisation's expectations, policy, and better practice. Community and sporting organisations may have a negative or reduced customer experience, as a result of inconsistencies in Council practices and management. 	<p>It is recommended that the CoM developed a procedural document or guidelines to include at a minimum the following:</p> <ul style="list-style-type: none"> Guidance for the practical application of the areas covered in the Policy. Procedure for conducting risk ratings of tenants, including the basis for the rating. Frequency of inspections, including ongoing monitoring and follow up procedures. Defined roles and responsibilities performed by supporting CoM teams. Key definitions to ensure consistency. Re-enforce the requirements, principles and objectives stated within the Policy. 	<ul style="list-style-type: none"> Refer to Finding 1 Management Actions. Subsequent to the development of procedure documents, staff will be made aware of the updated procedure to ensure a clear understanding of expectations required to comply with Council policy and procedures and provide high levels of customer service.

Responsibility: Unit Manager Land and Property, and the Senior Property Officer

Target date(s): April 2022

4.0 Internal Audit Findings

Table of Contents

Executive Summary

Background

Model Analysis

Internal Audit Findings

Appendices

Process Improvement Opportunity 1 – Efficiency Opportunities

PIO

Finding(s)

As a result of the stakeholder consultations and review of relevant documentation, various opportunities were identified to improve the efficiency and effectiveness of the management of the CoM's Community Facilities.

These include:

- Tenant invoicing and on-charging is currently a highly manually process, which includes the on-charging of items such as utilities and services. Other councils interviewed either increase the leasing fee and cover this charge, or have a different mechanism to calculate the tenant's proportion of these costs.
- The annual CPI increase is a time consulting labour intensive process. It is noted that other councils observed during benchmarking have implemented annual rate increases which was observed as being less labour intensive.
- It was observed that a temporary staff member was hired by the CoM, whose primary role was to ensure tenant compliance. Other councils have combined tenant annual inspections to run though and complete other associated compliance requirements. It was noted that this process was advised as reducing back and forth correspondence and significantly reduce time spent following up on outstanding documentation from tenants.
- As noted within the 2019 Leasing Internal Audit Report, the lack of a supporting system has resulted in the servicing of it's community facilities being highly administrative, requiring a large amount of manual effort. Compared to other councils participating in the benchmarking of this review, it was noted that the lack of a supporting system presented not only inefficiencies but also an increase in non-compliances not being identified in a timely manner (refer to Finding 2).

Recommendation(s)

As noted on p. 13, the CoM may improve the efficiency of the current processes with the following recommendations:

- Review the administrative processes involved with the current fee revenue model with consideration to streamlining processes that have a no/negative financial benefits, such as the yearly CPI rental increase calculation.
- Review the annual tenant documentation requirements with consideration to the necessity of items and removing non-value adding items.
- Consider standardising the monitoring and reporting periods to increase process efficiency, as well as, reduce the resource burdens.
- Implementation of a supporting system that will remove highly manual processes, such as those include within the Microsoft Excel Governance and Compliance master document sheet, as well as the integration into other key system.

Agreed Management Action(s)

- Refer to Finding 1 Management Actions.

The CoM will also investigate the following efficiency opportunities:

- Fixed annual increases rather than CPI;
- Consider KPI's as part of the annual reporting to replace the subsidy documentation requirements;
- Consider standardised periods for annual property inspections and compliance reporting; and
- Management will also further explore the clear need for the implementation of the effective supporting system at the earliest opportunity.

Responsibility: Unit Manager Land and Property, and the Senior Property Officer

Target date(s): April 2022

Appendices

Appendix 1 – Staff Consultation

Table of Contents	Executive Summary	Background	Model Analysis	Internal Audit Findings	Appendices
-------------------	-------------------	------------	----------------	-------------------------	------------

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

City of Marion (CoM)

Name	Title
Property	
Ilia Houridis	General Manager City Development
Thuyen Vi-Alternetti	Manager City Property
Geoff Norris	Unit Manager Land & Property
Michael Collins	Acting Unit Manager Land & Property
Mark Hubbard	Unit Manager Sport & Recreational Community Facilities
Chloe McDonald	Property Management Officer
Corporate Governance	
Kate McKenzie	Manager Corporate Governance



Appendix 2 - Classification of Findings

[Table of Contents](#)
[Executive Summary](#)
[Background](#)
[Model Analysis](#)
[Internal Audit Findings](#)
[Appendices](#)

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

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

Appendix 2 - Classification of findings - Continued

[Table of Contents](#)
[Executive Summary](#)
[Background](#)
[Model Analysis](#)
[Internal Audit Findings](#)
[Appendices](#)

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



City of Marion
Fraud Management Framework
Internal Audit Report
October 2021





Table of Contents

1.0 Executive Summary	Page 3
2.0 Internal Audit Findings	Page 8
3.0 Performance Improvement Opportunities	Page 12
Appendix 1 – Control Review and Testing Results	Page 13
Appendix 2 – Staff Consultation	Page 14
Appendix 3 – Classification of Findings	Page 15



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1.0 Executive Summary

Table of Contents	Executive Summary	Internal Audit Findings	Performance Improvement Opportunities	Appendices
-------------------	-------------------	-------------------------	---------------------------------------	------------

In accordance with the 2021/22 Internal Audit Plan for the City of Marion (CoM), an internal audit focussing on the CoM's Fraud Management Framework was performed.

1.1 Objective

The objective of this internal audit was to perform a gap analysis comparing the CoM's current Fraud Management 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.

1.2 Scope

The scope of the Fraud Management Framework Review internal audit project included consideration of the following areas:

Framework Assessment

- The adequacy of the CoM's Fraud Management 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).
- Whether the CoM's Fraud Management Framework and prevention strategies are sufficiently integrated and aligned across individual policies and procedures.
- 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, assessment of the control design of relevant controls to determine whether the controls are appropriately designed and capable of reducing the likelihood and consequences of relevant fraud risks.
- On a sample basis, undertook control testing for identified controls to understand whether the control is operating as intended.
- Opportunities for the introduction of better practice and process improvements relevant to local government and other comparable organisations.

1.3 Overall observations

The CoM is committed to a Fraud Management Framework that provides a robust approach, designed to protect public funds, assets as well as the integrity, security and reputation of the Council.

The CoM conduct fraud risk assessments (FRA) every four years to scan and assess the fraud risks facing the organisation. Additionally, all managers are annually required to self assess their fraud controls and report this to the Unit Manager Risk. The Internal Controls Framework is reported to the Finance and Audit Committee on an annual basis. These controls span a number of risk categories including Financial Planning, Assets, Liabilities, Revenue, Expenses and Financial Governance.

Overall, it was noted that the CoM's Fraud Management Framework was of a high maturity compared to other comparable councils. This included a number of good fraud risk management practices observed, as outlined below. As a result of our view, four low risk rated findings were identified which related to further formalising areas around fraud investigations, training and pre-employment screening processes.

1.4 Positive Observations

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

- ✓ Staff were knowledgeable and displayed a deep understanding of fraud risks. It was clear that Senior Management are committed to enhancing fraud prevention controls with a zero tolerance approach to fraud.
- ✓ The implemented Fraud Management Framework was noted as robust, informative and reflective of the maturity of fraud management at the CoM.
- ✓ The CoM has appropriately trained and experienced personnel to perform fraud investigations and have conducted fraud awareness training for some staff.
- ✓ Through Internal Audit's sample testing of key fraud controls, there were no non-compliances noted.

1.0 Executive Summary (continued)

Table of Contents	Executive Summary	Internal Audit Findings	Performance Improvement Opportunities	Appendices
-------------------	-------------------	-------------------------	---------------------------------------	------------

1.5 Internal audit findings

During the review, Internal Audit identified, four (4) low risk rated findings and three (2) performance improvement opportunities (PIOs). The following table provides a summary our risk rated findings, and the relevant issue owner and target date for implementation. These findings and recommendations were discussed with CoM Management. Management has accepted the findings and has agreed action plans to address the recommendations.



Rating	Ref #	Description	Issue Owner	Target Date
Low	F1	Fraud training and awareness	Unit Manager Risk & Strategy Manager, Office of CEO	1. 31 Dec 2021 2. 31 Mar 2022 3. 31 Oct 2021
Low	F2	Fraud risk assessment	Unit Manager Risk & Strategy	1. 28 Feb 2022 2. 31 Mar 2022 3. 30 April 2022
Low	F3	Pre-employment screening and cab charge policy	Unit Manager People & Culture Unit Manager Operational Support	1. 31 Dec 2021 2. 31 Dec 2021 3. 28 Feb 2022
Low	F4	Fraud reporting channels and investigation process	Unit Manager Risk & Strategy Manager, Office of CEO	31 Dec 2021
PIO	PIO1	Data analytics in fraud detection programs	CFO Business Intelligence Lead	30 June 2022
PIO	PIO2	Media response policy	Unit Manager Risk & Strategy	31 Dec 2021

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

1.0 Executive Summary (continued)

Table of Contents	Executive Summary	Internal Audit Findings	Performance Improvement Opportunities	Appendices
-------------------	-------------------	-------------------------	---------------------------------------	------------

1.6 KPMG's 15-point better practice model

The table below outlines the CoM's current level of alignment against KPMG's 15-point Better Practice Model derived from the Australian Standard on Fraud and Corruption Control. Controls are defined as preventative, detective or responsive and each better practice area has been assessed as having strong alignment, some alignment or minimal alignment.

FRM Framework	Current status and comments	Rating
Prevention Attributes		
P1 - Fraud Control Strategy Determine the extent to which the organisation has developed a clearly identifiable, holistic and functionally integrated fraud control strategy that includes a policy and / or plan. A Fraud Control Strategy is necessary if the organisation wants to demonstrate their commitment to and implementation of fraud control initiatives.	The CoM has a number of better practice fraud control elements, including but not limited to the Fraud and Corruption Management Framework, Code of Ethical Behaviours, Public Interest Disclosure (PID) Policy and an intranet portal with a range of fraud and integrity related policies and procedures. It was additionally noted that there was a strong level of Senior Management awareness and commitment to managing fraud risk.	Strong Alignment
P2 - Senior Management Commitment Determine Senior Management's commitment to minimising the risk of fraud. If Senior Management are not demonstrating the appropriate "tone at the top" it is unlikely fraud control initiatives will be fully effective.	It was clear from our discussions with CoM Management and staff that there is a strong level of awareness and commitment to managing fraud risk throughout the organisation. All managers and above are required to undergo a fraud refresher training and sign off their understanding of the CoM's Fraud Management Frameworks annually. Managers relay the results of the surveys back to their teams, which helps to drive a stronger fraud management culture.	Strong Alignment
P3 - Ethical Framework Determine the extent to which the organisation has established policies, standards, systems and procedures relating to conduct and discipline which support the Fraud Control Strategy. A sound ethical culture is one of the foundations of a better practice approach to control the risk of fraud.	The Fraud and Corruption Management Framework is in place to ensure fraud controls are consistently coordinated and embedded across the CoM with clearly defined roles and responsibilities. The Code of Ethical Behaviours policy clearly outlines the CoM's organisational values and the conduct expected of staff of all levels. The Code of Ethical Behaviours is provided to all staff during induction and requires a sign off.	Strong Alignment
P4 - Fraud & Corruption Awareness Determine the extent to which the organisation has implemented a plan of action to raise awareness and modify attitudes within the organisation concerning fraud.	From discussions with CoM Management it was clear that there is a strong level of awareness of and commitment to managing fraud. This includes formal fraud awareness training which is provided to CoM Management on an annual basis as well as cyber security training conducted during staff induction. Organisational wide PID training was also provided in 2019. Given that fraud specific training has not been provided to all staff, there is an opportunity for the CoM to roll out fraud risk training and refresher training to all staff on an on-going basis.	Some Alignment <i>(Refer to Finding 1)</i>
Key: Strong alignment Some alignment Minimal alignment		

1.0 Executive Summary (continued)

Table of Contents

Executive Summary

Internal Audit Findings

Performance Improvement Opportunities

Appendices

FRM Framework	Current status and comments	Rating
Prevention Attributes		
P5 - Fraud Risk Assessment Evaluate the adequacy of measures taken by the organisation to identify specific areas of fraud risk and develop appropriate countermeasures and actions plans.	A formal fraud risk assessment (FRA) process is in place across the CoM. Every 4 years, FRA workshops are conducted with staff from each Business Unit with the aim of capturing fraud risks from across the organisation. It was noted however, that the fraud risks are not tailored to the specific Business Units. Additionally, the output of these workshops is not consolidated into a dedicated fraud risk register. To further strengthen the CoM's FRA process, there is an opportunity to implement a dedicated fraud risk register. Additionally, functionality within SharePoint could be investigated to include a register of historic fraud incidents.	Some Alignment <i>(Refer to Finding 2)</i>
P6 - Internal Control Determine whether the organisation has an effective internal control system that assists in the control of fraud.	The internal control processes and the Fraud and Corruption Framework supports a strong internal control environment at the CoM. The CoM have all fraud control procedures and policies on the centrally stored policy register and the fraud intranet page. The register and intranet page are communicated to staff during the onboarding process. The CoM's Internal Control Framework (which includes the CoM's financial controls) is self assessed by CoM Management and reviewed by the Risk and Governance team on an annual basis.	Strong Alignment
P7 - Line Manager Responsibility Determine whether the organisation has made line managers aware of their responsibilities for fraud control. Lines managers are usually responsible for ensuring adherence to the internal control framework	All manager and above staff members are required to annually attest their understanding and adherence to the internal fraud policies, controls and frameworks. They are also required to watch a 5 minute refresher training video at the time of this attestation. Managers take responsibility for driving the fraud control culture within their teams.	Strong Alignment
P8 - Responsibility Structures Determine the extent to which the organisation has clearly and effectively assigned responsibility for the implementation and coordination of all aspects of the Fraud Control Strategy across the organisation's operations.	It was noted that staff demonstrated a strong commitment to fraud control across the organisation. In the Fraud and Corruption Framework, roles and responsibilities have been assigned for the coordination of all aspects of fraud control.	Strong Alignment
P9 - Internal Audit Evaluate what role internal audit has in fraud risk management, to what extent fraud risk management strategies are subject to regular auditing and if audit findings are used to improve the effectiveness of those strategies.	Internal Audit is part of the CoM's ongoing fraud risk control approach. Identification of fraud risk inherently forms part of all reviews internal audit performs.	Strong Alignment
Key: Strong alignment Some alignment Minimal alignment		

1.0 Executive Summary (continued)

Table of Contents

Executive Summary

Internal Audit Findings

Performance Improvement Opportunities

Appendices

FRM Framework	Current status and comments	Rating
Prevention Attributes		
P10 - Pre-employment Screening Evaluate the organisation's policy with respect to fraud mitigation for potential and existing staff	The CoM have recently implemented police checks for certain roles within the organisation as part of the pre-employment screening process. The roles that require police checks were decided and agreed upon by SLT. The CoM has the opportunity to further strengthen the pre-employment screening process by formally documenting the process in a procedural document.	Some Alignment (Refer to Finding 3)
P11 - Third Party Due Diligence Evaluate the organisation's policy with respect to fraud mitigation for dealing with third parties.	The CoM has a clearly documented procurement policy that stipulates how the CoM will engage with suppliers, services, consultants and constructions works. The tender process includes a financial capability assessment, ABN and company information review. A corporate scorecard may be undertaken for high risk/high value projects.	Strong Alignment
Detection Attributes		
D1 - Fraud Detection Program Determine whether the organisation has a comprehensive and strategic program for the detection of fraud. Such a program will incorporate strategic use of computer systems, strategic review of management accounts and post transaction review.	It was noted through stakeholder consultation that manual fraud detection programs are in place across the organisation. There is an opportunity for the CoM to further enhance the fraud detection program through incorporating data analytics/data mining fraud detection.	Strong Alignment (Refer to PIO 1)
D2 - Fraud Reporting Systems Determine the extent to which the organisation has adequate and effective arrangements and systems implemented for the reporting of suspected fraud. This includes whether the organisation has developed appropriate mechanisms and policies to protect complainants from being disadvantaged as a result of reporting suspected fraudulent practices.	The CoM has two Responsible Officers who are qualified and receive annual training on how to effectively manage suspected fraud investigations. There are a number of channels available for internal and external parties to report incidents of suspected fraud, such as a PO Box, email address or directly reporting any incidents to the Responsible Officers.	Some Alignment (Refer to Finding 4)
Response Attributes		
R1 - Investigations Determine the extent to which the organisation has developed appropriate, effective and efficient mechanisms and policies for investigating and dealing with suspected fraud.	The CoM have effective processes to manage reports of suspected fraud. Internal investigations are conducted by one of the two qualified Responsible Officers or reported to external governing bodies (i.e. ICAC) where required. Considerations for best practice would be to consider implementing set timelines in which internal governing bodies (Finance and Audit Committees, ELT or Council) should be notified of any instances.	Strong Alignment
R2 - Insurance Determine the extent to which the organisation's insurance policy covers against losses in the event of a fraud.	The CoM has a Mutual Liability Scheme (MLS) which provides fidelity cover of up to \$500,000 in any one year for any fraud related activities. This insurance cover is reviewed annually.	Strong Alignment

Key:

Strong alignment

Some alignment

Minimal alignment

2.0 Internal Audit Findings

Table of Contents

Executive Summary

Internal Audit Findings

Performance Improvement Opportunities

Appendices

Finding 1 – Fraud training and awareness

Low

Observation

Currently, fraud specific training has not been provided to all CoM staff across the organisation, and a record of other relevant training has not been maintained within Training Manager (the CoM's online training system).

It is acknowledged that the CoM has provided some awareness training to staff. This includes Public Interest Disclosure Act (PID) training in 2019 which was provided to all staff within the organisation. Additionally, cyber security and awareness training is completed by all staff during their first 6-12 months. The PID training provided information relating to public officials disclosing suspected wrongdoing by another public official or by an Australian government agency.

Annually, managers (all staff with direct reports) are required to watch a 5 minute fraud awareness refresher video and attest their understanding/adherence to the CoM's policies and procedures.

It is noted that the CoM also facilitates a level of fraud awareness through various methods, such as:

- Including the Code of Expected Behaviours in the staff onboarding process.
- The existence of the Fraud and Corruption Framework.
- The newly implemented fraud intranet portal, which was communicated to all staff in the organisation.
- Cyber security training has recently been rolled out to all staff within the organisation.

However, currently no targeted fraud risk training or other channels (e.g. finance staff focus sessions, inductions, lessons learned from investigations, newsletters, posters, etc.) are provided to CoM staff. Additionally, formal tracking of the viewing of the annual fraud refresher video by Management is not formally recorded in Training Manager.

Increased training and communication regarding fraud awareness would ensure that staff of all levels within the organisation are fully aware of their responsibilities as public officers, and of the ever evolving fraud risk landscape the organisation.

Responsibility: Unit Manager Risk & Strategy / Manager, Office of CEO

Target date(s): 31 December 2021 / 31 March 2022 / 31 October 2021

Recommendation(s)

Internal Audit recommends the following:

1. The CoM implement an organisation wide fraud awareness training program which is refreshed and delivered on a regular basis. The CoM should consider the most appropriate method of delivering the fraud awareness training program, which may be through internal delivery or engaging with an external fraud awareness training provider.
2. PID training should be delivered during new starter induction with annual PID refresher training conducted in line with the fraud awareness training (Recommendation 1). It is further noted that this training could be updated to also include additional fraud training elements.
3. Record completed fraud awareness and PID training in Training Manager.

Agreed Management Action(s)

1. Unit Manager Risk & Strategy will facilitate the Fraud & Corruption training being uploaded to Kineo for distribution to all staff and enabling of automatic recording of training completed. Due 31 December 2021.
2. Manager Office of the CEO will work with the Manager P&C regarding the training to be delivered by 31 March 2022.
3. Unit Manager Risk & Strategy will provide a record of completed training to be provided to P&C to be recorded in Training Manager. Due 31 October 2021.

2.0 Internal Audit Findings

Table of Contents

Executive Summary

Internal Audit Findings

Performance Improvement Opportunities

Appendices

Finding 2 – Fraud risk assessment

Low

Observation

The CoM have developed and implemented a Fraud Risk Assessment (FRA) process which supports the identification of fraud and corruption risks across the organisation. Our review identified that there is a need for an updated fraud risk assessment to be performed, which further captures emerging and Business Unit specific fraud risks.

Furthermore, there is an opportunity to improve the fraud risk assessment process with the addition of a centralised fraud risk register.

The current FRA process involves fraud workshops conducted once every four years, with managers from each business unit in attendance. A risk assessment for corporate fraud is created after the workshop. The current corporate fraud related risks are:

- Fraudulent financial reporting
- Misappropriation of assets
- Expenditures and liabilities for improper use
- Fraudulently obtained revenue and/or assets
- Fraudulently avoided costs and/or expenses

With diverse operations such as property and facilities management, operations and civil services, planning and development, library and community services, local governments will always be exposed to a broad range of fraud related risks, many of which are constantly evolving in a rapidly digitising world. The five risks noted above are high level, a majority of which are finance related. The risks do not capture business unit level fraud risks, as well as emerging digital risks (phishing, social engineering etc).

Additionally, a centralised fraud risk register would assist the CoM in developing a targeted fraud strategy and plan.

Responsibility: Unit Manager Risk & Strategy

Target date(s): 28 February 2022 / 31 March 2022 / 30 April 2022

Recommendation(s)

Internal Audit recommends the following:

1. The CoM prioritise conducting three FRA workshops with the following Business Units:
 - City Services
 - City Development
 - Corporate Services (Finance, IT and Procurement)
2. Refresh the current Fraud Risk Register, with specific consideration to the following:
 - Including targeted risks that may impact each business unit.
 - Leveraging the Fraud Control Self Assessment checklists to highlight current risks and controls in place.
 - Consider digital fraud related risks and their potential impacts on the organisation and each business unit.
3. As part of the CoM Fraud & Corruption Framework, there is an opportunity for the CoM to reference the results of the consolidated fraud risk assessments to help further identify the key areas of internal controls which should be reviewed. As an example, the output of these reviews could help to inform potential internal audit projects.

Agreed Management Action(s)

1. Unit Manager Risk & Strategy will conduct FRA workshops with business units.
Due 28 February 2022.
2. Unit Manager Risk & Strategy will refresh the current Fraud Risk Register including targeted risks, those issues highlighted through the self assessment process and in consideration of digital fraud risks.
Due 31 March 2022.
3. Unit Manager Risk & Strategy will update the Fraud & Corruption Framework to reflect the FRA outcomes.
Due 30 April 2022.

2.0 Internal Audit Findings

Table of Contents

Executive Summary

Internal Audit Findings

Performance Improvement Opportunities

Appendices

Finding 3 – Pre-employment screening and cab charge policy

Low

Observation

Pre-employment screening policy

The pre-employment screening process has not been formalised in a policy document.

Through stakeholder consultation, it was noted that pre-screening activities occur, which includes reference checks and obtaining copies of relevant qualifications. This has been formalised in an internal working procedure by the People and Culture team.

Implementing a policy for pre-employment screening would ensure that all pre-employment activities, from shortlisting through to reference and credential checks is performed consistently for each applicant.

Additionally, as the requirement to conduct police checks for certain roles has recently been implemented, there is an opportunity to include this requirement in the above policy document. It was also noted that guidance is not in place which details the steps that should be taken if adverse findings result from the staff police checks.

Cab charge policy

Through stakeholder consultation and a desktop review, Internal Audit noted that there is currently no cab charge policy or procedure in place. At present, Internal Audit were advised that 80 – 100 cab charges were utilised each year. Better practice would be to provide guidance on the usage of cab charges in the form of a procedural document or other formalised guidance.

Recommendation(s)

Pre-employment screening policy

Internal Audit recommends the following:

1. A pre-employment screening policy should be developed and endorsed by ELT.
2. As police check requirements have been implemented for certain roles, this requirement and a register of the roles should be included in the above policy. Special consideration should be given to the following:
 - Whether it is appropriate to retrospectively conduct police checks for staff currently in police check-required roles.
 - Staff moving to a role that requires a police check should undergo the check.
 - Guidance to be developed regarding steps to be taken in the event of adverse outcomes resulting from staff police clearance checks.

Cab charge policy

Internal Audit recommends the CoM implement a cab charge procedural document or add to existing policy, with specific considerations including but not limited to the following:

- The employees roles and responsibilities
- Lost or stolen cards
- Manual dockets
- Use of EFTPOS machine.

Agreed Management Action(s)

Pre-employment screening policy

1. Unit Manager People & Culture will develop a pre-employment screening policy. Due 31 December 2021.
2. Unit Manager People & Culture will include the register of roles requiring police checks into the pre-employment screening policy. Consultation will take place with ELT as to whether it is appropriate to a) retrospectively conduct policy checks for existing staff, b) perform police checks for staff moving into a role that requires a police check, c) guidelines to be developed regarding adverse outcomes from staff checks. Due 31 December 2021.

Cab charge policy

Unit Manager Operational Support will Implement a Cab Charge Procedure. Due 28 February 2022.

Responsibility: Unit Manager People & Culture / Unit Manager Operational Support

Target date(s): 31 December 2021 / 28 February 2022

2.0 Internal Audit Findings

Table of Contents

Executive Summary

Internal Audit Findings

Performance Improvement Opportunities

Appendices

Finding 4 – Fraud reporting channels and investigation process

Low

Observation

Fraud reporting channels

The CoM has three channels available to report instances of suspected fraud. These channels are:

- Anonymous – writing a letter and sending to a PO Box.
- Not anonymous – emailing a marion.sa.gov.au email address.
- Not anonymous – reporting any instances directly to the two Responsible Officers.

Whilst the above channels encourage open and honest communication, it is important to ensure the barriers to making reports are as minimal as possible. The fraud reporting channels could be enhanced through the use of further anonymous reporting services (phone and web) rather than having to write a letter and mailing it to a PO Box (which may be perceived as cumbersome).

Responsible Officer investigation process

The CoM has two appointed Responsible Officers nominated for investigating reported instances of fraud within the organisation, being the Manager, Office of the CEO and the Manager, People and Culture. The Responsible Officers have received specific training and accreditation to conduct investigations of suspected incidents of fraud within the CoM.

To improve the investigation process, considerations should be made regarding the sharing of information between the two Responsible Officers. This would include introducing set check in points during an open investigation and more guidance regarding the sharing of information.

Recommendation(s)

Internal Audit recommends the following:

Fraud reporting channels

1. Consider introducing further anonymous fraud reporting mechanisms for staff including phone and web channels.
2. Formally document and communicate these fraud reporting mechanisms to staff.

Responsible Officer investigation process

Internal Audit recommends the CoM amend the investigation procedural document to include the following:

- Established check in points between the two Responsible Officers.
- Further rigour around sharing of investigation status and relevant information between the two Responsible Officers.

Agreed Management Action(s)

Fraud reporting channels

1. Unit Manager Risk & Strategy will consider further anonymous fraud reporting mechanisms and update the Fraud & Corruption Framework accordingly.
Due 31 December 2022.
2. Unit Manager Risk & Strategy will communicate any fraud reporting changes to staff.
Due 31 December 2022.

Responsible Officer investigation process

Manager Office of the CEO will work with Manager, P&C regarding process for Responsible Officers.
Due 31 December 2021

Responsibility: Manager, Office of the CEO / Unit Manager Risk & Strategy

Target date(s): 31 December 2021

3.0 Performance Improvement Opportunities

Table of Contents

Executive Summary

Internal Audit Findings

Performance Improvement Opportunities

Appendices

PIO 1 – Data analytics in fraud detection programs

PIO

Observation

Fraud detection programs (some detective controls tested are detailed on page 13) are already in place across the CoM. As part of the digital transformation, there is an opportunity for the CoM to consider data mining/analytics (such as offline and real time analysis of payroll data, purchases and creditor payments) in the fraud detection program. Considerations for data mining/analytics would be most effectively carried out once a full fraud risk assessment has been conducted (see Finding 2).

Recommendation(s)

Internal Audit recommends the CoM consider implementing data mining/analytics fraud detection programs as part of the Digital Transformation Program.

Agreed Management Action(s)

The Chief Financial Officer will explore the opportunity with the Business Intelligence Lead of implementing data analytics fraud detection programs in the future. The CoM is developing its data analytics capability recently employing a data analytics lead with further resourcing to support the function being addressed.

Following the completion of FRA as noted in finding 2, options will be explored regarding the introduction of data analytics for fraud detection purposes.

Responsibility: CFO / Business Intelligence Lead

Target date(s): 30 June 2022

PIO 2 – Media response policy

PIO

Observation

Through stakeholder consultation and a desktop review, it was noted that there is no reference to a media response policy in any of the fraud and corruption documents. There is an opportunity to improve cohesion between existing CoM policies by including a reference to the Business Continuity Media Response Policy in the Fraud and Corruption Framework.

Recommendation(s)

Internal Audit recommends the CoM consider including a reference to the Business Continuity Media Response Policy in the Fraud and Corruption Framework.

Agreed Management Action(s)

Unit Manager Risk & Strategy will update the Fraud & Corruption Framework to reference the BCP Communications Strategy, specifically the process for Media Response.

Responsibility: Unit Manager Risk & Strategy

Target date(s): 31 December 2021

Appendix 1 – Control Review and Testing Results

Table of Contents

Executive Summary

Internal Audit Findings

Performance Improvement Opportunities

Appendices

The table below summarises the limited testing conducted to assess the design effectiveness of CoM fraud controls as well as if they are operating as intended.

Control Group	Description	Design Effectiveness	Results of Testing
Purchase/Credit Cards (Sample of 3 employees tested)	The cardholder completed the purchase card reconciliation and sent through for approval.	Controls are designed effectively to mitigate risk of fraud.	No Exceptions Noted
	A tax invoice for each transaction was scanned and attached to the reconciliation.	Controls are designed effectively to mitigate risk of fraud.	No Exceptions Noted
	The cardholder completed their reconciliation and submitted for approval within 5 working days of receiving the email notification.	Controls are designed effectively to mitigate risk of fraud.	No Exceptions Noted
Employee Masterfile Changes (Sample of 3 employees tested)	Changes in the Masterfile were made only after receiving supporting documentation.	Controls are designed effectively to mitigate risk of fraud.	No Exceptions Noted
	Supporting documentation was signed off by personnel and an appropriate approver.	Controls are designed effectively to mitigate risk of fraud.	No Exceptions Noted
Supplier Masterfile Changes (Sample of 3 suppliers tested)	Changes to the Masterfile were made only after receiving supporting documentation.	Controls are designed effectively to mitigate risk of fraud.	No Exceptions Noted
	Supporting documentation was signed off by supplier and an appropriate approver.	Controls are designed effectively to mitigate risk of fraud.	No Exceptions Noted
Employment Police check (Sample of 3 employees tested)	Was a police check conducted in accordance with the recent policy change?	Controls are designed effectively to mitigate risk of fraud.	No Exceptions Noted
Insurance Policy (Reviewed CEO authorisation for current insurance policy)	Was CEO authorisation granted for the insurance policy?	Controls are designed effectively to mitigate risk of fraud.	No Exceptions Noted
Cab Charges (Reviewed cab charge policy)	Is there a cab charge policy to govern the use of cab charges?	Design of control was ineffective as there is no cab charge procedural document/policy currently in place.	Exception(s) Noted (Refer to Finding 4)

Appendix 2 – Staff Consultation

Table of Contents	Executive Summary	Internal Audit Findings	Performance Improvement Opportunities	Appendices
-------------------	-------------------	-------------------------	---------------------------------------	------------

The table below summarises the CoM stakeholders who were consulted during the review.

Name	Title
Sherie Walczak	Unit Manager Risk
Kate McKenzie	Manager, Office of the CEO
Ray Barnwell	CFO
Rachel Read	Manager People & Culture
Roger Belding	Unit Manager Operational Support
Micheal Bowden	Manager IT Operations
Jamie Dunnicliff	Strategic Procurement Lead

Appendix 3 – Classification of Findings

Table of Contents

Executive Summary

Internal Audit Findings

Performance Improvement Opportunities

Appendices

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

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

Appendix 3 – Classification of Findings

Table of Contents

Executive Summary

Internal Audit Findings

Performance Improvement Opportunities

Appendices

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

Appendix 3 – Classification of Findings

Table of Contents

Executive Summary

Internal Audit Findings

Performance Improvement Opportunities

Appendices

Risk Assessment Matrix – determine the Level of Risk

Likelihood of Occurrence	Consequence of Occurrence				
	Insignificant	Minor	Moderate	Major	Severe
Almost Certain	MEDIUM	HIGH	HIGH	EXTREME	EXTREME
Likely	LOW	MEDIUM	HIGH	HIGH	EXTREME
Possible	LOW	MEDIUM	MEDIUM	HIGH	HIGH
Unlikely	LOW	LOW	MEDIUM	MEDIUM	HIGH
Rare	LOW	LOW	LOW	MEDIUM	MEDIUM

Likelihood Criteria	
Almost Certain	The event is occurring now or is almost certain to occur. (Probability >75%)
Likely	The event is likely to occur. (Probability 50- <75%)
Possible	The event may possibly occur. (Probability 25 - < 50%)
Unlikely	The event is unlikely to occur. (Probability 1 - < 25%)
Rare	The event will only occur in exceptional circumstances. (Probability close to 0)

Consequence Criteria (Summarised)	
Insignificant	Physical or other injury requiring First Aid. No impact on wellbeing*. Minor local disruption.
Minor	Physical or other injury resulting or requiring medical attention. Minor temporary impact on wellbeing*. Local and temporary poor morale.
Moderate	Physical or other injury resulting in brief hospitalization / medical treatment (1 day). Significant/medium term wellbeing* or morale morale issues.
Major	Serious injury requiring hospitalisation (2 days or more or re-admission)/ extensive rehabilitation. Long term wellbeing* impact. Entrenched severe morale problems.
Severe	Death or critical injury. Wellbeing* of majority of workforce affected. Loss of a majority of the workforce. Inability to replace critical services.

Appendix 3 – Classification of Findings

Table of Contents		Executive Summary		Internal Audit Findings	Performance Improvement Opportunities	Appendices
	Insignificant	Minor	Moderate	Major	Severe	
People / OHS	Physical or other injury requiring First Aid. No impact on wellbeing. Minor local workforce disruption. Loss of continuity of staff knowledge.	Physical or other injury resulting in time lost (1 day) or requiring medical attention. Minor temporary impact on wellbeing. Local and temporary poor morale. Temporary loss of some staff of an individual Unit's workforce. Loss of staff continuity requiring recruitment.	Physical or other injury resulting in brief hospitalization / medical treatment (1 day). Significant/medium term wellbeing impact or a whole CoM worksite affected. Widespread morale issues. Temporary loss of staff across a number of Units. Loss of key staff with specific knowledge and skills. Impact on recruitment capacity as an Employer of Choice.	Serious injury requiring hospitalisation (2 days or more or re-admission)/ extensive rehabilitation. Long term wellbeing impact or more than one CoM worksite affected. Entrenched severe morale problems. Inability to recruit with necessary skills. High employee turnover.	Death or critical injury. Wellbeing of majority of workforce affected. Loss of a majority of the workforce. Inability to replace critical services.	
Social/ Cultural	Resident (household) experiences minor wellbeing impact, disempowered, inconvenience or disadvantage. Household impact <\$50.	A group of residents within a suburb or identified cultural or community group experiences ongoing minor wellbeing impact or are disempowered, inconvenienced or disadvantaged. Household financial impact <\$200.	A number of neighbourhoods (up to 25% of residents) or cultural groups experience wellbeing impact, are disempowered, inconvenienced or disadvantaged. Household financial impact <\$1,000.	Up to 50% of residents are disadvantaged, inconvenienced, disempowered or may experience wellbeing harm. Cultural group or community offended, unable to practice recognised traditions. Household financial impact <\$10,000.	Majority of CoM residents are disadvantaged, inconvenienced, disempowered or may experience wellbeing harm. Household financial impact >\$10,000.	
Business Continuity / Organisational	Insignificant impact on Council's ability to achieve strategic outcomes. Minor impact on local Business Unit plan. Project – Nil impact on achievement of key project objectives or project duration extended up to 10% of original project timeframe.	Minor impact on a small number of Business Unit plans. Some impact on strategic initiatives but only minor aspects impacted. Overall strategic intent still achievable. Project – Some impact on isolated key project objectives. Additional minor effort required to ensure all objectives are met. Project duration extended by 10-20% of original project timeframe.	Some key components of the strategic plan could not be achieved as a result of risk event. Additional funding / resources required to rectify. Project – Impacts numerous key project objectives. Considerable effort required including some change in project scope to achieve required outcomes. Project duration extended by 21-35% of original project timeframe.	Council unable to deliver on numerous key strategic initiatives without additional funding / resources. Major review of strategic plan required. Project – Significant portion of key project objectives impacted. Major changes to project scope and work necessary to achieve required outcomes. Project duration extended by 36-50% of original project timeframe.	Majority of initiatives and / or key initiative within the Council's strategic plan unattainable. Project – Failure of project to meet all required objectives. Project duration extended by >50% of original project timeframe.	
Reputation & Public Administration	A slight but manageable increase in the number of adverse resident/ stakeholder complaints. No media enquiry.	An increase in the number of resident/stakeholder complaints requiring direct effort to resolve / attend to. Media enquiry, isolated media mention (social or mainstream media). Elected Member dissatisfied, complaint.	Campaign of adverse social media coverage supported by Local mainstream media agency for a period up to 3 days. A high volume of resident / stakeholder complaints. Majority of Elected Members dissatisfied, Council motion affecting CEO/Administration. CoM under severe pressure on numerous fronts. Ombudsman or Office of Public Integrity involvement. Complaint from partner organization resolved within portfolio.	Campaign of adverse social and mainstream media coverage at State and Local level for a period of up to one week. Publicised adverse resident comments and/or complaints. Forced resignation of Director/s. Ombudsman or Office of Public Integrity involvement. Relationship with partner organization harmed, requiring CEO involvement.	National / State campaign of adverse media coverage for a period greater than 1 week. Widely publicised adverse resident / stakeholder comments and / or complaints. Forced resignation of CEO / Mayor. Council stood down. Minister intervention required.	
Environmental	Minor adverse environmental impacts that are short term and/or reversible.	Isolated instances of environmental damage requiring minor effort to reverse / remediate.	Isolated but significant instances of environmental damage / implications requiring concentrated effort to reverse / remediate.	Severe and/or widespread environmental damage and / or loss of environmental aspect. Extensive effort and support required to reverse / remediate. Danger of continuing environmental damage / losses.	Major widespread loss of environmental aspect and progressive irrecoverable environmental damage.	
Financial	CoM – Financial impact, loss and/or penalty up to \$10,000. Project – up to 5% of original project budget.	CoM – Financial impact, loss and/or penalty between \$10,000 - \$100,000 Project – between 5-10% of original project budget.	CoM – Financial impact, loss and/or penalty between \$100,001 - \$1M. Project – between 10-20% of original project budget.	CoM – Financial impact, loss and/or penalty between \$1M and \$4M. Project – between 20-35% of original project budget.	CoM – Financial impact, loss and / or penalty in excess of \$4M or higher impact on sustainability. Project – >35% of original project budget.	

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 October 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.



City of Marion

Internal audit project
scope:

Collaborative Projects Health Check

(Collaborative project with the Cities of Charles Sturt and
Port Adelaide Enfield)

September 2021

kpmg

DRAFT

Internal Audit Program 2021/22: Collaborative Projects Health Check

In accordance with the 2021/22 Internal Audit Plan for the City of Marion ('CoM'), an internal audit project focussing on the CoM's Collaborative Projects is to be performed. This project will be a collaborative internal audit with the Cities of Charles Sturt and Port Adelaide Enfield (collectively 'the councils').

In recent years the CoM has conducted several collaborative projects with the Cities of Charles Sturt and Port Adelaide Enfield across a broad range of services and activities. Key drivers for embarking on these collaborative projects have included:

- Improved services
- Identification of cost savings
- Shared learnings, and opportunities to facilitate knowledge sharing across council resources.

Objective

The objective of this internal audit project will be to assess the governance structures supporting the Collaborative Model between the Councils including articulation and measurement of project benefits, communication and knowledge sharing, resource and cost sharing and lessons learned.

Scope of services

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

- Review of the current governance structures in place to support the overarching Collaborative Model between the councils, including consideration of the following:
 - Processes to identify and select potential collaborative projects and other collaborative initiatives.
 - Work, health and safety (WHS) requirements for collaborative projects (where relevant).

- Processes for the management and coordination of the Collaborative Model, including equality of benefits sharing and resource planning between the councils.
- Processes for monitoring and reporting of collaborative projects and initiatives, including both collaborative project outcomes and financial management and reporting.
- Clarity of relevant roles, responsibilities and accountabilities responsible for the delivery of projects and stakeholder communication processes.
- Learned lessons including the application of learnings to help inform continuous improvement towards future projects.

Approach

The approach to this engagement will include:

- Review of the systems, processes, tools and procedures in place to support the management of the overarching Collaborative Model between councils.
- Consultation with relevant stakeholders to obtain an understanding of the overarching Collaborative Model and processes in place for the management and coordination of the Collaborative Model.
- Review of one recently delivered collaborative project and associated project management documentation, to understand the lessons learned and processes and activities undertaken for the scope points above.
- Close-out meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations.
- Drafting and finalisation of an internal audit report outlining internal audit findings, recommendations and any performance improvement opportunities



Stakeholders

The following stakeholder consultations will be performed for the positions detailed below across each of the three councils as part of the Collaborative Projects Health Check internal audit project:

Position title	CCS	CoM	CoPAE
CEO	Paul Sutton	Tony Harrison	Mark Withers
Executive Representative	Donna Dunbar	Sorana Dinmore	Abby Dickson
Governance	Kerrie Jackson	Kate McKenzie	Bree Goodchild
Finance	Annette Martin	Ray Barnwell	Mark Grey
HR	TBC	TBC	TBC
Project Stakeholder(s)	Jamie Dunncliff and other relevant nominated staff		

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Resources and Budget

The team members and proposed budget for the Collaborative Projects Health Check internal audit project are listed in the following table:

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Eric Beere	Partner	\$355	5	\$1,775
Heather Martens	Director	\$260	10	\$2,600
Glen Winkler	Business Improvement Specialist	\$355	8	\$2,840
Scott Jeffree	Senior Consultant	\$130	25	\$3,250
Aaron Nachum	Consultant	\$110	35	\$3,850
Total (excl. GST)				\$14,315

Timing

The proposed timing for the Collaborative Projects Health Check internal audit project is for the project to commence in September 2021 with a draft report completed for consideration by late November 2021.



Disclaimers

Inherent limitations

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

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

Third party reliance

This scope is solely for the purpose set out above and City of Marion information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. The internal audit report is to be prepared at the request of the City of Marion 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.

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.



City of Marion

Internal audit project scope: Contract Management

(Collaborative project with the City of Charles Sturt)

October 2021

DRAFT FOR DISCUSSION

**DRAFT**

Internal Audit Program 2021/22: Contract Management

In accordance with the 2021/22 Internal Audit Plan for the City of Marion ('CoM'), an internal audit project focussing on the CoM's Contract Management is to be performed. This project will be a collaborative internal audit with the City of Charles Sturt ('CCS') (collectively 'the councils').

Objective

The objective of this internal audit project will be to review the CoM's overarching contract management framework with a specific focus on the end-to-end contract management in relation to the post-contract award process.

Scope of services

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

- Review of the CoM's key contract management policies and procedures post-award, including:
 - Governance, resources, and roles and responsibilities in relation to contract management (including skills, experience and training).
 - Risk management processes to ensure key contract risks are identified, monitored and mitigated.
 - Management of work, health and safety (WHS) in accordance with contract requirements, including contractor induction processes.
 - Financial management and oversight, including verification of contract expenditure and financial monitoring and reporting.
 - Documentation and authorisation requirements of contract variations and extensions.
 - Compliance monitoring of contract obligations, commitments and service requirements.
 - Relationship management, including escalation and resolution management over non-compliances and disputes.

- Management of contract performance, including management of contract variations, achievement of KPI's and the ability of the contractor to meet the terms of the contractual arrangements.
- Systems and processes in place to support contract management, including records management and notification of contract milestones and renewals.
- Consideration of lessons learned processes to help inform continuous improvement in relation to contract management.

The scope of this review will exclude any detailed review of the councils' contract management processes pre-award.

Approach

The approach to this engagement will include:

- Review of the systems, processes, tools and procedures in place to support contract management.
- Consultation with relevant stakeholders to obtain an understanding of the contract management processes and key controls in place for the management of contracts post-award.
- Sample testing of key controls for an agreed sample of 3 – 4 contracts.
- Close-out meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations.
- Drafting and finalisation of an internal audit report outlining internal audit findings, recommendations and any performance improvement opportunities.



Stakeholders

The following CoM stakeholders will be consulted as part of the Contract Management internal audit project:

Personnel	Position title
Tony Lines	General Manager, City Services
Ilia Houridis	General Manager, City Development
Jamie Dunncliff	Manager, Strategic Procurement Services
Mathew Allen	Manager Infrastructure
Kevin Poh	Senior Project Manager, Financial Transformation

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Resources and Budget

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

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Eric Beere	Partner	\$361	5	\$1,805
Hayden Love	Contract Assurance & Performance Specialist	\$361	17	\$6,137
Heather Martens	Director	\$264	10	\$2,640
TBC	Senior Consultant	\$158	40	\$6,320
TBC	Consultant	\$112	50	\$5,600
Total (excl. GST)				\$22,502

Timing

The proposed timing for the Contract Management internal audit project is for the project to commence in November 2021 with a draft report completed for consideration by mid-January 2022.



Approvals

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

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

Name: Tony Lines

Name: Eric Beere

Signed:

Signed:

Date:

Date:

DRAFT

Disclaimers

Inherent limitations

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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.

6.7 Results of the Bi-Annual Performance and Effectiveness Review of the Finance and Audit Committee

Report Reference	FAC211012R6.7
Originating Officer	Unit Manager Governance and Council Support – Victoria Moritz
Corporate Manager	Manager Office of the Chief Executive - Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

To review the results of the Bi-Annual Performance and Effectiveness Review of the Finance and Audit Committee (FAC) with the intent to set an improvement plan, amend the Terms of Reference and / or include items within the work program over the next two years.

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 directly relates to improving the operations and outcomes of the Committee that will also improve the overall performance of the Council.

The FAC Terms of Reference states that the FAC will review its performance on a bi-annual basis to ensure the continual improvement of its performance. The Committee has now completed its review, with the results suggesting that the FAC is performing well overall.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Review the results of the Performance and Effectiveness Review for 2021 and note the following improvements to be implemented over the next two years:**
 - a. X
 - b. x

DISCUSSION

The survey includes 52 statements across the following areas:

- Committee Structure and Membership
- Committee Meetings
- Leadership and Integrity
- Relationship and Reporting
- Roles and Responsibilities

The Survey was distributed to all FAC Members, Council Members and key senior staff. A total of seven people completed the survey. Individuals were asked to rate the questions based on the scale of strongly agree, agree, disagree and strongly disagree.

Overall the survey was positive with the majority of the questions responded to with either 'strongly agree' or 'agree'. Full details of the responses and comments are provided in **Appendix 1**.

It is noted that the survey results indicated that an earlier distribution of the agenda would be useful. Administration is working on improving the timing of the publication of agendas and is hopefully to implement some changes in 2022.

Potential focus areas for improvement and the Committee's work program for 2021/22 may include:

- Agenda size
- Further review of Council's risk appetite
- Succinct reports aligned to the Committees Terms of Reference

ATTACHMENTS

1. Results of FAC Bi- Annual Effectiveness Survey [6.7.1 - 3 pages]

1. COMMITTEE STRUCTURE AND MEMBERSHIP

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
1.1 The structure of the Committee is appropriate to manage workload and obligations.	4	2		
1.2 The balance of independent v's Council members is appropriate	2	2		1
1.3 The Committee's Terms of Reference clearly outline roles and responsibilities	4	2		
1.4 Committee members have the right skills, experience and knowledge	1	3	2	
1.5 Committee members are appropriately inducted	3	3		
1.6 Committee members are recruited based on required skills, experience and knowledge	1	3	2	
1.7 All Committee members understand their legal duties on behalf of the Council	2	4		
1.8 The Committee does not rely on any one Committee Member to provide appropriate advice and experience	5	1		
1.9 The remuneration of the Committee is appropriate based on role, responsibility, skills/ experience, time commitment and retention	1	4	1	

3. COMMITTEE MEETINGS

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
3.1 The Committee has a comprehensive work plan that covers the requirements of the Committee's Terms of Reference	4	2		
3.2 The Committee meetings are appropriately scheduled (i.e. frequency, timing, duration, etc.)	1	5		
3.3 Agendas and reports are distributed in a timely manner	1	4		1
3.4 The size of the agenda is manageable within the meeting		5	1	
3.5 Committee reports are well written and can be easily understood	1	5		
3.6 The business of the Committee is accurately captured in the minutes	2	4		
3.7 The discussions within the Committee meetings are relevant and useful for decision making	2	3	1	
3.8 Management does not unduly influence the recommendations of the Committee	3	3		
3.9 The Committee uses confidential orders appropriately and conducts sessions without management present from time to time	3	3		
3.10 The Committee has a useful process to following up actions from previous meetings	2	3	1	

2. General Comments

The committee would benefit from having 2 Elected Members. Elected members are not being recruited based on the required skills, experience and knowledge. The workload of the committee is quite heavy and remuneration is not commensurate with the time commitment.

The current committee seems imbalanced - majority focus on compliance and 'minors' and not enough on adding value. What has each member actually contributed to the success of Marion this year?

Having only one Elected Member now may place additional pressure on that member from a council representational viewpoint

4. General Comments

If the frequency of meetings increased it would spread the workload more appropriately. The committee would benefit from more time to read the papers.

Not sure that committee adds value towards Marion success, now seems more aligned with compliance. (which is still very important).

There is always room for improvement in report presentation -more succinct reports may reduce the size of the agenda which can be very large at times

5. LEADERSHIP & INTEGRITY

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
5.1 All Committee members express their professional view within the meeting	3	3		
5.2 All Committee members appropriately disclose any conflicts of interests	3	3		
5.3 Committee members act in accordance with the City of Marion values being Respect, Integrity, Achievement and Innovation	3	3		
5.4 The Committee works effectively as a team	2	4		
5.5 The Committee presiding member has an effective and constructive working relationships with Council and Management	2	3	1	
5.6 The Committee presiding member builds healthy room dynamics	3	2	1	
5.7 The Committee presiding member ensures that the Committees workload is managed appropriately	2	4		
5.8 The Committee presiding member keeps the meeting focused and does not get side tracked	4	2		
5.9 The Committee is adding value to the work of the City of Marion	4	1	1	

7. RELATIONSHIPS & REPORTING

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
7.1 All Committee members understand how their role operates and the Committees reporting obligations to Council	3	3		
7.2 The Council actively seeks the views of the Committee on matters relating to its terms of reference	2	2	2	
7.3 The Committee's operations does not diminish the ultimate responsibility of the Council	4	2		
7.4 The Committee has a constructive relationship with the Council	3	2	1	
7.5 The Committee has a constructive relationship with Management	2	3	1	
7.6 The Committee has appropriate access to information and staff	2	4		
7.7 Management keep the Committee informed of relevant information and risks between meetings	2	4		
7.8 The minutes, decisions and actions of the Committee are reported to Council in a timely and accurate manner	4	2		

6. General Comments

The contribution to the last combined FAC and Elected Member Forum was unfortunately poor, including factual errors. Many Members would have lost confidence in the Committee.

The meetings are chaired well and appropriate time is allowed for healthy discussion

8. General Comments

Elected Members appear to treat the FAC as a legislative requirement and not a resource.

7. ROLES & RESPONSIBILITIES

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
9.1 The Committee has a clear understanding of the Council's risk tolerance	2	1	3	
9.2 The Committee ensures that the organisation has appropriate internal controls, frameworks, systems and processes established for the management of risks	3	3		
9.3 The Committee reviews and understands the organisation's risk profile	3	3		
9.4 The Committee is confident that senior executives understand their responsibilities for managing risks	2	3	1	
9.5 The Committee is confident that the Council has appropriate internal controls established to manage risks	3	2	1	
9.6 The Committee receives comprehensive reporting that assesses the effectiveness of internal controls	2	4		
9.7 The Committee has oversight of compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements	3	3		
9.8 The Committee has oversight and recommends to Council the engagement of the City of Marion's Internal Audit contract	3	3		
9.9 The Internal Audit function is appropriately resourced and managed	3	3		
9.10 The Internal Audit Work plan is endorsed by the Committee and has the right balance of risk, compliance and financial matters to be reviewed	3	3		
9.11 The Committee has robust discussion and agrees to the basis upon how financial reporting will be prepared	3	3		
9.12 The Committee undertakes an in-depth review of the financial reporting disclosures for the City of Marion	2	3	1	
9.13 The Committee receives comprehensive financial information and analysis that is used to support and assist Council with its prudential management and fiduciary responsibilities	3	2		1
9.14 The conditions of the External Auditors engagements are consistent with all relevant statutory requirements and accepted best practice principles	3	3		
9.15 The Committee has oversight and recommends to Council the engagement of the City of Marion's External Audit contract	4	2		
9.16 The External Audit function is appropriately resourced and managed	4	2		
9.17 The External Audit Work Plan is comprehensive and aligned to the requirements of the financial obligations of the Council	4	2		
9.18 The Committee has oversight of the service review program and is confident it will deliver efficiencies to the organisation	2	3		1
9.19 The Committee receives service reviews reporting and critically analyses the data provided	2	4		

8. General Comments

Committee has a clear understanding of the Council's risk appetite even if it is not perfectly aligned with the written statements. With the introduction of Budget Reviews, the committee will receive comprehensive financial information and analysis to assist Council with its prudential management and fiduciary responsibilities.

6.8 Strategic Risk Report

Report Reference	FAC211012R6.8
Originating Officer	Acting Manager Office of the Chief Executive – Sherie Walczak
Corporate Manager	N/A
General Manager	Chief Executive Officer - Tony Harrison

REPORT HISTORY

Report Reference	Report Title
FAC210518R07	Strategic Risk Review

REPORT OBJECTIVE

To seek feedback from the Finance and Audit Committee (FAC) on the development of the Strategic Risks (provided as **Attachment 1**) and method of reporting.

EXECUTIVE SUMMARY

The development of the Strategic Risk Register has resulted in 8 Strategic Risks, summarised as:

Theme	Risk	Inherent	Current	Forecast
LIVEABLE	Inadequate recognition of and provision of services in response to changing social, vibrant, diverse and economic conditions on the community	High	Medium	Low
VALUING NATURE	Inappropriate response to, or preparation for, climate change impacts	Extreme	High	Medium
	Inadequate protection of the natural assets and provision of natural spaces	High	Medium	Medium
INNOVATIVE	Inadequate use of technology and data to improve services and operational efficiency	Extreme	High	Medium
PROSPEROUS	Inability to attract and retain businesses, supported by innovation hubs, which build a thriving economy and promote economic resilience	High	Medium	Medium
	Failure to activate and maintain vibrant communities which attract people to the City	High	Medium	Low
CONNECTED	Asset management planning not supporting accessible community connection with our services and facilities	Extreme	Medium	Low
ENGAGED	Inadequate engagement, collaboration and partnerships with community, government and private sector partners	Extreme	High	Medium

BACKGROUND

KPMG undertook an Assurance Mapping Internal Audit, presented to FAC at its meeting on 23 February 2021 (FAC210223R06). The Audit summarised the risk register with a series of 19 “rolled

up” risks which they assessed in terms of the 3 lines of defence. A key recommended from this audit was that a Strategic Risk Register be developed.

These “rolled up” risks were then considered internally, and a draft Strategic Risk Library and Corporate Risk Library were drafted and presented to FAC at its meeting on 18 May 21 (FAC210518R07). The Committee reviewed the draft and noted that it was a good piece of work, however suggested that 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.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Review and provide feedback on the Strategic Risks**

DISCUSSION

The draft Strategic Risk and Corporate Risk Libraries were reviewed with ELT at a Risk Working Group meeting held on 2 August 2021. This resulted in a reduction of the 18 suggested risks to 8 (provided as Attachment 2) and noted the risks were to be further developed offline and brought back for further discussion at a workshop.

The Strategic Risk Library was brought back for further discussion at a meeting of ELT held on 1 October 2021. This resulted in a more comprehensive Strategic Risk Library, (provided as Attachment 1). Key related Corporate Risks have been identified for each Strategic Risk which include mitigating actions assigned to them which are monitored through the Corporate Risk Register review process. The Strategic Risks, owned collectively by ELT, will be monitored and reported annually to FAC. The draft Strategic Risks, presented in Attachment 1, are now presented to FAC for review and feedback.


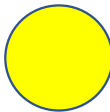
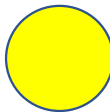
ATTACHMENTS

1. Strategic Risk Report Attachment 1 [6.8.1 - 8 pages]
2. Strategic Risk Report Attachment 2 [6.8.2 - 1 page]

DRAFT Strategic Risk Report

SR001

Inadequate recognition of and provision of services in response to the community's changing social, vibrant, diverse and economic conditions

Inherent Risk Rating	Current Risk Rating	Forecast Risk
 Possible x Severe = H	 Unlikely x Major = Medium	 Unlikely x Moderate = Low

Risk Context

While the Australian economy is currently performing very well the reduction of Covid-19 support packages may induce recessionary inactivity, including increased unemployment, impacting economic prosperity as well as impacting psychological health, wellbeing and overall resilience of many people in the community. This coupled with urban infill and ongoing population increase continues to place increasing demand for accessible community facilities and quality formal and informal recreational facilities. The change of community expectations and their perception of governments will place an impetus upon the local government sector to remain flexible at the local level to the changing needs of the community to ensure that it maintains a social licence to operate.

Control Environment

Monitoring of the changing community environment is undertaken through community engagement, program/service evaluation and environmental scanning which together inform the Strategic Planning process.

Core controls:	Supporting controls:
<ul style="list-style-type: none"> Strategic Plan Framework Community Engagement Plan City of Marion Community Facilities Policy Equity Access and Social Inclusion Policy Libraries Plan 2021-2025 Buildings and Facilities Asset Management Plan - Community Facilities Level of Service 	<ul style="list-style-type: none"> Environmental Scanning process Program evaluation and customer surveys

Risk Prediction

The current external environment is in a period constant change with uncertainty on how Covid-19 impacts will play out long term. Despite this significant ambiguity, the City of Marion is well placed to respond to the changes in community needs currently and has strategic plans that has well considered initiatives to respond to longer term issues. During the next planning phase, it will be important to define what the "CoM Brand", and therefore "success" from the perspective of the community, looks like.

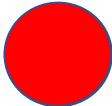

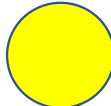
Key Related Corporate Risks

LIB01	Provision of community facilities and/or services which are not valued, provided limited utility or are not required by the CoM community
PCU07	Inability to encourage or engage the community to attract, retain and deliver volunteer services to support CoM operations and programs
GOV06	Inability to attract funding to deliver community projects and key strategic outcomes.

DRAFT Strategic Risk Report

SR002

Inappropriate response to, or preparation for, climate change impacts

Inherent Risk Rating	Current Risk Rating	Forecast Risk
 Likely x Severe = Extreme	 Possible x Major = High	 Unlikely x Major = Medium

Risk Context

Local government's role is focused on managing local impacts to avoid maladaptation and to build resilience while ensuring planned responses exist to known hazards and risks. Known climate impacts for the city that have been identified through climate change scenarios are: sea level rise, coastal erosion, a drying and warming trend, hotter areas identified on heat maps and increased frequency and intensity of extreme weather events, including floods, storms and heat waves. Adaptation to climate change requires efforts on a global, national and local scale. Within Council's sphere of influence and control, implementation of policy and initiatives that promote practical action from the community, federal, state and the broader local government sector will enable Council to mitigate its risk exposure.

Control Environment

The Resilient South Regional Climate Change Adaptation Plan, a partnership with Cities of Onkaparinga and Holdfast Bay, focuses on adaptation to climate change impacts including heat, flood and sea level rise. Council has used study findings in its advocacy and in coastal protection activities. Coastal and flood inundation modelling has been applied in relevant Stormwater Management Planning. Council has made a commitment to set a tree canopy target to reduce the impacts of urban heat. Council works in partnership with other councils and the Green Adelaide Board to deliver a number of initiatives that support community led approaches to climate change adaptation and impact on the environment from current practices.

Core controls:	Supporting controls:
<ul style="list-style-type: none"> Climate Change Policy Resilient South Regional Climate Change Adaptation Plan Resilient South Local Government Regional Implementation Plan Coastal Climate Change Adaptation Plan Energy Efficiency and Renewable Energy Plan Carbon Neutral Plan 	<ul style="list-style-type: none"> Community Emergency Management Plan Flood mapping Urban heat mapping Carbon Inventory Asset and public Liability Insurance Program and schedule of External Education via events, networking, workshops etc. Environmental induction

Risk Prediction

In addition to maintaining current controls, new controls need to be identified in order to meet the Forecast Risk level of Medium. A Resilient Assets Management Project is currently underway to integrate climate risk into asset management planning which will also aim to include embodied carbon. The effectiveness of all controls is however dependent on an appropriate policy setting at an international, federal and state level with community action; failure to act will likely see an increase in the level of risk.


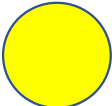
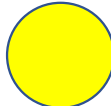
Key Related Corporate Risks

ESU01	Failure to deliver environmental functions-that meet community and EM's expectations and environmental need
ESU02	Negative impacts to the environment

DRAFT Strategic Risk Report

SR003

Inadequate protection of natural assets and provision of natural spaces

Inherent Risk Rating	Current Risk Rating	Forecast Risk
		
Likely x Major = High	Possible x Moderate = Medium	Unlikely x Moderate = Medium

Risk Context

The City of Marion has largely been cleared firstly for agriculture and then urban development. Despite this, there are still some important historical remnant native vegetation. Council's coastline is the most significant and highest quality area of remnant native vegetation, however there are many small patches (relicts) throughout our City that is important to preserve. The State Government have set targets that 60% of all new housing will be built within close proximity to current and proposed fixed line (rail, tram) and high frequency bus routes by 2045. The impacts of tree loss will outweigh the planting efforts undertaken by Council. It will be important to consider more investment in future open space provision to ensure that denser communities have opportunities for access to sufficient open spaces. The post Covid world is likely to continue to see a more flexible office/home model of work whereby residents are expected to explore their local communities more, potentially increasing expectations to ensure that natural assets, including tree canopy and open spaces, are accessible and available.

Control Environment

The Environment Policy promotes positive environmental outcomes by: protecting existing natural environments and local biodiversity; enhancing the condition and extent of natural environments; avoiding impacts from excessive resource use, waste generation, pollution and pest species; adapting to a changing environment and developing resilience to changes in our climate; and building human connections to the natural world whilst respecting cultural, social and economic values. This informs supporting policies and plans outlined as core and supporting controls.

Core controls:	Supporting controls:
<ul style="list-style-type: none"> • Environment Policy • Waste Management Policy • Climate Change Policy • Carbon Neutral Plan • Environmental sustainability design guidelines • Sustainable building maintenance guidelines • HSE Plan • Tree Management Framework • Remnant Native Vegetation Plan • Asset Management Plans • Planning, Development & Infrastructure Act (developers to plant / input to Council's fund to plant) 	<ul style="list-style-type: none"> • Environmental Risk Register (SkyTrust) • Environmental Induction & Training (as per TNA) • Pre-design/work environmental checklist • Environmental waste and recycling audits

Risk Prediction

There are areas currently identified as needing need additional open space and areas that need current provision of open space protected. The City of Marion has strategies in place to address these issues long term, hence mitigating the risk long term.

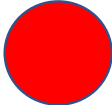

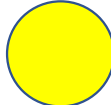
Key Related Corporate Risks

ESU01	Failure to deliver environmental functions-that meet community and EM's expectations and environmental need
ESU02	Negative impacts to the environment

DRAFT Strategic Risk Report

SR004

Inadequate use of technology and data to improve services and operational efficiency

Inherent Risk Rating	Current Risk Rating	Forecast Risk
		
Likely x Severe = Extreme	Possible x Major = High	Unlikely x Moderate = Medium

Risk Context

Current technology systems are ageing, inefficient, and do not talk to each other. This means they are unable to provide a single view of our customers, provide our decision-makers with real-time reporting or provide staff with the systems they need to work smarter not harder. The current environment has changed the way we work in response to Covid-19 which has resulted in increased cyber threat actions globally, including the Local Government sector locally, requiring stronger cyber security measures.

Control Environment

The City of Marion is transforming its systems to place our community at the centre of everything we do through the Digital Transformation Program.

Core controls:	Supporting controls:
Cyber Security Assurance Policy & Framework Digital Transformation Plan <ul style="list-style-type: none"> Digital Literacy and cybersecurity Payroll and HRIS Single view of the Customer Asset Management Information System Financial Transformation Microsoft 365 Rollout SharePoint transfer – intelligent intranet Geographic Information System – ESRI Data analytics Unified Communications Devices fleet management AV access in meeting room 	<ul style="list-style-type: none"> Disaster Recovery Plan & testing regime Business Continuity Plan DTP Change Management and Communication Plan DTP ELT Meetings (ex ICT steering committee) DTP team of qualified & experienced personnel inc dedicated BA and PM resources LTFP budget

Risk Prediction

The transformation of our systems to put our customer at the centre of what we do will revolutionise our services making the City of Marion a place where people want to live, work and play. The implementation of the strategies “Essential 8 Maturity Model to mitigate cyber threats” will aid to protect our systems from disruption and ensure continuity of services to the community. However, projects may be impacted by the heavy competition in the market for skilled professionals.


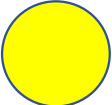
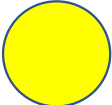
Key Related Corporate Risks

CD001	Poor data quality and information governance not supporting informed decision making
DTP01	Decentralised, unsupported and unintegrated IT systems to support current and future needs
GOV12	Inability to access business information
IS01	Cyber Security breach in a CoM system and/or worksite
IS02	Inability to deliver key Council services due to disruption or loss of critical business systems
PCU05	Ineffective strategic workforce planning

DRAFT Strategic Risk Report

SR005

Inability to attract and retain businesses, supported by innovation hubs, which build a thriving economy and promote economic resilience

Inherent Risk Rating	Current Risk Rating	Forecast Risk
 Likely x Major = High	 Possible x Moderate = Medium	 Unlikely x Moderate = Medium

Risk Context

Projects like Tonsley and the Edwardstown Precinct Project play an important role in attracting innovation and technology to the Council area. Globally, the shifting consumer attitude and buyer behaviour has been impacting on the retail sector for some time, changing retail landscape with some retail precincts converting to warehousing. This is expected to continue in the post Covid-19 landscape which will have an impact for the Council with retain being a key economic output in the City. Local entrepreneurs and new ventures previously seen in the hospitality sector will also reduce significantly as the sector hardest impacted by COVID-19.

Control Environment

Council continues to seek opportunities to collaborate with government and businesses to create avenues for new businesses to commence and existing to relocate or establish a presence. Council's Economic Development Policy and associated initiatives will drive the collaborative efforts of Council and is supported by the Cove Business Hub and the Southern Business Partnership and Mentoring Program which aims to assist business success and the retention of businesses in the city.

Core controls:	Supporting controls:
<ul style="list-style-type: none"> Economic Development Strategy Marketing & Communications Strategy Customer Engagement Strategy Strategic Project / Placemaking Plan Southern Business Partnership and Mentoring Program 	<ul style="list-style-type: none"> Engagement with Renewal SA Liaison State and Commonwealth Governments on key projects that aim to create local job opportunities Industry sector briefings & business recovery workshops

Risk Prediction

New businesses will naturally be attracted to the city on the back of the Tonsley and Edwardstown precinct projects and the post-Covid lessening of red tape across all levels of government will also assist achieve this. The Southern Business Partnership and Mentoring Program continues to gain positive engagement with business and will assist success and retention of businesses in the city however there is further engagement and consultation required with business to define our business brand/services and ensure alignment to their needs.


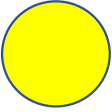

Key Related Corporate Risks

CAC03	Failure to activate our city through quality street scapes and place making initiatives to deliver vibrant and prosperous business precincts
CAC04	Failure to work with Universities, business peak groups, Regional, State and Federal Govt's to facilitate local economic growth and infrastructure.
CAC05	Failure to maximise partnerships, business relationships, networks and opportunities for growth and prosperity

DRAFT Strategic Risk Report

SR006

Failure to activate and maintain vibrant community places which attract people to the City

Inherent Risk Rating	Current Risk Rating	Forecast Risk
 Likely x Major = High	 Possible x Moderate = Medium	 Unlikely x Minor = Low

Risk Context

Encouraging visitors, new residents and business to the city requires activated, vibrant and well-maintained reserves, parks, libraries and community centres which encourage the inclusion of all. The City of Marion's steady population growth, rise in urban infill and increase in the diversity of cultures and ethnicities increase the demands on services and requires a change in the traditional service offering to meet the changing needs of the community.

Control Environment

Management and maintenance of the public realm is one of the primary functions of local government and there are broad strategies across Council to meet community expectations. Streetscapes are a key element of the public realm that along with open spaces and public plazas, play a significant role in how people experience the City of Marion. Guidance on the elements of streetscapes is found in the Streetscape Policy. This is supported by Council's Open Space Policy which provides for accessible and diverse open spaces that are distributed across the City that contribute to neighbourhood character, provide opportunities for active living and community engagement. This is further supported by Council's playground policy which provides guidance on the planning, development and management of playgrounds.

Core controls:	Supporting controls:
<ul style="list-style-type: none"> • Open Space Policy • Streetscape Policy • Playground Framework • Walking and Cycling Guideline • Public Lighting Guidelines • Public Art Guidelines • LTTP public realm program budget commitments 	<ul style="list-style-type: none"> • Community Engagement Policy • Stakeholder Engagement processes

Risk Prediction

Although there are effective guiding documents to mitigate the impact of this risk, further engagement and consultation may be required to define the needs of the community and create a recognisable CoM 'brand'. Playgrounds are a particular area of focus in determining community acceptable service levels. MCC Plaza and the Majors Road development are both high profile projects that are big opportunities that however carry risk if not managed appropriately.

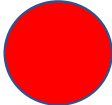
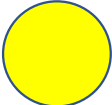

Key Related Corporate Risks

ACU01	Failure to include arts and cultural aspects resulting in a failure to celebrate our rich artistic, cultural and vibrant destinations
CAC02	Inability to deliver strategic projects
INN01	Failure to innovate to meet the changing needs of the City of Marion residents

DRAFT Strategic Risk Report

SR007

Asset management planning not supporting accessible community connection with our services and facilities

Inherent Risk Rating	Current Risk Rating	Forecast Risk
 Likely x Severe = Extreme	 Unlikely x Major = Medium	 Rare x Moderate = Low

Risk Context

Asset management is a key current challenge for Local Government where aging assets, availability of resources, inadequate condition assessments, lack of systems and the balancing of service level sustainability and budgets and all noted as key issues. Future challenges are the same plus increasing cost pressures (staff and asset upgrades), change in use of assets, responsibility shifting from other agencies and increase in data standards.

Control Environment

The City of Marion's has eight Asset Management Plans with an Asset Management vision "to maintain the City of Marion's assets to agreed levels of service which maximise community value throughout an asset's life". This vision is supported by four Strategic Objectives: Maximise Community Value, Deliver Agreed Levels of Service, Informed Decision Making and Optimally Managed. Council will make effective and informed decisions through each stage of the asset lifecycle to achieve the Asset Management Vision and Strategic Objectives, by achieving four Outcome Areas: Skilled people, Accurate data, Improved processes and Intelligent systems.

Core controls:	Supporting controls:
<ul style="list-style-type: none"> • Asset Management Plans <ul style="list-style-type: none"> ○ Building and Structures ○ Transport ○ Open Space ○ Artworks, Culture and Heritage ○ Coastal Walkway ○ Water Treatment and Resources ○ Stormwater ○ Fleet and Plant • Community Facilities Policy • Disability Access and Inclusion Plan • Long Term Financial Plan (LTFP) 	<ul style="list-style-type: none"> • Community Satisfaction Survey • Asset Management Policies/Procedures/Processes • Civil Works Program • Land & Property Maintenance schedule

Risk Prediction

The new Asset Management System being implemented as part of the Digital Transformation Program presents significant opportunities for more efficient asset management planning. There is also a Strategic Property Asset Management Plan under development and the CoM Property Asset Strategy (CoMPAS). Further opportunities for consideration include cross-council collaboration

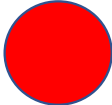

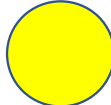
Key Related Corporate Risks

ASY02	Failure to strategically manage assets and associated funding, to effectively inform future planning, acquisition, renewal, maintenance, management and disposal
CSE03	Lost opportunity or inability to create, renew, manage and maintain Infrastructure assets (roads, drainage, footpaths etc)
ENG01	Non-compliant, inappropriate, ineffective and/or substandard design of infrastructure resulting in failed infrastructure
LPR01	Inability to use Council owned land or property asset as a consequence of non-compliance with legislated safety, access and/or building requirements or lack of maintenance rendering property unfit for required use

DRAFT Strategic Risk Report

SR008

Inadequate engagement, collaboration and partnerships with community, government and private sector partners

Inherent Risk Rating	Current Risk Rating	Forecast Risk
 Likely x Severe = Extreme	 Possible x Major = High	 Unlikely x Major = Medium

Risk Context

Community engagement seeks to better engage the community to achieve long-term and sustainable relationships, outcomes, processes, decision-making or implementation. Collaboration and partnerships can deliver many internal and external benefits. They can be an excellent strategy for increasing leadership and communication plus it enhances knowledge of local and sector issues. They can deliver insights that can facilitate 'break-through' thinking in both the community and within Council thus promoting our brand and reputation in the community. Although partnerships can create many benefits, they also present some challenges and risks. Risks are most evident when partners are misaligned in their organisational cultures, priorities and practices.

Control Environment

The current control framework is formalised for engagement and collaboration with the community and with other Councils however is informal in relation to engagement and collaboration with government and private sector partners.

Core controls:	Supporting controls:
<ul style="list-style-type: none"> • Cross Council Collaboration Framework • Council website inc Making Marion • Community Engagement Framework • Customer Experience standards • Communications Strategy • Marketing Plan 	<ul style="list-style-type: none"> • Council public meetings • Community perception survey • Code of Conduct

Risk Prediction

Community Engagement is being further strengthened through a review of the Customer Experience Charter and Framework and the implementation of the Marion 100 initiative which aims to have a diverse group of 100 CoM residents engaged to provide feedback, ideas and innovations. The new CRM software work is also near delivery stage, supported by the development of a Relationship Matrix, which will optimise the relationships we have with key stakeholders, particularly those in State Government. Increasing the effectiveness of our collaboration and partnerships aims to ensure delivery of services and facilities that are in line with community expectations and the provision of excellent value to the community, which increases community sentiment whereby ratepayers are 'happy' to pay their rates.

Key Related Corporate Risks

COM01	Ineffective and inconsistent strategic marketing and communications to ensure active engagement in services activities and events.
COM02	Failure to respond effectively to an incident where there is potential for reputational damage or adverse media.
COM04	Damage to the Local Government sector reputation impeding on CoM's successful delivery of services to the community.
GOV02	Ineffective relationships between elected members or with Council Administration which does not facilitate or support good decision making

Strategic Risk Library

Attachment 2

Strategic Plan	No	Previously proposed Strategic Risk descriptions	ELT proposed Strategic Risk descriptions
LIVEABLE	1	Failure to recognise and effectively provide services in response to changing social and economic conditions on the community	1. Inadequate recognition of and provision of services in response to changing social, vibrant, diverse and economic conditions on the community
	2	Unsustainable developments that don't meet community needs (either socially and/or environmentally)	
	3	Failure to embrace the rich cultural diversity and heritage through artistic, cultural and community activities and vibrant destinations	
VALUING NATURE	4	Failing to appropriately respond to or prepare for climate change impacts	2. Inappropriate response to, or preparation for, climate change impacts
	5	Failure to protect the natural assets and encourage use of natural spaces	3. Inadequate protection of the natural assets and provision of natural spaces
	6	Unsustainable resource, waste and recycling management	
INNOVATIVE	7	Failure to use technology to improve operational efficiency and service delivery	4. Inadequate use of technology and data to improve services and operational efficiency
	8	Inadequate use of technology to better engage with our community	
	9	Failure to use data to identify community needs to inform an appropriate response to the changing needs of a diverse demographic	
PROSPEROUS	10	Inability to attract and retain businesses which build a thriving economy and promote economic resilience	5. Inability to attract and retain businesses, supported by innovation hubs, which build a thriving economy and promote economic resilience
	11	Failure to activate and maintain streetscapes, places and business hubs which create vibrancy and attract people to the City	6. Failure to activate and maintain vibrant communities which attract people to the City
	12	Lack of quality education, training and innovation hubs available in the City	
CONNECTED	13	Inadequate provision of and accessibility to our services and facilities	7. Asset management planning not supporting accessible community connection with our services and facilities
	14	Transport networks and surrounding social environment that does not support and promote safe and easily accessible community connection	
	15	Failure to provide equitable access to digital technologies	
ENGAGED	16	Unable to foster social cohesion and engage volunteers to deliver services	8. Inadequate engagement, collaboration and partnerships with community, government and private sector partners
	17	Inadequate engagement, collaboration and partnerships with residents, community and with government and private sector partners	
	18	Sector reputation affecting local engagement and community wellbeing	

6.9 Service Review Program and Recommendations Progress Update

Report Reference	FAC211012R6.9
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:

- an update on the development of the future approach to the Service Review Program.
- a progress update on implementation of the existing Service Review Program recommendations as of 27 September 2021.

EXECUTIVE SUMMARY

A key objective in City of Marion's (CoM) Strategic Plan 2019-2029 is to "*continuously improve through the service review program*" (Council of Excellence section).

CoM's Service Review Program was established in 2016. Since that time, it has reviewed 37 services (24 service reviews) with an additional cross council review currently in finalisation stage (Capital Construction and Maintenance - 5 services). The program has had several changes over time to both the leadership and delivery approach. With the advent of a new Chief Executive Officer (CEO), the departure of a key review resource and an organisational focus on delivering the Digital Transformation Program, now would seem to be an opportune time to review the approach of the program.

RECOMMENDATION

That the Finance and Audit Committee notes:

- 1. That the future approach to the Service Review Program is under development.**
- 2. Implementation progress of the Service Review Program recommendations (Appendix 1).**

BACKGROUND

Initial discussions occurred with CoM's CEO on a future approach to the service review program, with various options discussed. These options were also discussed at the last meeting of the Finance and Audit Committee (FAC210817), where the Committee recognised the importance of the Service Review Program, agreed that the program is delivering significant benefits, and suggested a future focus on non-data elements.

DISCUSSION

Service Review Program

The CoM's Executive Leadership Team (ELT) discussed a future approach to the program at its planning session on 24 September 2021. Further consideration is required and this will be covered again by the ELT in October 2021 with a view to provide recommendations for a future approach shortly thereafter.

Implementation of recommendations from service reviews

There are currently five reviews with open recommendations (and actions), key highlights of actions implemented in this period (as of 27 September 2021) include:

- The Utilities Validation System is currently being implemented and is expected to be completed in the next 2 to 3 months. This will automate multiple manual processes.
- A Workforce Plan has been finalised and endorsed for the Neighbourhood and Community Centres. This is now to be implemented.

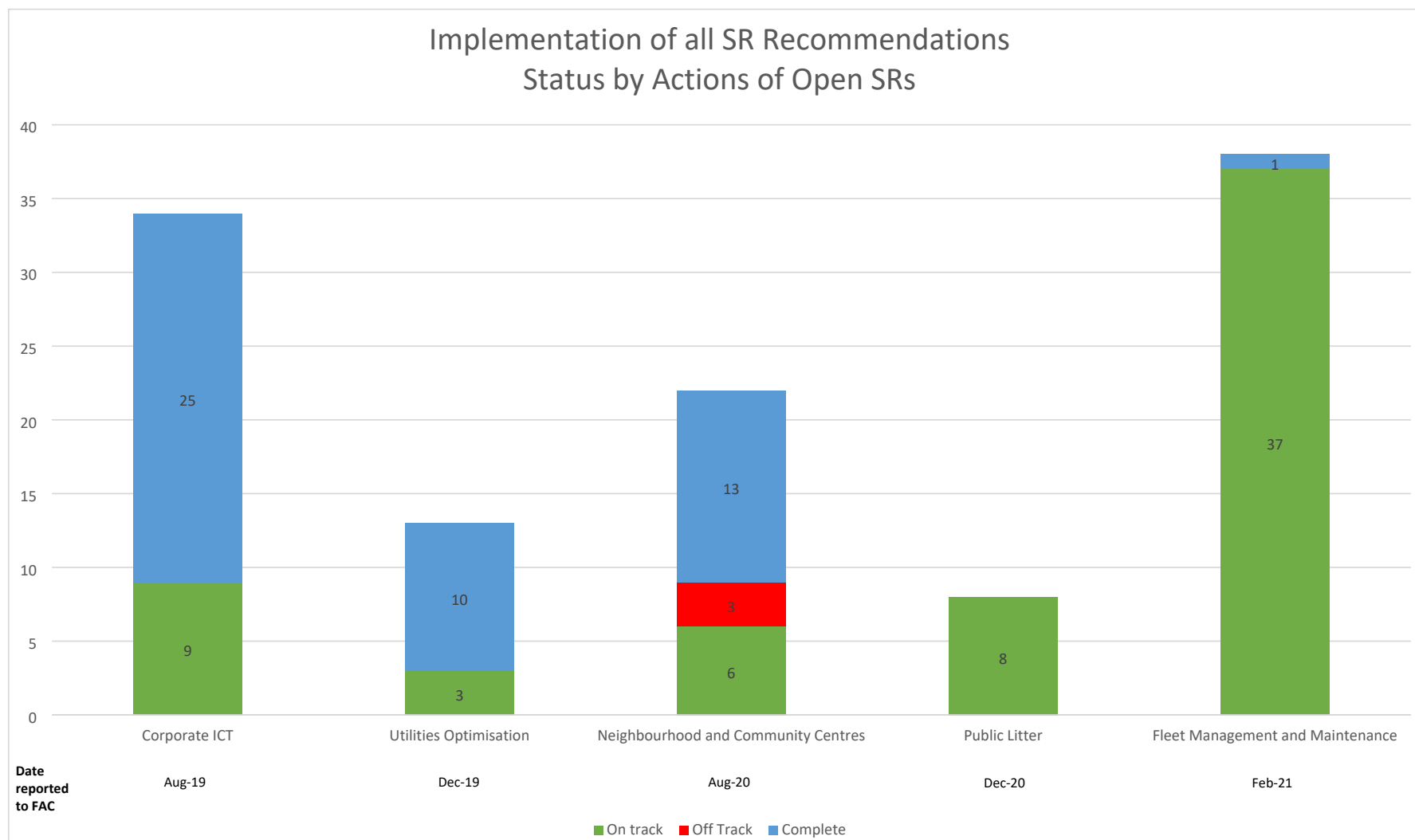
Refer Appendix 1 for more detail.

ATTACHMENTS

1. FAC211012 Service Review Program and Recommendations Progres [AVIR] **[6.9.1 - 4 pages]**

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

(Status as at 27/9/2021 based on tracking against original completion dates)



Open Service Reviews - Recommendations - Progress Update

(Status as at 27/9/2021 based on tracking against original completion dates)

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



Division	Department	Service Review	Date Reported to FAC	Original Full Implementation Date	# of Recommendations	# of Actions	# On Track Actions	# Off Track Actions	# Actions Complete	% of Actions Complete	Comments
City Services	Community Connections	Neighbourhood and Community Centres	Aug-20	Jun-22	22	22	6	3	13	59%	<p>The implementation of the NHC Service Review recommendations is progressing well despite the impact of Covid-19 on daily operations causing some delays.</p> <p>The Workforce Plan has been completed in relation to succession planning, staff skills audit and establishing a successful workforce structure for the future and been presented to the Executive Leadership Team. 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 proposed new structure (an outcome of the workforce plan) has been endorsed by the Executive Budget Committee and will now be implemented.</p> <p>The operations of the centres has moved to a more centralised approach which has been working well.</p> <p>Data, systems and analysis has also 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.</p>
				Division Total	22	22	6	3	13	59%	
Corporate Services	Information Services	Corporate ICT (cross council)	Aug-19	June-21	14	34	9	-	25	74%	<p>Extensions received (29 July 2021) on the four off track items to allow time for the new IT managers to review and continue the implementation.</p> <p>New ICT Governance & Cybersecurity Lead recruited to replace vacant position, commenced mid-September 2021.</p>

Open Service Reviews - Recommendations - Progress Update

(Status as at 27/9/2021 based on tracking against original completion dates)

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



Division	Department	Service Review	Date Reported to FAC	Original Full Implementation Date	# of Recommendations	# of Actions	# On Track Actions	# Off Track Actions	# Actions Complete	% of Actions Complete	Comments
											No further update – responsible manager unavailable due to unplanned leave.
	Strategic Procurement	Utilities Optimisation (cross council)	Dec-19	Feb-23	10	13	3	-	10	77%	<p>The Utilities Validation System is now in implementation phase, this is expected to be completed in the next two to three months, this will automate a number of the manual checks currently being undertaken.</p> <p>Participation in the LGA Working group is ongoing. An Expression of Interest has been released to market, to understand options for 100% renewable energy for the next contract. Results will be available in the next month.</p> <p>Governance meetings ongoing each month to track progress and promote initiatives within each council.</p>
		Public Litter	Dec-20	Dec-22	6	8	8	-	-	-	<p>Actions are now being reviewed, with data collated on the areas of focus.</p> <p>The Waste Administration team are collating information on the service review items, with the view to complete by 31 December 2021.</p>
		Fleet Management & Maintenance	Feb-21	Jul-22	10	38	37	-	1	3%	<p>Implementation of all Service Review recommendations have been put on hold until approximately end of October 2021, this is to allow the Fleet Manager to focus on ordering required fleet and equipment across the Cities of Marion, Charles Sturt and Port Adelaide Enfield.</p>
Division Total					40	93	57	-	36	39%	

***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 27/9/2021 based on tracking against original completion dates)

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



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 Kurna 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-2020	18-May-2021
Corporate Governance	Records Management	21-Aug-2018	31-Dec-2019	30-Jun-2021

7 Reports for Noting

7.1 Annual Investment Report 2020-21

Report Reference	FAC211012R7.1
Originating Officer	Treasury Accountant – John Stewart
Corporate Manager	Chief Financial Officer - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

Section 140 of the *Local Government Act 1999* requires Council to review the performance of its investments on an annual basis. This report reviewed by the Finance and Audit Committee will be presented to Council for adoption at its General Council Meeting on 26 October 2021.

EXECUTIVE SUMMARY

A summary of the 2020/21 Investment Performance is provided at Appendix 1 for the Committee's information, showing that Council recorded a favourable result against the benchmark indicator. A favourable result has been experienced each Financial Year since 2007/08.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Notes the Investment Performance Report 2020/21.**

DISCUSSION

Decision making regarding investments are carried out under the guidance and parameters set within Council's Treasury Management Policy.

Compliance with Treasury Management Policy (Investments)

Council has complied with all elements of the Treasury Management Policy. Compliance has been achieved against the following major policy requirements:

Policy Requirement	Review
Council funds available for investment will be lodged 'at call' or having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term.	Investments in Fixed Term Deposits were made between a range of 30-365 days with an average maturity of 91 days and an average return of 0.95%. The average 'at call' rate of return was 0.54%. No Fixed Term Deposits were required to be broken during the year.
In the case of Fixed Term Investments, the term should not exceed a point in time where the funds could otherwise be applied to cost-effectively defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.	The variable interest rate borrowing facility was not required to be accessed.
Council will select the investment type which	The Council supports the Local Government

delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.	<p>Finance Authority of South Australia (LGFA) for the placement of investment funds. The LGFA is a statutory authority established for the benefit of Councils in South Australia. Utilising the services of the LGFA provides an efficient means of investing surplus funds and a source of highly competitive interest rates. All deposits made with the LGFA are also guaranteed by the Treasurer of South Australia.</p> <p>To ensure Council continues to receive competitive rates for investments, quotations are regularly obtained from authorised institutions on investments of \$1,000,000 or more where the period of investment exceeds 30 days. During 2020/21 most surplus funds were invested with the LGFA, who in the majority of market testing, offered the most competitive interest rates. There was one Term Deposit in place with BankSA which matured in Sept 2020.</p>
Investments fixed for a period greater than 12 months to be approved by Council.	No Investments were placed for a period greater than 12 months.
The Policy indicates where surplus funds can be invested and that if they are invested in choices outside of the Policy, Council approval is required.	All surplus funds invested during the 2020/21 financial year were invested with either the LGFA or BankSA which is an allowable option under the Policy.
The Policy indicates investment activities that Council would not participate such as shares in private/public companies, listed or unlisted property trusts and derivatives.	No investments were placed in such options.

Performance against Benchmarks

Reserve Bank Cash Rate

Council earned \$502,726 of interest on its investments in 2020/21 at an average rate of return of 0.89%, a favourable outcome compared to the benchmark indicator (average Reserve Bank cash rate) of 0.15%.

Bank Bill Swap Rate (BBSW)

The Finance and Audit Committee commented, when reviewing the 2014/15 Investment Report, that it would also be useful to benchmark against commercial rates being offered.

The BBSW is the rate at which banks will lend to each other. It is a short term swap rate which reflects a compilation of average market rates supplied by domestic banks regarding specific maturities of bank bills. The BBSW is published daily and therefore an annual average index can be readily calculated for comparative purposes.

The most common index applied is the 90 Day BBSW which also closely aligns with Council's average maturity of 91 days. For the 2020/21 financial year, the 90 Day BBSW was 0.485%. Council's annual rate of return of 0.89% is also favourable compared to the BBSW indicator, the sixth consecutive year that this has been achieved.

Interest on Investments Budget Performance

The performance of Interest on Investments is also monitored and managed against the Budgeted forecast. The actual value of investment interest of \$502,726 was a 0.74% favourable variance against a final revised budget forecast of \$499,015.

Finance and Audit Committee Advice

Administration welcomes any Finance and Audit Committee feedback prior to forwarding to Council the Investment Performance Result for 2020/21.

Conclusion

The investment performance for 2020/21 was satisfactory when compared to relevant benchmark indicators. Investments were placed exercising due care and diligence and in strict accordance with Council's Treasury Management Policy.

ATTACHMENTS

1. Investment Performance 2020 21 [7.1.1 - 3 pages]

Appendix 1

Investment Performance 2020/21**Interest on Investments**

Interest on investments for 2020/21 was \$502,726. Recent interest on investment history reveals the following:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Total Interest (including LGFA Bonus)	\$696k	\$929k	\$1,111k	\$1,214k	\$946k	\$503k
LGFA Bonus	\$109k	\$90k	\$132k	\$168k	\$174k	\$185k

The decrease of interest on investments in 2020/21 can be mainly attributed to the average return rate decreasing from 1.80% in 2019/20 to 0.89% in 2020/21. The average amount invested per day, increased from \$52.5m in 2019/20 to \$56.5m in 2020/21. Funds were therefore able to be kept on deposit for longer periods in 2020/21, prior to being required to meet payment obligations for creditors, payroll and progress payments for major capital projects. The decrease in interest revenue would have been significantly greater had this not been the case. With the planned drawdown of cash reserves to fund several major projects in progress in 2021/22, it is expected that interest on investment earnings will be significantly reduced compared to prior year earnings.

The breakdown by Institution of the above total interest of \$503k for 2020/21 was as follows;

Term Deposits

LGFA	\$499k	Annual Average Rate of Return 0.95% which includes the annual LGFA bonus distribution. Best rate was 1.40% over 150 Days (includes LGFA bonus) – last experienced February 2020 (Interest paid on maturity in 2020/21 financial year).
Other Institutions (BankSA)	\$3k	Annual Average Rate of Return 1.12%. Best rate was 1.12% over 90 days from June 2020.
Sub-Total	\$502k	
<u>Operating Account</u>		
BankSA	\$1k	Annual Average Rate of Return 0.06%
Total	\$503k	

Competitive quotes were sourced during the financial year and most investments were placed with the LGFA who consistently provided the best competitive rates. One Term Deposits was also in place with BankSA for the 2020/21 financial year.

Report Reference: FAC201013R

Peak Value of Investments

Investments peaked in September 2020 at \$62.5m. The peak value of investments history reveals the following:

2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
\$30.1m	\$47.1m	\$52.6m	\$53.3m	\$58.0m	\$62.5m
Mar 2016	Jun 2017	Mar 2018	Dec 2018	Sep 2019	Sep 2020

Traditionally investments reach their peak in the first half of the financial year due to a portion of ratepayers paying their rates in full rather than paying quarterly. Large grant revenue receipts and the timing of significant Capital Expenditure projects also have an impact on investment balances.

Annual Rate of Return on Investments

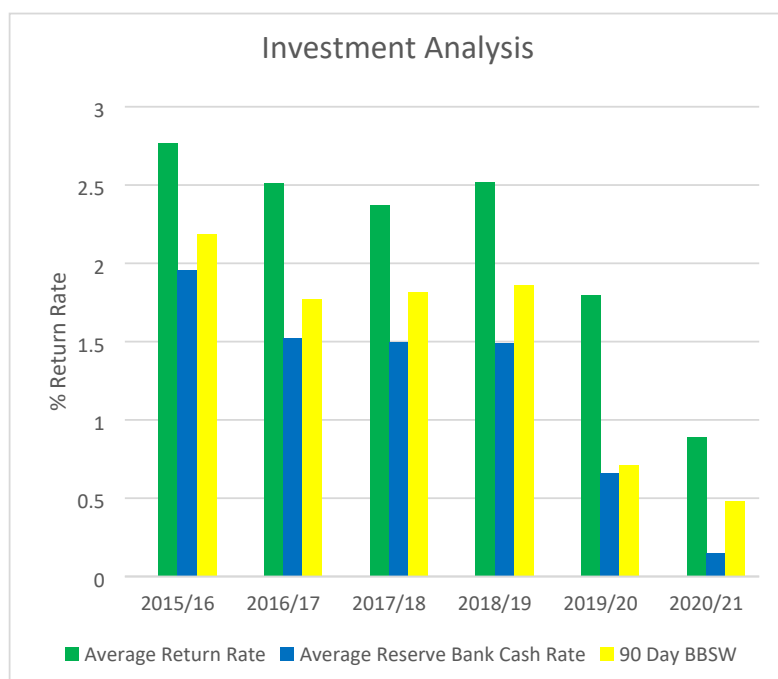
Council's Investment performance is measured against a recommended benchmark and submitted for consideration by Council on an annual basis. This is in accordance with guidelines contained in the "Investment Policy & Review of Investments" document published by the South Australian Local Government Financial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

The benchmark indicator referred to above that measures our investment performance, is the average annual Reserve Bank cash rate. The cash rate experienced one downward movement in 2020/21 as follows;

4 November 2020 From 0.25% to 0.10% (-0.15% Movement)

The annual rate of return on investment for the City of Marion in 2020/21 was 0.89% compared to the annual average benchmark rate of 0.15%, providing reassurance that funds invested by City of Marion were well managed. The following table and graph summarises Council's history of annual rate of return on investments.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Annual Rate of Return	2.77%	2.51%	2.37%	2.52%	1.80%	0.89%
Average Reserve Bank Cash Rate	1.96%	1.52%	1.50%	1.49%	0.66%	0.15%
Benchmark Variation	+0.81%	+0.99%	+0.87%	+1.03%	+1.14%	+0.74%



The Council's annual rate of return includes the annual bonus paid by Council's principal investment financial institution – LGFA. The bonus amount paid to Councils by LGFA is based on a combination of Council's investment and borrowing activity for the prior year.

The table indicates a positive variation in each financial year against the average Reserve Bank Cash Rate. The 2020/21 result is the fourteenth consecutive year of a favourable outcome against this benchmark. In addition, the 2020/21 annual rate of return of 0.89% also marks the sixth consecutive year that Council's investments outperformed the BBSW indicator.

Council's General Bank Account earned an average rate of 0.06% in 2020/21, which is factored into the benchmark result. The inclusion of the General Bank Account earnings in the overall investment performance does make it more challenging to achieve a positive benchmark performance. As a result, it is important that the Treasury Management function monitors and minimises any potential negative impact.

7.2 Debtors Report

Report Reference	FAC211012R7.2
Originating Officer	Assistant Financial Accountant – Melissa Virgin
Corporate Manager	Chief Financial Officer - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

The purpose of this report is to provide the Finance and Audit Committee (FAC) with an annual update in relation to the outstanding balances in Rates Debtors and Sundry Debtors in line with the year-end accounts.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Note this Report**

DISCUSSION

Council Debtors

Council has two main types of debtor categories that it manages: -

1. Rates Debtors
2. Sundry Debtors

Rates Debtors

Rates Debtors and Sundry Debtors (shown as 'Debtors – General') are included under "Trade and Other Receivables" in the Financial Statements in Note 5(b), with Rates Postponed for State Seniors being separately identified.

Rates Debtors have reduced from a balance of \$2,420k (3.1% of total annual rates) at 30 June 2020 to \$2,064k (2.6% of total annual rates) at 30 June 2021 (**Attachment 2**). The decrease relates primarily to properties that have progressed to debt collection and probable legal process including Section 184 of the *Local Government Act 1999*(the Act) (S184). The cumulative effect of rates and associated fines and interest will increase the debt each year. To mitigate this, Council actively encourages ratepayers to commence payment plans to address arrears and bring accounts back into line.

The rates postponed amount has marginally increased from \$193k to \$205k in 2020/21. This amount refers to the accumulation of rates levied and the prescribed interest component for those who have applied and are eligible for the senior postponement scheme.

The amount of arrears greater than three years has reduced from \$586k (59% of all arrears) to \$416k (46%) in 2020/21. The Act provides under S184 that a council may sell any land where the rates have been in arrears for three years or more.

While S184 is noted in Council's adopted Rating Policy under section (9) 'Sale of land for Non-Payment of Rates, this option was not pursued until April 2019 when Council endorsed Finance,

under delegated authority of the General Manager Corporate Services, to initiate the sale of land for non-payment of rates. Part of this included developing assessment criteria, the purpose being to assess individual circumstances for possible exemption to initiating S184 action should it be warranted.

Since May 2019 Council has commenced S184 action on 62 properties and to date, has recovered rates arrears from 49 properties totaling \$537,200. Most arrears have been recovered on receipt of a pre-section 184 letter from Council's lawyer advising of Council's intention to initiate proceedings.

Of the 49 properties that have been settled, only two escalated to sale:

- The first property sold above reserve, clearing arrears, fines and penalties of \$50,700. The recipients of the remaining funds from the sale were happy with the outcome of the auction.
- The second property is due to settle on 11th October clearing all arrears, fines and penalties of \$16,000. The owner lives interstate and will be the sole recipient of the remaining funds from the sale.

Of the 13 properties still to be resolved, 12 are on track for payment in full using options such as mortgagee payout, reverse mortgage and agreed payment arrangements. The premise is to get ratepayers back onto regular payments once the debt is cleared.

Council has applied to the Supreme Court to obtain vacant possession of the one remaining property, which will allow the property to be sold.

The total arrears to be recovered from those still to be resolved is \$125,600.

There are a further 13 properties to be reviewed with total arrears of \$79,000. All will be evaluated using the assessment criteria. S184 action will be initiated on those where an exemption cannot be established.

Sundry Debtors

The total for 'Debtors – General' also includes fines (parking, animal and statutory) along with amounts receivable from Council's insurers (Workers Compensation and Income Protection reimbursements) in addition to amounts receivable from sundry debtors. The total combined amount reflected in the Financial Statements at 30 June 2021 is \$3,315k.

Council's Sundry Debtors made up a total of \$2,186k (**Attachment 1**) with \$80k (3.7%) in the 90+ Days category. The overdue amounts in the 90+ Days category has decreased from the prior year total of \$90k.

Of the total \$80k in 90+ Days outstanding, \$18k has subsequently been settled. After working through our follow-up actions, we are now reviewing a number of aged debts with our debt collection agency.

Debt Collection Process

Sundry Debtors

A debt recovery procedure exists which includes the following key steps in regard to debt collection:

- Monthly statements sent out directly to debtors
- Reminder letters are sent to debtors once outstanding debt reach 60+ days

- Follow up phone calls, letters and emails are sent to debtor by Sundry Debtors Officer as required
- Outstanding debt 90+ days is referred to the originating officers for follow-up with the debtor
- Payment plans are put in place if appropriate to enable collection of outstanding debt
- If no payment is made a letter is issued to the debtor requesting payment within 48 hours to avoid recovery action being taken
- If no payment is received an assessment is made to send to council's debt collector where financially viable to do so
- Where the charge relates to a good or service incurred on the land (ie directly related to the property), amounts can be transferred to the landowner's Rates account

Rates Debtors

The rating policy was updated in 2020 to reflect the current environment due to Covid-19:

"Ratepayers experiencing financial difficulties and are unable to meet standard payment arrangements due to COVID-19 can contact Council to discuss alternative payment options."

This has resulted in several hundred applications during 2020 with most now back to regular payments. Currently there are 14 ratepayers that have been granted a further extension with no late penalties to December 2021. No new applications have been received since November 2021.

Notwithstanding the above, it is worth noting that Council has to date not experienced any significant negative impact on the collection of rates, in fact, the number of ratepayers paying their rates in full in the first month has increased from 3% of ratepayers in 2019 to 5% in 2021 (6% in 2020).

The following key steps are taken in regards to debt collection:

- Overdue Notice issued approximately one week after the last day to pay.
- If debt is not paid it will be assessed for referral to the Debt Collection Agency based on criteria including > \$500 and 2 instalments overdue, or no arrangement in place.
- Council will refer the debt to the Debt Collection Agency who then proceed with letters of demand requesting payment or a payment arrangement.
- If no payment or arrangement is made, Council will instruct the Debt Collection Agency to commence legal proceedings for recovery of the debt.

Note - payment plans can be put in place at any time.

Council's rating policy provides support and assistance to eligible ratepayers through a number of different options including:

- Payment plans
- Extensions to pay
- Remit fines and interest
- Postponement of rates for seniors
- Postponement of rates for hardship

Postponed rates debts are included as a component of "Trade and Other Receivables" in Current Assets and separately disclosed in Note 5(b) to the Financial Statements.

It should also be noted that legislation allows Council to be given high priority to recover any outstanding debts, including accumulated interest, from the proceeds on the disposal of a property.

ATTACHMENTS

1. Debtors Aging Report 2020-21 [**7.2.1** - 1 page]
2. Rates Outstanidng Report 2020-21 [**7.2.2** - 1 page]

Sundry Debtors Report - Ageing report as at 30 June 2021

Appendix 1

Debtor	Total Balance	Current	30 Days	60 Days	90 Days	90+ Days	Percentage of total 90+ day balance	Comments for 90+ Day balances
General Total	41,689.09	39,748.09	966.00	850.00	.00	125.00	0%	Made up of 1 out of 19 debtors. This account has subsequently been settled.
Neighbourhood Centres Total	4,097.00	3,497.00	.00	.00	600.00	.00	0%	
Regulatory Services Land Clearing Total	3,381.28	.00	.00	.00	.00	3,381.28	4%	Made up of 6 debtors, with one account totalling \$1,725.35. Two accounts totalling \$490.34 have subsequently been settled.
City Property Facilities Total	92,704.70	46,675.32	23,288.06	740.31	6,372.81	15,628.20	20%	Made up of 7 out of 29 debtors. Two accounts totalling \$10,945.71 are on payment plans, payments of \$6,215.25 have subsequently been received.
Civil Services Private Works Total	53,793.75	18,240.00	3,290.00	10,235.00	2,490.00	19,538.75	24%	Made up of 11 out of 32 debtors in this category. Five accounts totalling \$8,255.00 are on payment plans, payments of \$4,855 have subsequently been received. Two other accounts totalling \$2,353.75 have subsequently been settled.
Swim Centre Debtors Total	1,815.00	.00	.00	384.00	1,431.00	.00	0%	
Grants & Subsidies Total	1,718,888.74	217,250.00	.00	1,500,000.00	.00	1,638.74	2%	Made up of 1 out of 4 debtors. This account has subsequently been settled.
Environmental Health Inspections Total	22,608.90	11,829.30	.00	385.20	1,805.80	8,588.60	11%	Made up of 48 out of 138 debtors, with none individually significant. Eleven accounts totalling \$1,813.60 have subsequently been settled.
Regulatory Services Other Total	37,675.15	2,178.00	4,361.50	.00	.00	31,135.65	39%	Made up of 113 out of 140 debtors in this category, with none individually insignificant. One account totalling \$181.50 has subsequently been settled.
Marion Cultural Centre Total	5,054.50	4,274.50	780.00	.00	.00	.00	0%	
Living Kaurna Cultural Centre Total	9,181.30	5,709.90	3,099.00	372.40	.00	.00	0%	
Local Government	195,003.06	195,003.06	.00	.00	.00	.00	0%	
Total	2,185,892.47	544,405.17	35,784.56	1,512,966.91	12,699.61	80,036.22		
Total Aging Profile		25%	2%	69%	1%	4%		

Category	Description
Employees	Anything that relates to CoM employees.
General	Anything that does not fit into one of the below categories.
Neighbourhood Centres	For hire of rooms in Neighbourhood Centres, etc. - usually charged out at an hourly rate. Also includes cultural workshops and tours.
Regulatory Services Land Clearing	When council has had to clear land due to non-compliance of owner.
Sporting Clubs & Other Leases	Rent, electricity, water, maintenance, etc. charged out to lessees.
Civil Services Private Works	Repairs or modifications to infrastructure (footpaths, kerbs, driveway inverts). Can be at resident request.
Swim Centre Debtors	Outdoor Swimming Centre - used for lane hire, school visits, etc.
Grants & Subsidies	Government grants and subsidies.
Environmental Health Inspections	Food inspection fees.
Regulatory Services Other	Vehicle Impoundment fees and other regulatory services.
Supplier Refunds	Where a supplier owes the City of Marion funds. This category is used to keep track to ensure we have received payment for credits.
Development Services	Includes contribution from residents and/or developers for the removal and/or replacement of Council Street Trees and significant trees.
Living Kaurna Cultural Centre	Relates to programs run through the LKCC.
Environmental Health Testing	Environmental testing fees.
Local Government	Transactions with other Local Government corporations.
Communications	Anything related to communications.
Economic Development	Events, etc. relating to economic development within the City of Marion.
Marion Cultural Centre	Hiring of the Marion Cultural Centre.

*any category that does not have any outstanding invoices will not be displayed.

Rates Report - Collection of Rates to 30 June 2021**ANALYSIS OF OUTSTANDING RATES AS AT 30 JUNE 2021**

	<u>Note</u>	<u>2021</u>	<u>% of Total Annual Rates</u>	<u>2020</u>	<u>% of Total Annual Rates</u>
CURRENT	1	-\$ 1,086,488	-1.4%	-\$ 864,775	-1.1%
OVERDUE	2	\$ 1,968,549	2.5%	\$ 1,983,997	2.5%
ARREARS	3	\$ 899,677	1.1%	\$ 996,068	1.3%
INTEREST	4	\$ 41,441	0.1%	\$ 66,720	0.1%
POSTPONED	5	\$ 204,624	0.3%	\$ 193,034	0.2%
LEGALS	6	\$ 35,715	0.0%	\$ 45,257	0.1%
		<u>\$ 2,063,518</u>	<u>2.6%</u>	<u>\$ 2,420,301</u>	<u>3.1%</u>
TOTAL ANNUAL RATES		<u>\$ 80,044,096</u>		<u>\$ 79,264,817</u>	

Note 1: Current

Current rates represent the total amount of rates levied in the current financial year that are not yet due for payment. For example at 1st January this represents Quarter 3 & Quarter 4 rates unpaid.

Note 2: Overdue

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

Note 3: Arrears

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

Note 4: Interest

Interest represent the fines and interest applied to overdue rates and rates in arrears.

Note 5: Postponed

Postponed rates represent any rates amount due by seniors that have been granted a deferral, until the eventual sale of their property, as allowable under the Local Government Act. Interest is charged on these deferred rates and is recoverable when the property is sold.

Note 6: Legals

Legals represent any legal fees, court costs that have been incurred by Council in the collection of rates in the current financial year. These amounts represent costs that have been on-charged to the defaulting ratepayers and are currently outstanding.

7.3 Internal Audit Program - Implementation of Recommendations

Report Reference	FAC211012R7.3
Originating Officer	Governance Administration Officer – Angela Porter
Corporate Manager	Acting Manager Office of the Chief Executive – Sherie Walczak
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 17 August 2021 regarding the City of Marion's Internal Audit Program. A number of items were pending review of the IT Governance Framework. Following completion of the independent report, a number of sections are being reviewed and are expected to be complete by December 2021.

The two performance improvement opportunities for Procure to Pay audit have commenced following selection of a new provider. The items have been extended to be in line with the Financial Transformation Project and are expected to be complete by 30 June 2022.

Item PIO1.1 of the Asset Inspection Schedule audit has been reopened following a request from the Committee at its meeting on 17 August.

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. **FAC211012 Internal Audit Implementation of Recommendations Appendix [7.3.1 - 16 pages]**

Overall Summary

Project	Findings	On Track	Overdue	Completed	Not Commenced	General Comments
Procure to Pay (2018/19)	9	2		7		The two Performance Improvement Opportunities captured through the Finance Transformation Project have now commenced and have been granted extensions until June 2022 in line with the financial management system implementation.
Customer Experience	Complete (June '20)					
Cyber Security 2019	6	2	3	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		5	6		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. Work to re-commence now that systems have been selected.
Business Continuity Plan and COVID-19 Response	7	4	1		2	An extension has been granted 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	6				Some parts have already been completed with the remainder on track. Due to resourcing requirements, some items have been granted an extension.
Project Carryovers	6	6				All items have commenced or commenced in part with a number of items due to commence in November 2021. Some items have been identified as ongoing tasks.

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 Revised due date 30/06/2022	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.	On Track	10%	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 has appointed a Provider and the implementation phase has commenced. It is confirmed that the chosen product does have on-line invoice approval functionality.
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 Revised due date 30/06/2022	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.	On Track	10%	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 has appointed a Provider and the implementation phase has commenced. The implementation of invoice matching automation will not be part of the initial roll out of the new software but will be considered for further stages. Further consideration would need to be assessed against an initiative recently introduced by the ATO for Supplier electronic invoicing (Peppol E-Invoicing). This would have a significant positive impact on invoice processing automation.

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	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.	Not on Track	50%	Current cyber security awareness training under review following recruitment. Notation against CoM Cyber Security handbook from preliminary review suggests cyber security handbook requires additional alignment against business objectives. Phishing training can be run via the Azure subscription – this would help us baseline our primary infection mechanism
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	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	Not on Track	50%	We are still working with LGIT around the policy and they are aiming to get a response to use in mid October around funding to help pay for this activity

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	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.	On Track	35%	Meeting set with Team Leader Records and Manager IT Operations to review the design for the revised RS and what format should be used to inform IT
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	50%	External security audit conducted on CoM and the outcome of this will be reviewed to determine the next approach.	On Track	50%	Internal Security Audits are underway, currently focussed on extranet exposure reduction, regular and automatic remediation in line with ASCS maturity levels for application and operating systems, and systemic hardening. Secondary works from security include complexity reduction, baseline of security models through comparison with public "best practices" documentation, and more appropriate role separation.
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	0%	Following recent departure of the IT Governance and Cybersecurity Lead, this item has been placed on hold pending recruitment.	Not on Track	0%	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	90%	Set up of new payroll system is complete, and testing is in progress. Go live is on track to occur in August 2021.	On Track	95%	Payroll system went live in August 2021. Functionality has been enhanced and a large number of manual processes have now been automated (timesheets & interpretation, leave forms). Integration is pending implementation of other new systems.
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 keeping relating to employee recruitment and	Moderate	30/06/2021 Revised Due Date 31/08/2021	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.	On Track	95%	Payroll system went live in August 2021 and provides reports on required accruals for leave balances. Integration with finance system is pending implementation.

		retention will also be included as a key requirement for the new system.								
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	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.	On Track	85%	Payroll system went live in August. HRIS implementation is due to commence in October 2021 with a projected completion early 2022. CoM have commenced investigation on building a link from the new system to it's PowerBI platforms.
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	90%	Set up of new payroll system is complete, and testing is in progress. Go live is on track to occur in August 2021.	Completed	100%	Payroll system went live in August 2021. Functionality has been enhanced and a large number of manual processes have now been automated (timesheets & interpretation including application of overtime and penalty rates, leave forms). Electronic workflows have also been implemented for a number of tasks that were previously generate through manual forms and input separately, further reducing the risk of any transposition errors.
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	90%	Set up of new payroll system is complete, and testing is in progress. Go live is on track to occur in August 2021.	On Track	95%	Payroll system went live in August 2021 and provides reports on required accruals for leave balances. Integration with finance system is pending implementation.

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		Independent report by EQI Consulting under consideration by GM and Senior IT staff. Awaiting endorsement to decide next steps.	Not on Track		The new ICT Governance & Cybersecurity Lead started at CoM in mid September (one day a week until December and then fulltime). He will be reviewing these documents along with all the CoM policy documents
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		Independent report by EQI Consulting under consideration by GM and Senior IT staff. Awaiting endorsement to decide next steps.	Not on Track		The new ICT Governance & Cybersecurity Lead started at CoM in mid September (one day a week until December and then fulltime). He will be reviewing these documents along with all the CoM policy documents

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		Independent report by EQI Consulting under consideration by GM and Senior IT staff. Awaiting endorsement to decide next steps.	Not on Track		The new ICT Governance & Cybersecurity Lead started at CoM in mid September (one day a week until December and then fulltime). He will be reviewing these documents along with all the CoM policy documents
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		Independent report by EQI Consulting under consideration by GM and Senior IT staff. Awaiting endorsement to decide next steps.	Not on Track		The new ICT Governance & Cybersecurity Lead started at CoM in mid September (one day a week until December and then fulltime). He will be reviewing these documents along with all the CoM policy documents
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	Not on Track		Independent report by EQI Consulting under consideration by GM and Senior IT staff. Awaiting endorsement to decide next steps.	Not on Track		The new ICT Governance & Cybersecurity Lead started at CoM in mid September (one day a week until December and then fulltime). He will be reviewing these documents along with all the CoM policy documents
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		Added to scope of COM11 - Devices Fleet Management project. Expected artefacts include IT Asset Management Plan and up to date Asset Register.	Not on Track	50%	Devices have been audited but issues have occurred after Covid Lockdowns where people did not report what devices they took how and returned. Other options need to be evaluated
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	90%	Procurement procedures updated with urgent purchasing guidelines to support crisis activities, consultation email to be sent 23/7	Completed	100%	Contract Management procedures updated, consultation completed. Formal implementation to occur at ELT in October
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	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	Not on Track	50%	An updated strategy is being provided to ELT on 21 October 2021.
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	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.	Not on Track	10%	An updated strategy is being provided to ELT on 21 October 2021. The data governance piece is being worked on in parallel, extensive work is required.

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	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.	Not on Track	50%	The training given to all staff around ICT is currently under review and we are looking at different ways to deliver this product which will give better value to staff.
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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: <ul style="list-style-type: none"> 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	30/06/2021	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.	Not on Track	80%	Due to the recent departure of the Chief Data Officer this item has been placed on hold pending recruitment.
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	30/06/2021	Not on Track	75%	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	Not on Track	80%	PMO have commenced reporting of project risks in Monthly Capital Works Meeting (from Sept 2021) in revamped reporting format; however quality of risk information needs to be improved. Currently undergoing re-education of CAMMS with project managers during October (back to PM basics), PMO to check alignment of CAMMS with Risk Matrix, project/contract risk management training to be scheduled Nov/Dec 2021.

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)
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	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.	On Track	25%	The Leasing and Licencing Policy is currently being reviewed and is scheduled to be presented to the Elected Member Forum for feedback on 16 November 2021 and General Council for endorsement on 14 December.

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 through 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	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.	On Track	30%	Assetic has been selected as the Asset Management tool for Council's assets. Stores team are exploring the capability and suitability of Assetic to stores related processes, including fleet. All will include consideration for seamless integration with the new finance system.
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	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.	On Track	30%	Assetic has been selected as the Asset Management tool for Council's assets. Stores team are exploring the capability and suitability of Assetic to inventory management. All will include consideration for seamless integration with the new finance system.

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	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.	On Track	33%	Meeting set with Team Leader Records and Manager IT Operations to review the design for the revised RS and what format should be used to inform IT
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 Revised due date 31/03/2022	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.	On Track	33%	The Workforce Plan document has been placed on hold pending the commencement of the new Manager P&C and the implementation of the Aurion system. Extension has been granted until March 2022.
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	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.	On Track	35%	Meeting set with Team Leader Records and Manager IT Operations to review the design for the revised RS and what format should be used to inform IT
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	Not on Track	90%	Procurement procedures updated with urgent purchasing guidelines to support crisis activities, consultation email sent 23/7	Not on Track	99%	Procurement procedures updated to include elements regarding urgent purchasing and the process to undertake. Consultation completed, formal adoption by ELT to occur in October.
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.	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	Not on Track	90%	Procurement procedures updated with urgent purchasing guidelines to support crisis activities, consultation email sent 23/7	Not on Track	99%	Procurement procedures updated to include elements regarding urgent purchasing and the process to undertake. Consultation completed, formal adoption by ELT to occur in October.

• 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.										
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	10%	Unified communications and Call Centre project scope defined. Joint procurement initiative underway with CCS.	Not on Track	20%	We have completed the tender and reviewing the options with CSS for the best options for both councils
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%	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	On Track	20%	The DigLit project team is partnering with Navitas to apply for foundation skills funding, and to undertake skills assessments of outdoor workforce digital literacy skills in November 2021. Training is planned to commence in February 2022.
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	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.	On Track	85%	Risk Business Partner has facilitated a meeting with the RTG and is developing a final report.
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 Revised due date 31/12/2021	On Track	10%	Progressing with engagement with SLT to identify critical manual tasks.	On Track	15%	This will be delayed as it will be brought into the SLT engagement sessions as part of the Recovery Strategy review. Extension has been granted until December 2021.
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	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.	On Track	15%	This will be delayed as it will be brought into the SLT engagement sessions as part of the Recovery Strategy review. Extension has been granted until December 2021.
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	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 occurring within this portal.	On Track	35%	Meeting set with Team Leader Records to explore SharePoint site for this purpose
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	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	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 has been granted until 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	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	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 has been granted until 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	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	On Track	50%	Meeting set with Team Leader Records to explore SharePoint site for this purpose, drafting of new site taken place and sub-site is under planning. Extension has been granted until December 2021.
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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 desired 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	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.	Not on Track	90%	The Strategic Risk Register work has been developed, consulted with FAC and then further developed by ELT at a workshop. This is being reported to FAC at their meeting 12/10/21.
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	Not on Track	75%		Not on Track	90%	
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	Not on Track	75%		Not on Track	90%	
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 area. 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	Not on Track	75%		Not on Track	90%	

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: <ul style="list-style-type: none"> 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	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.	On Track	15%	Procedure documents in development
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	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.	On Track	15%	Procedure documents in development
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	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.	On Track	15%	To be included in procedure documents in development
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	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	On Track	15%	Asset Solutions Team exploring development of interim solution through ArcGIS Fieldmaps to monitor progress of Level 1 inspections for infrastructure assets.

							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	Not Commenced	0%	Discussion to be held at Asset Steering Committee to determine the viability and response to this recommendation.	On Track	50%	Asset Steering Committee recommended to maintain current practice. Current practice reflects a mix of internal and outsourced inspections on high risk assets. In the event a Level 1 inspection of a high risk asset identifies an issue this then initiates a more detailed and outsourced inspection when required. This approach will be covered in the Procedure document.
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	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.	On Track	10%	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 and is dependent upon the outcomes of recommendation 3.2 AMIS Project kicked off in Sept 2021 and BA resources have been assigned to capture requirements and pain points relevant to CoM Asset Classes. This will be an on-going task as the project implementation will be carried out in phases by Asset Class
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	On Track	10%	Development of L1 and L3 inspection matrix is ongoing and forms the basis for the preparation of the relevant procedures.	On Track	15%	Procedure documents in development
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	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.	On Track	15%	Procedure documents in development
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	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.	On Track	15%	Procedure documents in development

							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	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.	On Track	5%	Direction from Asset Steering Committee is to continue with development of interim solution.
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	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.	On Track	15%	Procedure documents in development
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	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).	Completed	100%	Selected Assetic as the preferred vendor to implement the new Asset Management Information System (AMIS)
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	On Track	10%	Senior BA 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.	On Track	50%	AMIS Project kicked off in Sept 2021 and BA resources have been assigned to capture requirements and pain points relevant to CoM Asset Classes. This will be an on-going task as the project implementation will be carried out in phases by Asset Class
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	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).	Completed	100%	Selected Assetic as the preferred vendor to implement the new Asset Management Information System (AMIS) Solution includes data analytics and Predictive Modelling capabilities
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	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.	On Track	5%	Asset Solutions Team exploring development of interim solution through ArcGIS Fieldmaps to monitor progress of Level 1 inspections for infrastructure assets.

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	On Track	10%	Senior BA 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 has been nominated as the project lead from the Asset Solutions Team. He 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.	On Track	15%	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 and is dependent upon the outcomes of recommendation 3.2
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	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.	On Track	15%	Procedure documents in development
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	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.	On Track	10%	Reopened per request from Committee - 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 and is dependent upon the outcomes of recommendation 3.2
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	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.	On Track	10%	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 and is dependent upon the outcomes of recommendation 3.2

Project Carryovers

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 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.	1.1	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.	Moderate	31/12/2021	Nil	Nil	Nil	On Track	25%	Schedule for Planning of FY 22 / 23 Program is currently being drafted and will be ready for review by stakeholders in early Oct 2021. Actual Project and Program planning for FY22/23 is targeted to start in Nov 2021. For ongoing current projects - Monthly meetings with PMs have been set up to discuss: - 1. Program schedule and progress 2. Budget forecast 3. Program risks and issues 4. Any other business
Training for staff, including for PMF and CAMMS. See PIO 2 for specific recommendations related to training.	1.2	Training will be provided by the PMO to selected staff that requires additional support on learning the PMF and using CAMMS.	Moderate	31/12/2021	Nil	Nil	Nil	On Track		This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle
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	1.3	The PMO, on a monthly basis, will randomly select projects to check on the progress and information entered into CAMMS.	Moderate	31/12/2021	Nil	Nil	Nil	On Track		This is an ongoing task Monthly meetings with PMs have been set up to discuss: - 1. Program schedule and progress 2. Budget forecast 3. Program risks and issues 4. Any other business
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.	1.4	The PMO will review the existing reporting format and engage with stakeholders to identify additional reporting requirements and to improve as necessary.	Moderate	31/12/2021	Nil	Nil	Nil	On Track	25%	The PMO is currently revamping the reporting and meeting format of the Monthly Capital Works Meeting to focus more on project delivery issues, risks, and progress
Refresh and re-distribute standardised project templates.	1.5	The PMO will review the existing project templates and improve/redistribute as necessary	Moderate	31/12/2021	Nil	Nil	Nil	Not Commenced	0%	Target to start activity in November2021 with focus on the standardised / consistent use of the risk register and risk matrix by PMs
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	2.1	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.	Moderate	31/12/2021	Nil	Nil	Nil	On Track	25%	Schedule for Planning of FY 22 / 23 Program is currently being drafted and will be ready for review by stakeholders in early Oct 2021. Actual Project and Program planning for FY22/23 is targeted to start in Nov 2021.
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.	2.2	Training will be provided by the PMO to selected staff that requires additional support on learning the PMF and using CAMMS.	Moderate	31/12/2021	Nil	Nil	Nil	On Track		This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle
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.	2.3	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.	Moderate	31/12/2021	Nil	Nil	Nil	Not Commenced	0%	Target to start activity in November2021, in line with start of Program Planning for FY 22 / 23

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.	2.4	As per point 3. In addition, costing data will be made available to Project Managers to support planning for future projects.	Moderate	31/12/2021	Nil	Nil	Nil	Not Commenced	0%	Target to start activity in November2021, in line with start of Program Planning for FY 22 / 23
Investigate system opportunities to improve CAMMS and streamline tasks. Specific investigation should be conducted in order to ascertain whether load times can be improved.	3.1	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.	Low	31/12/2021	Nil	Nil	Nil	On Track		This is an ongoing task - PMO has resumed monthly service reviews with CAMMS vendor (starting Oct 2021) to manage system performance and post production issues
See Finding 1 and 2 for recommendations regarding the re-distribution of the PMF and templates.	3.2	See responses in Findings 1 and 2	Low	31/12/2021	Nil	Nil	Nil	Not Commenced	0%	Target to start activity in November2021 with focus on the standardised / consistent use of the risk register and risk matrix by PMs
Refer PIO2 for project training recommendations.	3.3	See responses in PIO2	Low	31/12/2021	Nil	Nil	Nil	On Track		This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle
It is recommended that the CoM considers transitioning to an open rolling plan where appropriate.	4.1	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.	Low	30/06/2022	Nil	Nil	Nil	Not Commenced	0%	Target to start activity in November2021, in line with start of Program Planning for FY 22 / 23
Consideration of actual project scopes and delivery methodology to inform the appropriate project delivery cycle.	4.2	The PMO will review the PMF to consider the suitability of its project life cycle for use by all projects.	Low	30/06/2022	Nil	Nil	Nil	Not Commenced	0%	Target to start activity in November2021, in line with start of Program Planning for FY 22 / 23
Further consideration to be provided to allow for resourcing requirements to ensure program planning is performed.	4.3	The PMO will support the Project Managers with past implementation resource data for resource planning use.	Low	30/06/2022	Nil	Nil	Nil	Not Commenced	0%	Target to start activity in November2021, in line with start of Program Planning for FY 22 / 23
A process to be put in place requiring Project Managers to flag multi-year projects to the PMO, Finance and Procurement.	4.4	PMO, Finance and Procurement will review the internal process to address tracking and reporting of multi year projects.	Low	30/06/2022	Nil	Nil	Nil	Not Commenced	0%	Target to start activity in Jan 2022
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.	4.5	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.	Low	30/06/2022	Nil	Nil	Nil	Not Commenced	0%	Target to start activity in November2021, in line with start of Program Planning for FY 22 / 23
Training should be provided to all relevant staff regarding the new Project Management Framework.	PIO1.1	Training will be provided by the PMO to selected staff who requires additional support on learning the PMF and using CAMMS	Low	30/11/2021	Nil	Nil	Nil	On Track		This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle
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.	PIO1.2	See response 1	Low	30/11/2021	Nil	Nil	Nil	On Track		This is an ongoing task Monthly meetings with PMs have been set up to discuss: - 1. Program schedule and progress 2. Budget forecast 3. Program risks and issues 4. Any other business

										Lessons learnt to be included as agenda with PMs for completed projects
The CoM should consider undertaking lessons learned exercises for each project on a consistent basis.	PIO2.1	The PMO will routinely check completed projects in CAMMS for lessons learned information to be entered.	Low	31/12/2021	Nil	Nil	Nil	On Track		<p>This is an ongoing task</p> <p>Monthly meetings with PMs have been set up to discuss: -</p> <ol style="list-style-type: none">1. Program schedule and progress2. Budget forecast3. Program risks and issues4. Any other business <p>Lessons learnt to be included as agenda with PMs for completed projects</p>
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.	PIO2.2	The PMO will consider the feasibility of implementing this improvement opportunity in CAMMS given its cost implications.	Low	31/12/2021	Nil	Nil	Nil	Not Commenced	0%	PMO will include this requirement in the monthly service reviews with CAMMS vendor to determine feasibility of rolling out this functionality.

7.4 External Audit Tender

Report Reference	FAC211012R7.4
Originating Officer	Chief Financial Officer – Ray Barnwell
Corporate Manager	N/A
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

The purpose of the report is to advise the Finance and Audit Committee (FAC) of the approach and timeline for the upcoming external audit tender and seek any feedback in relation to the proposed process.

EXECUTIVE SUMMARY

The current external audit contract was awarded to Deloitte in 2016 and is due to expire at the conclusion of the audit for the 30 June 2021 financial year. This report provides an overview of the approach and timeline for the external audit tender. The FAC under its terms of reference is required to review and recommend for endorsement by the Council the engagement of the City of Marion's external auditor.

Section 128 and 129 of the *Local Government Act 1999* outlines the requirements regarding the Council's obligations to have an auditor, the conditions of their appointment and the conduct of the auditor.

Section 128 (2) specifically requires that the auditor be appointed by the Council on the recommendation of the council's Audit Committee. In making this recommendation, the Finance and Audit Committee must take into account any factors prescribed by the regulations

RECOMMENDATION

That the Finance and Audit Committee:

- Note the proposed process and timeline for the upcoming external audit tender and provide any feedback in relation to the proposed process**

DISCUSSION

Consistent with our current contract it is proposed that Council seek a 3-year fixed price contract to commence with the audit for the financial year ending 30 June 2022 + an option for an additional 2 years.

In order to minimise duplication of effort we are proposing to run a joint external audit tender with one of our shared procurement collaborative partners City of Port Adelaide Enfield who also have an external audit contract expiring at the conclusion their 30 June 2021 audit. While this is a joint procurement process it will facilitate the award of separate contracts by each council.

It is proposed that a select tender be undertaken on the basis there will be limited audit firms who would have the capacity, experience and knowledge specific to Local Government.

A Tender Specification for the provision of Statutory Audit Services is currently being drafted. The Tender Specification will address the following elements:

- The objectives of the audit;
- Specific Council requirements of the contract including:
 - The term of the appointment
 - Scope of the audit
 - Compliance with the requirements of the Act
 - Critical matters to be audited
 - Hours, fees and expenditure
 - Auditor independence

It is recommended that the tender process commence now that the current audit is being finalized in line with the following timeline:

Finalise tender documents and release tender	By week ended 15 October 2021
Tender Close	5 November 2021
Tender Evaluation / Negotiation	8 – 30 November 2021
FAC Consideration and Recommendation (in confidence)	December 2021
Council Consideration and Appointment	January 2022
Contract Award	February 2022

It is proposed the tender evaluation team will comprise of the Chief Financial Officer and the Manager, Office of the Chief Executive from the City of Marion in addition to two counterparts from the City of Port Adelaide Enfield.

A report will be brought back to the December FAC meeting for consideration and recommendation following the tender evaluation and negotiation in November.

ATTACHMENTS

Nil

7.5 Digital Transformation Program Update

Report Reference	FAC211012R7.5
Originating Officer	Program Manager Consultant – Ben Farrell
Corporate Manager	Manager IT Operations - Micheal Bowden
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

Respond to the request from the FAC for an update on the Digital Transformation Program and its governance, provide the external consultant report's findings and give an update on the status of the projects as of October 2021.

EXECUTIVE SUMMARY

The Digital transformation program (DTP) is a significant internal transformation program in response to the requirements laid out in Council's strategy and 4-year business plan. The DTP was devised to support City of Marion (CoM) in meeting its strategic objective of being innovative. The 12 projects together underpin a radical transformation of the way we work at CoM and the way we will be able to deliver outcomes to our residents, while allowing for greater transparency and access.

The program was approved by the Executive Leadership Team (ELT) on 24 April 2020 and commenced delivery gradually, due to resourcing constraints from May 2020. The first project completed was the stage one of the MapInfo to ESRI transition which went live on 26 October 2020. The second completed project was shift to externally managed payroll (Aurion) which occurred in August/September 2021. The CRM project is expected to be live on 26 November 2021, while Finance and Asset management are expected before 1 July 2022.

The governance of the program was initially attempted to be managed internally but from August 2020, an external program manager was engaged, both due to concerns around delivery as well as knowledge. Regular ELT meetings occurring monthly as well as updated reports to elected members and the Finance and Audit Committee on individual projects as they are being developed.

The program governance was reviewed both by KPMG, through their IT Governance Audit and by an external consultant Peter Auhl (previously in charge of a digital transformation program at the City of Adelaide as their CIO). Management took into account the recommendations and have commenced remediation action on the IT governance, though some were delayed due to staffing changes and challenges.

The paper provides an overview of the program, its governance and an update on the status of the 12 projects.

RECOMMENDATION

That the Finance and Audit Committee note:

1. the update on the Digital Transformation Program
2. Management's remediation actions on IT governance as recommended by both KPMG and EQI Consulting.

DISCUSSION

Program Design:

As the world becomes increasingly more digital, local governments and their communities need to adapt and become more innovative. Australia is also becoming a 'person centered' society through a variety of forces, but strongly enabled by technological advances. While digital transformation isn't a new concept for most councils, many still struggle with the best way to embrace it. The benefits to both citizens and employees continue to be proven and moving to cloud solutions is now a given.

In this context the program concept by the General Manager Corporate Services, followed a design thinking process of empathise, define, ideate, prototype and test in determining what the program needed to look like. Interviews were held with CoM staff to identify their needs and issues, as well as other local government stakeholders. Similar changes had already been implemented in relation to some of the projects in other local government bodies (for example Customer Relationship Management through SalesForce at Tea Tree Gully).

The aim of the program was to move the City of Marion further towards a customer centred approach, putting our rate payers at the core of everything we do. The program also aims to raise digital literacy for existing staff.

The DTP is creating more value for the rate payer via new technology systems to enable customer centric processes and efficiencies in delivery. Enhanced Information (data capture) and reporting creates visibility of services and the work being done.

The CRM System (Customer Relationship Management) conceptually sits at the centre of the platforms, and we will measure our success in part by the % of residents successfully using the portal and their satisfaction with the experience. Other customer focused measures of success are increasing the proportion of automated and self-service interactions, and reducing the time taken for customer requests and resolving complaints.

Increased digitisation and automation will create capacity for staff that will be redeployed to other value adding activities and enable cost savings. Improved reporting and analysis will enable faster and more informed decision making via increased digitisation of workflows. An increased ability to work efficiently and effectively from any location will support better performance and retain staff in an increasingly competitive labour market.

ELT Approval:

The Executive Leadership Team were provided presentations on the initial state of internal systems in October and November 2019. These were followed by drafts of the program and a presentation by the General Manager from Tea Tree Gully on 10 February 2020. On 24 April 2020 ELT approved the 12 projects of the DTP to commence as follows (table edited to remove some confidential info).

1. Digital Literacy and Cybersecurity Awareness (DLCSA)
2. Payroll and Human Resources Information System (HRIS)
3. Customer Relationship Management System (CRM)
4. Asset Management Information System (AMIS)
5. Financial transformation
6. Microsoft365
7. SharePoint transfer- intelligent intranet
8. GIS – Esri transition
9. Data Analytics
10. Unified Communications
11. Devices list and management
12. AV access in meeting rooms

NO	PROJECT	Objective	Proposed Start	Proposed end	Inclusions	Integration points	Other comments
COM1	Digital literacy and cybersecurity awareness	Increased digital literacy for staff and improved security of our corporate data as well as personal awareness of cybersecurity	Project plan April 2020 Rollout commences May 2020	Ongoing	<ul style="list-style-type: none"> Change management support for new payroll system – online timesheets Support with new applications and training plans for all AV usage in rooms Online support Dedicated Sharepoint site until Com2 is live. Support for WFH Cybersecurity training <ul style="list-style-type: none"> Phishing awareness Identity theft 	Consideration of Unified communications and what device each CoM staff member has/ has access to	Cybersecurity awareness to be done face to face in lunch learn sessions or dedicated sessions, with examples and demo videos. On Demand training and updated induction. Requirement for digital literacy in Position descriptions.
COM2	Payroll +HRIS	Automate payroll process, online processes in one system for onboarding, recruitment, LMS, PDP etc.	RFP to market by 30 April 2020 – 4 weeks to respond RFP evaluation and contract awarded before 30 June 2020	30 Sept 2020 MVP	<ol style="list-style-type: none"> Onboarding & e-recruitment performance management PDP process, Employee self service Payroll – online timesheets Learning Management System- integrated) Incident management HR analytics and metrics, exit analytics Engagement survey Talent management Employee recognition Remuneration engagement Workforce planning & analytics 	Finance – financial accounting Finance- budgeting Finance- accounts payable O365 - Azure Active Directory O365- Azure data lake O365 - Power BI CRM- work orders	Specs developed with support of P&C, ready to go to market end of April.

NO	PROJECT	Objective	Proposed Start	Proposed end	Inclusions	Integration points	Other comments
COM3	CRM system	Enable single view of customer. Allow our customers	RFP to market on 30 April 2020 – 4 weeks to respond RFP evaluation and contract awarded before 30 June 2020	30 June 2021	Customer portal -Single view of customer. Customer requests Work orders?	Finance – NAR Names and Addresses – property and rating Link to ePlanning poss and DACO GIS Payroll - Work orders	As covid19 hit we were awaiting feedback, will still be able to go to market on the due date provided it's received prior to end of April.
COM4	AMIS	Broader ability for staff to proactively manage assets. Enable asset tracking and automate maintenance requirements.	RFP to market by 30 April 2020 – 15 May 2020 then 4 weeks to respond RFP evaluation and contract awarded before 30 June 2020	30 June 2021	Asset management for infrastructure assets IT assets	CRM+ finance+payroll- Work orders and requests O365 - Azure DSML+ analytics layer for proactive reporting etc. Finance Connection to data analytics platform Link to extranet website for members reports in real time.	
	Financial transformation	Modern cloud based financial system able to	Stage 1 – KPMG contract awarded February 2020	30 June 2022	Rates Financial accounting+ Budgeting Accounts	CRM- NAR Payroll+CRM- work orders	Commencement meeting with KPMG scheduled for 22 April

NO	PROJECT	Objective	Proposed Start	Proposed end	Inclusions	Integration points	Other comments
M 5		support in real time reporting and connection with other CoM systems	Work to be completed by June 2020. Tender for Stage 2 June-Jul20 Stage Aug 20-Aug 22		payable Accounts receivable Work orders – though probably in CRM		2020.
COM6	Microsoft 365 rollout	Transition our current on prem server to cloud and decommission expensive internal infrastructure while providing our users with superior access from anywhere.	June 2019	30 June 2020	Azure Directory Ms Teams rollout O365 rollout Update all org to O365 instead of 20162FA Self-service password Update Exchange to O365 Microsoft365 usage analytics Identity management + Windows hello etc. Update to E5 from E3	AD and Teams with Payroll/HRIS	Must include Microsoft-potential partners as well Comms to staff about ability to use MS licenses on own pcs – instructions Change work habits with Teams access Remove Mimecast Remove Mobileiron
COM7	SharePoint transfer-intelligent intranet	Remove the need to	July 2020	December 2020	Records management New intranet-COMBI	Connected to teams structure in AD, link to HRIS+Payroll	Need to transfer websites but also update content, look and feel, configuration etc.

NO	PROJECT	Objective	Proposed Start	Proposed end	Inclusions	Integration points	Other comments
COM8	GIS – ESRI transition	Align system with CCS and PAE. Cloud based interface will allow staff to deliver	July 2020	December 2020 MVP	Transition all CoM users to ESRI	CRM AMIS O365 PowerBI etc.	Cross council collaborative project Must determine whether public cloud or managed cloud. (ELT 20 April 2020)
COM9	Data analytics	Change decision making at CoM and allow staff to make better decision as information is at their fingertips.	June 2020	June 2022	Grow Metrics that Matter from pilot to business as usual. Data led organisation – information available to every position depending on what they need it	O365 – data lake in Azure PowerBI for Y1+2 (due to E5 license)	Cross council collaborative project Position description shared with CCS and PAE – awaiting feedback.
COM10	Unified communications	Ability to take calls from anywhere, not tethered to a desk.	May 2020	July 2020	Teams calling No desk phones Call centre calling Mobiles for all frontline staff and better data allowances/value for money	Teams integration for our callcentre CRM integration with all.	Need to sort out current Optus contract which has been rolled over and over-only 2GB per device very expensive.

NO	PROJECT	Objective	Proposed Start	Proposed end	Inclusions	Integration points	Other comments
COM11	Devices list and management	Enable modern endpoint management to remove the need for extensive IT support in rolling out devices, increase staff's digital literacy and support the disadvantaged in the community.	April 2020	ongoing	Device map- appropriate devices for each staffmember/group Consideration of type of devices depending on work area and tasks Mobile phones? DUAL SIM? How long will we keep devices?	Device suitable for the particular job, purchase laptops cost effectively, not everyone needs one, we can use tablets, etc. Get rid of desktops except where absolutely necessary -IE planning team might need a few Surface Studios. Libraries are asking for a few Macs.	Update mobile device policy Remove desktops Consider some new Apple devices for libraries Frontline staff – outdoor workforce-devices. OnDemand training and part of J&P Too many SIM devices issued to staff. Too many mobile phones/devices issued to staff without clear reasoning. Devices not updated.
COM12	AV access in meeting rooms	Enable more productive meetings by sharing screens, using video conferencing.	1 January 2020	December 2020	More screens in meeting rooms Projector screens – larger viewing area Wireless adaptors	Wifi connected and working Screen cast available	ENSURE ALL STAFF KNOWHOW TO USE Have clear explanations near equipment or in easy to locate place. Training sessions on demand.

Program, Projects and Outcomes:

DTP Governance Approach

In August 2020, we created a governance structure built on common Program Management and Project Management approaches from Prince2 and the Project Management Institutes PgMP / PMP methodologies, as well as the experience of the Program Manager and Senior Project Managers.

We aimed to 'right size' the governance rigour required for the Program of work, balancing the outcomes of the Program Governance. Our structure of documents and meetings are listed below, with examples attached:

- Program Documents
 - o **Program Status:** a two-page snapshot of the RAG status of each project across the dimensions of scope, schedule, cost, benefit, resource. All ambers and reds need articulating and remedial commentary.
 - o **Program Summary:** Snapshot of Project Scope, Outcomes, Measures of Success to guide the Program Staff members.
 - o **Program Governance:** Meetings and mechanisms, stakeholders, authority, frequency and time
 - o **Program Budget Summary and Detail:** excel documentation of project finances that roll together to program summary
 - o **Program Road Map Timeline:** 2-page visual summary of the entire program
 - o **Program Dependencies, Risks and Issues Log**
 - o **Program Decision Log**
- Recurring meetings with agendas
 - o Refer to program governance doc for Program level meetings
 - Individual Project Working Group Status Meetings
 - Project Manager(s) updates to Program Manager
 - Program Financial review - Monthly
 - Program Status Sponsor Meetings
 - Program Steering Committee (ELT DTP)
 - Executive Update - Elected Members
- We have continued to refine our governance and management of the Program, adding new components as needed, for example:
 - o Weekly meetings between Program Manager (Ben) and General Manager Corporate Services (Sorana) and Change Manager (Megan) to align and guide the Program, and trouble shoot issues as they arise.
 - o Weekly resourcing meeting between Program Manager and Senior Project Manager for planning and allocation of key resources such as Business Analysts, Project Officers, Project Leads, Migration Leads.

Digital Transformation Program Governance independent reviews

In January 2021, Heather Martens KPMG met with the Program Manager, Change Manager and others for several hours to discuss the assurance mapping of CoM's risk of ineffective organisational project and portfolio management. Change Management and Program Management process and artefacts were reviewed to assess the key controls and assurance activities, including have the 1st, 2nd, and 3rd lines of defence (as detailed in the Assurance Map Validation - Risk 17):

“1st line

1. *Digital Transformation Governance Framework has been developed that includes defined roles, responsibilities, and accountabilities*
2. *Program Scope document has been developed which outlines key program objectives*
3. *Program Roadmap developed, which sets out relevant projects and timelines*
4. *Program Dependencies, Risks and Issues log developed and maintained (noting some risks have not been allocated relevant controls)*
5. *Program Decision Log in place, and is updated on a regular basis*
6. *Program Financial Report and Program Status Report completed monthly*
7. *Program Communications Plan*
8. *High level Program Change Management Plan and Stakeholder Assessment has been performed, inclusive of supporting change management tools developed to support CoM Leadership.*
9. *Management Framework has been developed with a dedicated Change Manager in place to support the Program*
10. *Program benefits realisation framework in draft*

2nd line

1. *Program Status Sponsor Meetings (Fortnightly)*
2. *Program Steering Committee (Monthly)*
3. *Executive Leadership Team (ELT) oversight, including standing item on ELT Agenda*

3rd line

- *A 3rd party was engaged in August 2020 to develop the Digital Transformation Governance Framework. To date an independent third party review outside of this 3rd party has not been performed.”*

Regarding the 3rd line of defence, KPMG recommended “3rd Opportunity for a third party stage gate or mid-point health check to be performed”. In response, in June 2021, Peter Auhl, Principal of EQi, completed an independent IT and DTP Governance review.

The scope was to “Review the Digital Transformation Program (DTP) governance arrangements and assess for quality, completeness and use”.

EQi interviewed 8 key stakeholders and reviewed & analysed more than 30 documents provided by the City of Marion including the City’s IT Governance Framework, ELT meeting agendas, DTP Roadmap and status reports for various projects to better understand the City’s current IT & DTP governance landscape. EQi also assessed the City’s IT and Digital Transformation Program objectives, frameworks and operating models.

The reports comments on the quality and consistency of IT & DTP governance structures and framework. The DTP governance was rated as Green for Organisational, Program and Project Governance.

The DTP document review was summarised as below:

Observations	Comments
<i>Well scoped, defined and reported. Those directly involved in the projects are well informed and actively involved.</i>	<i>Opportunity to create broader awareness of the program particularly relating to across project activities</i>
<i>Weekly status reports are succinct and informative</i>	<i>Where project issues arise, a clear item to show how issues are being dealt with would be beneficial</i>
<i>Very clear and strong relationship between the DTP</i>	<i>Identify linkages to the IT Governance Program</i>

Observations	Comments
<i>Program and the Change Management Program</i>	
<i>There is a very well articulated long-term roadmap that highlights the program elements, dependencies and interrelationships across the DTP Program</i>	This approach could be used to encapsulate the IT projects that support the DTP Program

EQI recommendations overall.

No:	Recommendation	Management response
1	Rationalise and simplify IT operational frameworks.	IT has just completed a restructure in which we have increased the capability to build new frameworks and policy to better support CoM.
2	Improve integration between the IT operations, change program and DTP.	IT attend all the DTP steering committee meetings and working closely with the DTP projects. This has been achieved by having staff from IT working within the DTP teams and cross training. This has improved how projects are running by putting the skills needed into the projects instead of needing to request the help via the helpdesk.
5	Align long-term financial planning to digital transformation future state vision.	DTP is working with IT Operations and Finance to ensure that all projects being developed are able to receive financial and technical support beyond project closure?
6	A key person risk assessment conducted, mitigations identified and implemented	IT has just completed a restructure which has given CoM the ability to place the correct people into the correct role. We are also cross training staff across projects and technology stacks to reduce the risk of any one person leaving.
7	Identify all projects with a technology element to be included in enterprise governance.	IT is starting to work with different business units around CoM. By doing this we are assisting to improving their system and supporting them moving forward with technology and governance.

Staffing challenges

Staffing for the program has been a challenge and a risk from its earliest days. Existing IT staff did not have updated skills and several restructures were required to shift the focus of the department from business as usual without any planning or change management to continuous improvement, learning, development and consistent project management. Business analytics skills were brought in through external recruitment, however even this proved to be a difficult undertaking as post Covid19 most businesses are undertaking digital transformation projects and the SA market is stretched.

Local government is also unable to offer competitive conditions and salaries compared to the private sector, so the type of IT technical knowledge staff attracted is not always of the highest

calibre. This means that in some cases Management have had to end contractual relationships during the probation period or shortly thereafter and projects were delayed. While we have been successful in recruiting some additional staff, this challenge remains. We have also worked on upskilling internal resources where possible. These risks are documented in the program risk register.

Current Status – Projects Update:

For a detail visual representation, please refer to the overall RAG status in the current status update (attached), and the Program Road Map (attached) for the status information for each individual project. For ease of review, we use the RAG method to quickly indicate the status across the dimensions of Scope, Schedule, Benefits, Cost or Resourcing. Green indicates on track, Amber indicates some degradation in performance, and Red indicates we are off track. For ease of governance, we succinctly describe the problem and the remedial actions in the status update for any red and amber ratings across the Program.

Here is a summary of the key points per project of current state activity and where we expect to be by next FAC meeting:

	Now (October 2021)	Next FAC (December 2021)
Program	We have our full complement of roles funded. There are key resourcing gaps required to fill. These include the Chief Data Officer, Program Change Manager, Enterprise Architecture, Integration, Systems Administration	Those roles will be hired with a mix of internal and external resources
DLCSA (Digital Literacy and Cybersecurity Awareness)	Critical path of achieving digital literacy and cybersecurity awareness for new device receivers Detailed schedule to finalise project required	Detailed schedule and resource plan
Payroll and HRIS (Human Resource Information System)	Payroll outsourced to Aurion and Employee Self Service implemented. Payroll still in warranty period, resolving minor issues. HRIS modules being assessed	Reporting requirements complete Payroll implementation closed out HRIS detailed schedule and resource plan complete
CRM system	Configuration & familiarisation of Stage one, (full implementation of Customer Event System Replacement) completed	Stage one will be implemented: Testing completed System will be ready, training being finalised, and ready for go live on 29 November
AMIS	Vendor selected, kick off meetings have occurred and detailed and discovery sessions are occurring	Discovery and design stages will have completed and we'll have a detailed implementation plan
Financial transformation	Vendor selected, kick off meetings have occurred and detailed and discovery sessions are occurring	Discovery and design stages will have completed and we'll have a detailed implementation plan
Microsoft365	The majority of multiple milestones	Reduction in on premise servers

	complete. Currently reducing servers and increasing cloud usage MS licensing contract renewal	MS license contract renewed on favourable terms
SharePoint transfer-intelligent intranet	Project is working through data migration fixes, and producing a project close out document	Project closed
GIS – ESRI transition	Project close out documentation occurring	Project Closed
Data analytics	Strategy document with Cross Council Partners to be produced by external consultant Business Intelligence Data Analyst, Matt Lane, creating action plan	Strategy document draft Scope and scheduled drafted
Unified comms	Procurement stage – Request for Proposal – currently in evaluation stage. All responses have pricing exceeding our budget. We are currently working on alternative approaches.	An alternative approach to market has occurred.
Devices Fleet management	Scope and road map of activities 85% completed. Currently working through detailed requirements, purchasing options, end of lease planning and detailed scheduling	Detailed project design, schedule and resource plan
AV Access in meeting rooms	Scope and roadmap of activities not entirely finalised. Initial round of providing wireless receivers and Meeting Owls in rooms has been completed. A review of the Owls revealed more users need instructions on how to use them and continue to struggle with connecting to screens due to low digital literacy. Screen setup for the Chamber has been determined and ordered.	Detailed project design, schedule and resource plan

ATTACHMENTS

1. Program Status - as at 16 September 2021 [7.5.1 - 2 pages]
2. Program Summary Scope Outcomes Measures [7.5.2 - 3 pages]
3. Program Governance [7.5.3 - 1 page]
4. Financial Summary page 1 September 2021 [7.5.4 - 1 page]
5. Financial Summary page 2 September 2021 [7.5.5 - 1 page]
6. Financial Graphs Sept 2021 [7.5.6 - 1 page]
7. Program Road Map Timeline September 2021 [7.5.7 - 2 pages]

8. City of Marion IT and DTP Governance Review [**7.5.8** - 19 pages]

Update: 16th September 2021


Digital Transformation Program	Forecast End date	Fortnightly Project Status - RAG Status					Last Period	This period	Key Risks / Issues emerged this period	Comments to address Amber/ Red or risks / issues
		Scope	Schedule	Cost	Benefits / outcome	Resource				
Overall Program	Oct-22	Amber	Amber	Green	Green	Amber	Amber	Amber	Refer to project issues below. Two projects (Property Management System & Booking System) requested to be in scope Change Manager gap needs to be resolved by September	Address Project reds and ambers below Change Manager position to be advertised when restructure finalised. Senior Project Manager's will fill in critical activities until role replaced Decision on PMS & Booking System request post preliminary BA assessment
Dig. literacy & cyber sec. aware.	Aug-21	Amber	Red	Green	Green	Green	Amber	Amber	Scope: awaiting review and sign off Schedule: Overall schedule not fully developed, but critical path is.	Scope: awaiting review and sign off Schedule: finalise full schedule
Payroll +HRIS	Jan-22	Green	Amber	Green	Green	Green	Green	Green	Schedule: Aurion can't start HRIS until October/November, but we are still within our overall timeframe	Schedule: Plan any implementations to occur this calendar year
CRM system	Jul-22	Green	Amber	Green	Green	Amber	Green	Green	Schedule: Communications plans not fully developed. Resource: 1) Data cleansing and validation resource gap to be filled. 2) Salesforce Admin required	Schedule: Megan to resource internally Resource: 1) Karl Pauligk from Prescient who is allocated to the Finance Project will support - we don't expect additional cost to Program as there is likely less effort in Finance project, 2) Salesforce - Myles Cameron-Smith from Micheal Bowden's team will be resourced one day per week on the project
AMIS	Jan-23	Green	Green	Green	Green	Red	Green	Amber	Resources: 1) Discussion and agreement on SME availability required - workshop invites have been declined; 2) Data migration lead resigned Risk: Property and Management module build not locked in for time/cost	Resources: 1) meet with stakeholders, discuss activity schedule 2) Assess implications Risk: Explore options and contingency. Pull forward commitment to time/cost
Financial transformation	Feb-23	Green	Green	Green	Green	Green	Green	Green		
Microsoft365	Oct-22	Green	Green	Green	Green	Green	Green	Green		
SharePoint transfer-intelligent intranet	Aug-21	Green	Green	Green	Green	Green	Green	Green		
GIS – ESRI transition	Jul-21	Green	Green	Green	Green	Green	Green	Green		
Data analytics	Apr-22	Red	Red	Amber	Amber	Red	Red	Red	Scope: Strategy doc incomplete / not agreed Schedule: Strategy and Schedule due mid June Resource: CDO resigned 3/8. Cross Council partners would like an external strategy to be developed	Scope: Aim to outsource Strategy Document creation Schedule: Matt Lane to produce a plan Resource: work with cross council on solution
Unified comms	Feb-22	Green	Green	Red	Green	Green	Green	Amber	Cost: Tender responses are proving costly. Confidence: Forced to 12 months only commitment might make tender fail	
Devices Fleet management	Dec-21	Green	Green	Green	Green	Green	Amber	Amber	Risk: Fleet device availability unknown due to supply chain issues world wide.	Risk: Get the procurement happening asap - awaiting survey results
AV access in meeting rooms	Dec-21	Green	Amber	Green	Green	Green	Green	Green	Schedule: Original timeframes missed.	Schedule: Tony Tyler to detail final components of project scope into detailed schedule and update road map.

Update: 16th September 2021

Digital Transformation Program	Forecast End date	Fortnightly Project Status - RAG Status					Last Period	This period	Key Risks / Issues emerged this period	Comments to address Amber/ Red or risks / issues
		Scope	Schedule	Cost	Benefits / outcome	Resource				

Digital Transformation Program Status Update Discussion areas

Key Program Achievements this Period	Key Program Focus areas for next period
<p>AV Access in meeting rooms scope and deliverables confirmed.</p> <p>Cyber Security awareness 45 min in class training now part of the staff induction process</p> <p>Bluepoint decommission finalised and communicated. Sharepoint Project moving to close out</p> <p>Esri moving into Project Close Out activities - paper due next fortnight</p>	<p>Refer to comments to address Ambers and Reds at Program and Project Level</p>

Program Decisions Required and outcomes	Key Program Actions
<p>- CRM - decision required on integrate P&R to Authority - decision due by 30/9. Agreed, proceed.</p> <p>- CRM - Program to decide on recommendation to continue new hard waste requests in Open Office CES until full solution for hard waste implemented in Salesforce (Q1 2022). Agreed, proceed</p> <p>- CDO open role - discussion on how to proceed required [BF - refer to notes]</p> <p>- Licensing costs for Financial Transformation have come in at \$279,525 vs \$300k estimate. Suggest we leave the \$20k in the project to absorb any cost variations that might occur later in the project. Yes, keep at Project level</p>	<p>Refer to comments to address Ambers and Reds at Program and Project Level</p> 

PRJ #	Project Name	Scope	outcomes	Measures of success (MoS)
0	Overall Program	<p>1) Australia is becoming a 'person centred' society through a variety of forces, but strongly enabled by technological advances. We aim to shift CoM to a Customer centred approach, putting our 92,000 rate payers at the centre of everything we do. It will be a clear shift from our ERP software being Finance centric</p> <p>2) Raise internal staff capability in line with 2020 business digital literacy</p>	<p>1) Extract more value for the rate payer from our customer centric processes (people, manual and digital processes) and our technology systems to enable these. The CRM conceptually sits at the centre.</p> <p>2) Enhanced Information (data capture) and reporting creates visibility of services and the work being done</p> <p>3) Efficiencies in delivery</p> <p>4) Increased digital literacy -Staff highly capable to use the carefully selected software systems</p>	<p>1. Increased % of our residents successfully using our customer portal and satisfied with the experience.</p> <p>2. Increased proportion of automated & self-service interactions.</p> <p>3. Reduced time taken for customer requests and resolving complaints.</p> <p>4. Increased capacity (time) through digitisation and automation; a. staff time redeployed to other value-added activities, b. employee cost savings.</p> <p>5. Increased staff satisfaction with the devices, technology systems and support provided to perform their role.</p> <p>6. Improved reporting and analysis for faster and more informed decision making via increased digitisation of workflows.</p> <p>7. Increased ability & efficiency to work from any location technology enabled. (Endorsed by ELT DTP November 2020)</p>
1	Digital literacy and cybersecurity awareness	<p>1) Digital Literacy - have a workforce that has capacity and capability to operate in a 2020 digital environment</p> <p>2) Raising Cyber-security Awareness - that leads to enhanced Security of corporate data</p> <p>3) We support the increase in the digital literacy of our Customers via hardware, software and programs</p> <p>Out of scope - in this project, we are only focussed on the awareness and behaviour component cyber security. In other words, the staff member's understanding of the risks, and their adherence to the policies and procedures. The organisations technical & technological security is out of scope for this project, and is covered elsewhere in the IT strategy / operational delivery.</p>	<p>Higher cyber security awareness</p> <p>Staff capable of utilising the software and hardware available, including as it evolves</p> <p>A culture of embracing technology and making it work</p> <p>No manual or off system workarounds due to lack of understanding of software functionality</p> <p>Where valuable, our second hand hardware may be provided to the community supported by our community programs</p> <p>New staff are digitally literate - we use 'recruit for the future' and induction to lift overall capability over time</p>	<p>100% of staff having completed the required digital literacy training within 8 weeks start date / annual refresh</p> <p>Zero malware / ransomware attacks successful via email phishing</p> <p>100% of new hires meeting Digital Literacy requirements</p> <p>Increasing level of CoM community digital access over base levels</p> <p>Phishing test results - number stay at a baseline or reduce over time</p> <p>Usage reports & specific assessments for specific systems show high digital literacy</p> <p>New hires into the organisation are assessed as highly digitally literate in line with the role they will be performing</p>
2	Payroll +HRIS	<p>Choose and implement an end to end Payroll and HRIS system that enables:</p> <p>1) Removal of paper processes and reduction in manual processes</p> <p>2) Streamlined controls of permissions, approvals, access and data.</p> <p>3) One system for where all the existing HR 'work is done' - Civica Authority, Outlook, SharePoint (custom forms and workflows), Skytrust, Outlook, Kineo eLearning and Open Office "Training Manager"</p> <p>4) Mobile access</p> <p>5) staff are paid accurately in accordance with Enterprise Agreements, Awards and legislation</p> <p>6) interface with other CoM systems</p> <p>7) HRIS functions are fit for purpose for CoM (refer to the 18 HRIS functions listed in the Tender documents for further details)</p> <p>8) Reporting for analysis decision making. In particular FTE and Payroll cost reporting is critical</p>	<p>PAYROLL: efficiency (capacity) - e.g. Remove manual processing of payroll and approving timesheets. e.g. Single sign on.</p> <p>Risk mitigation - avoid under or overpaying staff, reference to many recent large organisations doing so. Avoid significant cost of a remediation project - address risk</p> <p>Risk mitigation - cybersecurity against wage theft</p> <p>HRIS: efficiency (capacity) due to multiple systems, lack of integration and automation.</p> <p>Determine which HRIS modules are to be implemented in this project</p> <p>Reporting</p> <p>Paperless processes</p>	<p>1) Capacity - Create time savings for staff, with some resulting in FTE savings</p> <p>2) Being able to calculate FTE numbers automatically organisation wide (therefore manage costs better/make resource decisions/provide meaningful timely information for elected members)</p> <p>3) 100% Staff using employee kiosk</p> <p>4) No paper in HR processes</p> <p>5) Workflows in the system, not SharePoint</p> <p>6) Increased employee engagement - <i>confirm once we understand HRIS deliverables</i></p>
3	CRM system	<p>Single View of Customer (SVC) - "A SVC has information about a customer which is aggregated from multiple sources and presented in one place to support delivery of an excellent Customer Experience (CX). This includes contact details, customer type, customer preferences, interaction history and transactions, open cases, and alerts and risks regarding that customer"</p> <p><u>Functionality in scope (source - the Epics from the RFP):</u></p> <p>Customer Portal</p> <p>Case Creation and Case Management</p> <p>Customer Communication</p> <p>Contact Management</p> <p>Records Management</p> <p>Reporting</p> <p>Community Forum - discussion threads where elected members hear from the community direct (note - wasn't in RFP)</p>	<p>A Single View of Customer (SVC) that supports delivery of an excellent Customer Experience, including:</p> <ul style="list-style-type: none"> - Enhanced understanding of customer base. - Improved communication. - Increased personalisation of services. - Improved query resolution. - customers have online information and self-service facilities. - Supports the future implementation of omni-channel access. - Automates business processes to enhance service delivery through efficiency improvements such as self-service hard rubbish bookings. <p>Improve reporting and support data-led decisions.</p> <p>Enhanced staff productivity.</p> <p>Integration of other Apps</p> <p>"Communication to plan events" - can the CRM system be used to fill the communication gap created by the "Messenger"</p>	<p>x% of Customers register for portal and usage metric</p> <p>x% of interactions move to portal</p> <p>x% satisfaction with Portal experience</p> <p>x% of client interactions in the portal are self-service vs 'chat'</p>

PRJ #	Project Name	Scope	outcomes	Measures of success (MoS)
4	Asset Management Information System (AMIS)	CoM has more than \$1B assets, and this project will enhance the Asset Management approach. Improve the information and automated recommendations for more informed decision making on maintenance and renewal. Integrate into Finance processes, Land and Property Process <i>[and other key Value Streams to be determined in project planning]</i> , enabling the customer centric model. In scope areas: Asset management for infrastructure assets including plant and equipment; IT assets	We know the condition of our assets and accurately report on them We integrate customer request data into the data analysis and decision making The Asset Management Plans (AMPs), year on year, show we are maintaining the quality of assets over time	Asset Sustainability Ratio & Asset Renewal Funding Ratio Condition ratings (in aggregate) are holding steady or improving across the asset base <i>[will require more engagement / input from the business during discover stage of project]</i>
5	Financial transformation	The current systems, processes and procedures lack standardisation, simplification and automation and are impeding the finance function in being able to work efficiently and effectively. Transforming the finance function will enable the team to focus on new ways of creating value for its customers (both internal and external) and improve the overall performance of the organisation Modern cloud based financial system able to support in real time reporting and connection with other CoM systems allows for reporting, analysis and better decision making	Efficiency: no manual / paper based processes (or minimise). Digitise processes and automate where practical. <i>example - if the invoice matches the PO then it auto reconciles without any 'staff' processing</i> Reporting & Analysis: capability and responsiveness <i>example scenario modelling requests from Elected Members</i> Service support - maintenance by the system provider. <i>Current provider limited or no support</i>	Capacity - Create time savings for staff, with some resulting in FTE savings x% of manual process removed support provided within x days of request self-serve for elected member enquiries Analytical requests - improved time to respond (end to end, business days) EM enquiries - improved time to respond (end to end, business days) Rates arrears reduced by 95% (i.e. close to zero)
6	Microsoft365 rollout	Rollout on premise Office products to Microsoft 365. Transfer to the cloud, remove on premise hardware. Fully adhere to the "Cloud first" principle approved by Council	Simplified Licensing Model and Updates Minimal Servers = Lower Costs No Hardware Updates = Even Lower Costs More Efficient and Faster Infrastructure Management You Get All the Apps, Services, Tools and Platforms You need Has a positive ROI over several years Enables mobility - access to apps and systems from multiple devices anywhere Better disaster recovery	No internal servers for Microsoft apps necessary Lower costs / ROI Measurably Better Security Mobility enabled (increased mobility measured)
7	SharePoint transfer-intelligent intranet	same as above - transfer to cloud, remove on premise hardware, adhere to 'cloud first' principle Shift the current SharePoint sites to the cloud and then reimagine the team sites to take advantage of more recent SharePoint developments. Build hub connected landing pages for all nominated work areas. Records management is enhanced, functionality issues are addressed - set up the advanced search parameters correctly and the meta data in the documents where appropriate exists. Team satisfaction / cohesion with their site - information, files & search functionality, 'best use' of the CoM approved functionality available <i>For example, ideas for approval "alerts, apps like powerBI, hundreds of possible add ins like Kanban boards, Group Calendar, Projects, etc - this should be driven by someone who understands what is possible, chooses what to do in SharePoint and what to do elsewhere, and then explains it to the teams, works with BAs to develop. DEPENDENCY - this links to DLCSA and Data Analytics project, specifically the framework to continually evolve.</i>	Enables / supports many of the outcomes above in MS365 rollout Enables Enterprise search facility. This includes better records management requirements and satisfy past RM audit findings. Each business area has its own SharePoint site that has integrated reporting. Access to files that have clear and logical organisation. if you're from another part of the business you can find what you're looking for. Staff are 'digitally literate' about what Sharepoint's unique value add is, what can be done in it, and what it shouldn't be used for - dependency into Digital Literacy Project	Team sites are relevant and used (%usage tracked and growing over time). FOI searches reduction in time required to amass documents. Records management searches from elected members are responded to in less than 24 hours. Team satisfaction with SharePoint: RM, apps, other

PRJ #	Project Name	Scope	outcomes	Measures of success (MoS)
8	GIS – Esri transition	Transition GIS (Graphic Information System) from MapInfo (end of life) to Esri - best practice / low risk. Esri is the provider for our CrossCouncil partners - further our strategic alignment and best practice across the group Delivery creates more community and business value from the functionality and resource/specialty	Have our GIS software / license in warranty Cost Data security - clarity on what maps information can be provided (and what can't) to the public. Sensitive information not provided publicly. Integration with CRM / Finance / AMIS Present information visually and enhanced reporting to help with decisions, including Elected Members Improved search functionality	Zero data breaches - audit / tests etc This project enables other projects that use location data (CRM, AMIS, Financial Transformation)
9	Data analytics	Grow our 'Metrics that Matter' approach from a pilot to business as usual. CoM becomes more analytical and outcome focussed in its decision making and management. Information available to every position tailored to what they need it In scope roles - Xcouncil new Chief Data Officer - embedded at PtAdel. Data analyst	Change decision making at CoM and allow staff to make better decision as information is at their fingertips. Decisions are data driven Example - fleet Utes from 3 years to 5years give savings	\$x of savings driven by Data Analysis from new information available x days TAT saving enabled by analysis and reporting
10	Unified communications	Cross Council project to create: 1) Telco Savings on data and calls, and 2) a combined approach to phone communication devices generally across the three organisations and specific areas such as contact centre (including moving the underlying Contact Centre Platform to a single provide of CCaaS for all three Councils), 3) to enable staff to be fully mobile and align our technologies for future benefits	1) Telco - save money on the data and phones from desk, but end to end it will cost more with more functionality 2) Ability to take calls from anywhere, not tethered to a desk, 3) Contact Centre technology (for example CCaaS including queue management and operational reporting) is significantly improved, fit for the DTP and future orientated.	1) cost reduction on data and calls (and overall) 2) % cost reduction on maintenance and installation costs 3) % workforce fully mobile and can work remotely 4) Flexible call centre arrangements (office, or any other location)
11	Devices list and management	1) Device Choice and Usage Value 2) Staff are Truly Mobile 3) Responsive to ongoing Technological evolution	1.1) Increasing the Digital Literacy in the Community (recycled devices) 1.2) Up to date quality devices that are fit for purpose and support digital literacy 1.3) Staff member has choice of device 1.4) Reduced device cost of ownership 2. Mobility - People, processes and systems are not tied to a physical location, 3. Assess and procure / deploy software and hardware that adds value and drives digital literacy 4. Asset inventory with embedded processes and procedures to manage assets	Cost Staff satisfaction with devices 1) available & 2) used Usage reports of software and device Annual comparison of software adopted vs best in class peers 100% accuracy in the asset management of devices
12	AV access in meeting rooms	AV Access in meeting rooms Enable the collaboration of staff and external parties across locations to reduce wasted travel time and drive more valuable collaboration. Ensure meetings for elected members can be recorded, published electronically, etc.	Support Work From Home (WFH) and mobile workforce to remain connected High quality, reliable AV access	Time saved in driving to meetings / locations (%) Staff satisfaction with their AV experience in meeting rooms. CoM is presenting as professional/efficient to external parties

CoM Digital Transformation Governance (3rd September - version 4)					
Meeting	Purpose	Attendees	Authority	Frequency	Time
Individual Project Working Group Status Meetings	Track Individual Projects activities. Agree planned weekly activities. Raise risks or Issues.	Project Manager Relevant Managers - per project plan Project Team resources Change Manager - As needed	Prioritise activities or actions to achieve plan	twice weekly	30 mins
Project Manager(s) updates to Program Manager	Track Project level progress against: Plan and Outcome Agreed actions to mitigate new risk or issues, and/or which one require Program intervention	Project Manager Program Manager Change Manager	Integrate across projects Collate risks, issues, solutions for Program Status Weekly meeting	Weekly (sequence within 2 B.D of Program Status meetings <i>next line</i>)	30 mins
Program Financial review - Monthly	Track and review the Program's Finances and ensure we keep control over expected benefits and costs, tracking of these toward expected timings and decisions to change expenses. Financial variances can be the earliest sign of issues in the Program	Finance Manager - Ray Program Sponsor - Sorana Program Manager SPM FT- TBA SPM CRM - TBA - should they be here too UM Finance - Heath	Authorise project financial variations - timing and amount within delegations. Must log decisions. For material variations, 10% or more, raise at ELT and Program Status meeting for visibility	Monthly second week post month end	30 mins (<i>or circulate via email if no material variances</i>)
Program Status Sponsor Meetings	Awareness of Project performance Discuss and Sign off Project Changes as required Track Program progress against Plan and Outcome Agree planned Program activities Agreed actions to mitigate new risk or issues, and/or which one require Steer Co sign off	Program Manager Cecilia Sponsor - Sorana Karen Akos Steph Change Manager - Megan Ray Barnwell Individual Project Managers by invite Procurement - Jamie - as needed	Sign off Project level solutions, changes & requirements. Prioritise Resource to achieve program outcomes. Implement actions to mitigate or address risk within scope and budget.	Fortnightly	60 mins
Program Steering Committee (ELT DT)	Review of Program outcomes. Approval for program outcome decisions Changes to scope or funding. Agree Elected Member Update	Sponsor Program Manager Change Manager - As needed ELT members	Changes to scope or outcomes. Utilise contingency funding.	Monthly	30 mins
Executive Update - Elected Members	Provide an update overall program status	Sponsor provides an update via elected member forums Meet with Program Manager and Change Manager prior for content	Standard Elected Member authority	Bi Monthly	30 mins
Project Principle	Significant changes to scope, time, cost, quality, resourcing at Project level must be raised at Program Status Meeting for Sponsor sign off				
Program Principle	Significant changes to scope, time, cost, quality, resourcing at Program level must be raised at Program Steering Committee for Executive sign off				
Change Principle	Change Manager is to be present for any conversation relating to changes to scope, time, cost, quality, resourcing to provide Business Impact insight				

MONTHLY PERFORMANCE ACTUAL / FORECAST															VARIATION		
Program cost per project (Actual / Forecast)		2021/22 monthly expenses (Actual / Forecast)												Actual / Forecast Annual Summaries			
Project	#	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	2020/21	2021/22	2022/23	Total
Program management costs (resources/other)	COM0	\$ 124,571	\$ 135,242	\$ 139,242	\$ 135,242	\$ 135,242	\$ 135,242	\$ 135,242	\$ 120,842	\$ 120,842	\$ 120,842	\$ 120,842	\$ 120,842	\$ 505,385	\$ 1,544,233	\$ 1,088,673	\$ 3,138,292
Digital literacy and cybersecurity awareness	COM1	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	n/a	\$ 10,000
Payroll & HRIS	COM2	\$ -	\$ 7,619	\$ 65,258	\$ 46,133	\$ 25,633	\$ 28,633	\$ 12,133	\$ 12,133	\$ 12,133	\$ 12,133	\$ 12,133	\$ 18,820	\$ 133,044	\$ 254,242	\$ 145,600	\$ 532,886
CRM System	COM3	\$ 47,069	\$ -	\$ 119,396	\$ 73,202	\$ 51,489	\$ 50,447	\$ 222,847	\$ 2,354	\$ 2,354	\$ 2,354	\$ 2,354	\$ 2,354	\$ 101,914	\$ 576,221	\$ 155,141	\$ 833,277
AMIS	COM4	\$ -	\$ -	\$ 42,000	\$ 14,000	\$ 14,000	\$ 424,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ -	\$ 578,000	\$ 147,000	\$ 725,000
Financial Transformation	COM5	\$ -	\$ 256,231	\$ 14,360	\$ 444,973	\$ 2,333	\$ 2,333	\$ 102,333	\$ 2,333	\$ 2,333	\$ 2,333	\$ 2,333	\$ 22,808	\$ 158,795	\$ 854,706	\$ 438,294	\$ 1,451,794
Microsoft365 Rollout	COM6	\$ -	\$ -	\$ -	\$ 289,072	\$ 53,000	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	\$ 56,148	\$ 362,072	\$ 238,600	\$ 656,819
SharePoint transfer-intelligent intranet	COM7	\$ -	\$ -	\$ 13,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,292	\$ 13,280		\$ 32,572
GIS - ESRI transition	COM8	\$ 99,951	\$ 1,440	\$ 21,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 394,802	\$ 160,391	\$ 100,000	\$ 655,193
Data Analytics	COM9	\$ -	\$ -	\$ 25,467	\$ 16,267	\$ 16,267	\$ 16,267	\$ 27,933	\$ 27,933	\$ 39,600	\$ 35,000	\$ 35,000	\$ 35,000	\$ -	\$ 274,733	\$ 325,267	\$ 600,000
Unified Communications	COM10	\$ -	\$ -	\$ -	\$ 55,000	\$ -	\$ 15,000	\$ 65,000	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ 40,000	\$ 190,000
Devices list & management	COM11	\$ 14,752	\$ 30,884	\$ 16,133	\$ -	\$ 176,856	\$ -	\$ -	\$ 230,000	\$ -	\$ -	\$ 182,770	\$ -	\$ 12,068	\$ 651,395	\$ -	\$ 663,463
AV Access in meeting rooms	COM12	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,736	\$ 20,000		\$ 84,736
Program Contingency		\$ -	\$ -	\$ 19,910	\$ 19,910	\$ 19,910	\$ 19,910	\$ 19,910	\$ 19,910	\$ 19,910	\$ 19,910	\$ 19,910	\$ 19,910		\$ 219,009	\$ 91,662	\$ 310,671
		\$ 286,343	\$ 431,416	\$ 506,546	\$ 1,106,300	\$ 507,230	\$ 704,333	\$ 599,399	\$ 434,506	\$ 231,173	\$ 211,573	\$ 394,343	\$ 233,735	\$ 1,446,183	\$ 5,668,283	\$ 2,770,237	\$ 9,884,703
															* July DTP ELT had \$1,575,502 (this number is subject to change)		
Savings / offsets																	
Program - FTE & license savings/offsets	COM0	\$ (12,888)	\$ (12,888)	\$ (12,888)	\$ (12,888)	\$ (82,888)	\$ (12,888)	\$ (21,590)	\$ (21,590)	\$ (21,590)	\$ (21,590)	\$ (21,590)	\$ (26,290)	\$ (186,261)	\$ (281,569)	\$ (883,618)	\$ (1,351,448)
*Finalise this column once financial year closed																	

VARIATION BETWEEN FORECAST AND ACTUAL

Program cost per project (Actual / Forecast)		Actual / Forecast Annual Summaries			
Project	#	2020/21	2021/22	2022/23	Total
Program management costs (resources/other)	COM0	\$ 505,385	\$ 1,544,233	\$ 1,088,673	\$ 3,138,292
Digital literacy and cybersecurity awareness	COM1	\$ -	\$ 10,000	n/a	\$ 10,000
Payroll & HRIS	COM2	\$ 133,044	\$ 254,242	\$ 145,600	\$ 532,886
CRM System	COM3	\$ 101,914	\$ 576,221	\$ 155,141	\$ 833,277
AMIS	COM4	\$ -	\$ 578,000	\$ 147,000	\$ 725,000
Financial Transformation	COM5	\$ 158,795	\$ 854,706	\$ 438,294	\$ 1,451,794
Microsoft365 Rollout	COM6	\$ 56,148	\$ 362,072	\$ 238,600	\$ 656,819
SharePoint transfer-intelligent intranet	COM7	\$ 19,292	\$ 13,280		\$ 32,572
GIS - ESRI transition	COM8	\$ 394,802	\$ 160,391	\$ 100,000	\$ 655,193
Data Analytics	COM9	\$ -	\$ 274,733	\$ 325,267	\$ 600,000
Unified Communications	COM10	\$ -	\$ 150,000	\$ 40,000	\$ 190,000
Devices list & management	COM11	\$ 12,068	\$ 651,395	\$ -	\$ 663,463
AV Access in meeting rooms	COM12	\$ 64,736	\$ 20,000		\$ 84,736
Program Contingency			\$ 219,009	\$ 91,662	\$ 310,671
		\$ 1,446,183	\$ 5,668,283	\$ 2,770,237	\$ 9,884,703

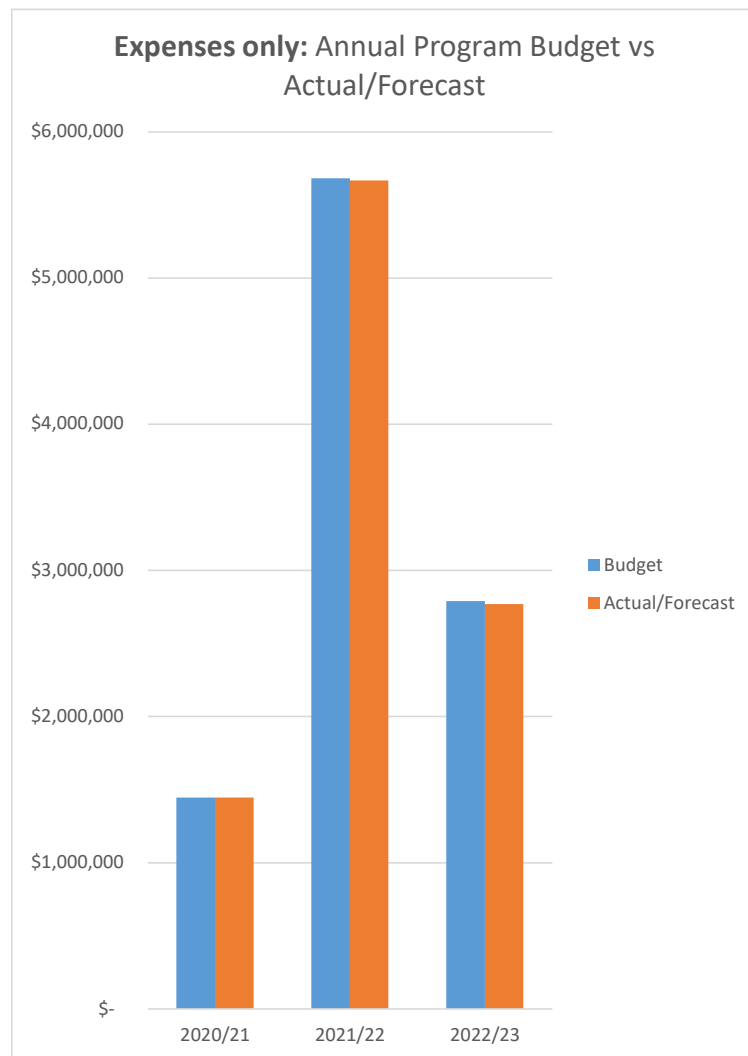
* July DTP ELT had \$1,575,502 (this number is subject to change until finalised)

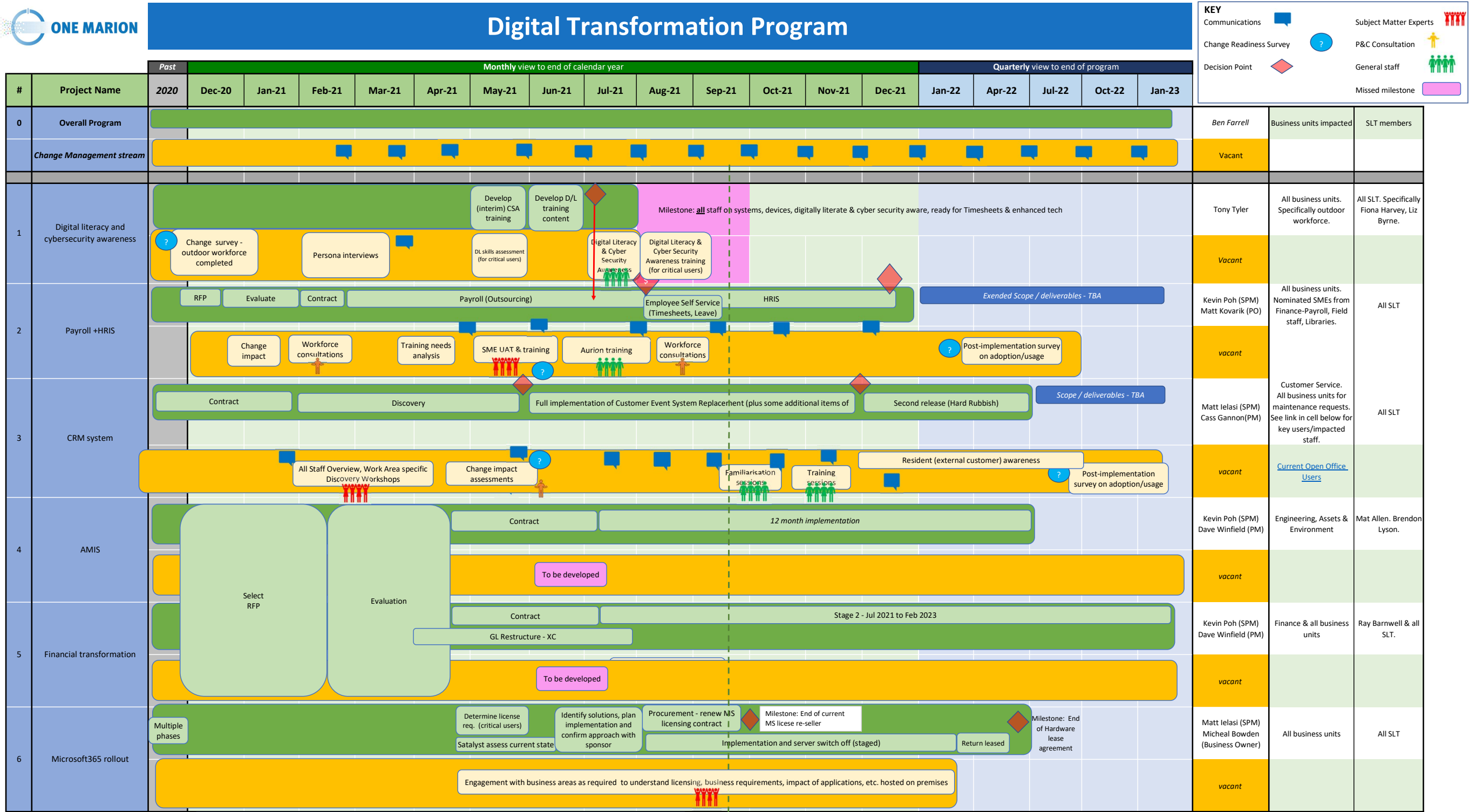
Actual	Budget			Variance
2020/21	2021/22	2022/23	Total	
\$ 505,385	\$ 1,550,904	\$ 1,088,673	\$ 3,144,963	\$ 6,671
\$ -	\$ 10,000	n/a	\$ 10,000	\$ -
\$ 133,044	\$ 254,242	\$ 145,600	\$ 532,886	\$ -
\$ 101,914	\$ 529,277	\$ 198,956	\$ 830,147	\$ (3,130)
\$ -	\$ 578,000	\$ 147,000	\$ 725,000	\$ -
\$ 158,795	\$ 878,000	\$ 415,000	\$ 1,451,795	\$ 0
\$ 56,148	\$ 362,072	\$ 238,600	\$ 656,819	\$ -
\$ 19,292	\$ -	\$ 10,560	\$ 29,852	\$ (2,720)
\$ 394,802	\$ 197,000	\$ 100,000	\$ 691,802	\$ 36,609
\$ -	\$ 274,733	\$ 325,267	\$ 600,000	\$ -
\$ -	\$ 150,000	\$ 40,000	\$ 190,000	\$ -
\$ 12,068	\$ 658,702	\$ -	\$ 670,770	\$ 7,307
\$ 64,736	\$ 20,000	\$ -	\$ 84,736	\$ -
	\$ 219,009	\$ 80,991	\$ 300,000	\$ (10,671)
\$ 1,446,183	\$ 5,681,939	\$ 2,790,647	\$ 9,918,769	\$ 34,066
Expenses				0.3%

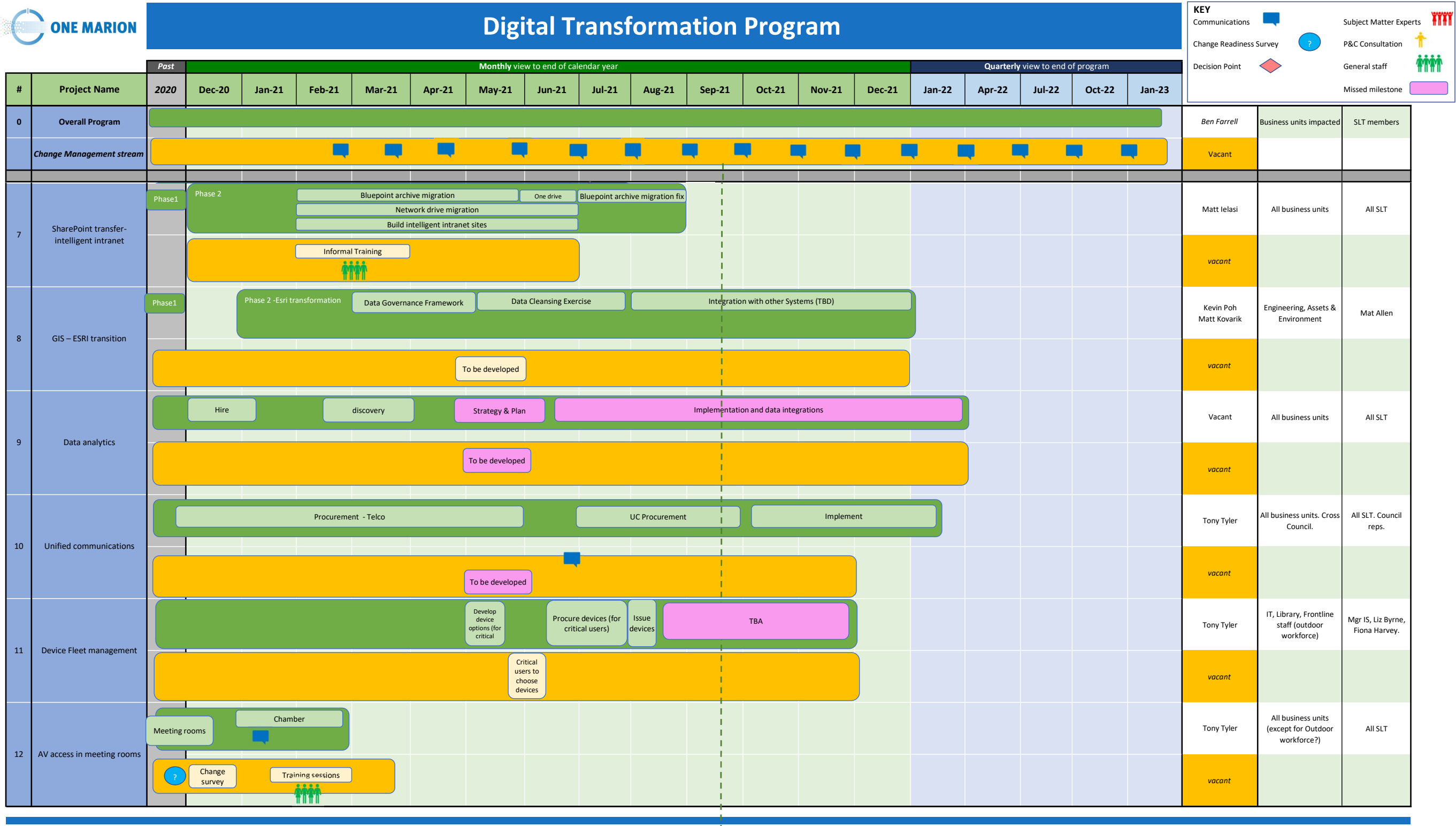
Savings / offsets

Program - FTE & license savings/offsets	COM0	\$ (186,261)	\$ (281,569)	\$ (883,618)	\$ (1,351,448)		\$ (186,261)	\$ (281,569)	\$ (883,618)	\$ (1,351,448)		\$ 0
*Finalise this column once financial year closed							*Finalise this column once financial year closed				Savings / offsets	0.0%

\$ 8,567,321	\$ 34,066
Overall	0.4%









INTELLIGENT
PROBLEM
SOLVING



City of Marion

Information Technology (IT)
& Digital Transformation Program (DTP)

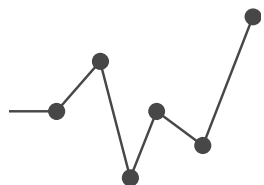
Governance Review

June 2021



Table of contents

Background, Context and Methodology	3
Purpose of this Report	4
Approach	5
Discovery – Document reviews	6-9
Discovery – Stakeholder consultation	10-13
Research – Best practice	14
Findings – Gap & Risk assessment	15
Findings – Digital enterprise governance gaps	16
Findings – Future state enterprise governance	17
Recommendations	18
Contact details	19



Background, Context and Methodology

To achieve the objectives of the City of Marion Strategic Plan, it is essential to transform the systems, people and processes. The City of Marion's Digital Transformation and IT programs are critical enablers to this outcome.

Following an assessment by KPMG, an independent expert review has been commissioned to:

- **Review Information Technology (IT) governance arrangements for quality, completeness and use.**
- **Review the Digital Transformation Program (DTP) governance arrangements and assess for quality, completeness and use.**

The findings and recommendations presented in this report have been informed by a review of documentation, processes and artifacts associated with the program and governance framework; interviews with key stakeholders at the City of Marion; assessment against best practice; and the expertise and experience of EQi Consulting.



Purpose of this Report

This report reviews the processes, roles and accountabilities that are currently in place to deliver both short-term project outcomes and long-term strategic outcomes for the City of Marion through its IT & DTP governance arrangements.

The report provides comment on:

- Quality and consistency of IT & DTP governance structures and frameworks
- Definition of roles, responsibilities and relationships
- Reporting processes, measures and outcomes
- Enterprise decision-making structures



Approach

Discovery

- Assess current environment, documents, process and artifacts
- Stakeholder consultation and interviews

Research

- Best practice models

Findings

- Gap and risk assessments

Recommendations



Discovery – Document Review

EQi reviewed and analysed more than 30 documents provided by the City of Marion including the City's IT Governance Framework, ELT meeting agendas, DTP Roadmap and status reports for various projects to better understand the City's current IT & DTP governance landscape.

EQi also assessed the City's IT and Digital Transformation Program objectives, frameworks and operating models.

Excluded from the review was investigations into the IT collaboration activities between The City of Marion, The City of Charles Sturt and The City of Port Adelaide Enfield.



Discovery – DTP Document Review

Observations	Comments
Well scoped, defined and reported. Those directly involved in the projects are well informed and actively involved.	Opportunity to create broader awareness of the program particularly relating to across project activities.
Weekly status reports are succinct and informative.	Where project issues arise, a clear item to show how issues are being dealt with would be beneficial.
Very clear and strong relationship between the DTP Program and the Change Management Program.	Identify linkages to the IT Governance Program.
There is a very well articulated long-term roadmap that highlights the program elements, dependencies and interrelationships across the DTP Program.	This approach could be used to encapsulate the IT projects that support the DTP Program.



Discovery – IT Document Review

Observations	Comments
The show broad relationships to the IT operational frameworks and governance arrangements seem to replicate internal council processes	Despite numerous frameworks, overall program governance processes, roles and measures are not clear.
It isn't clear where the framework is aligned to the three-council collaboration and when it is directly related to City of Marion activities	Ensure there is clarity around which frameworks are internal to The City of Marion. Ensure that these frameworks align to the intent of the program (i.e. more agile in nature)
It is not clear how these frameworks are incorporated into the broader decision making and program activities	There needs to be tighter alignment between the IT and DTP project activities

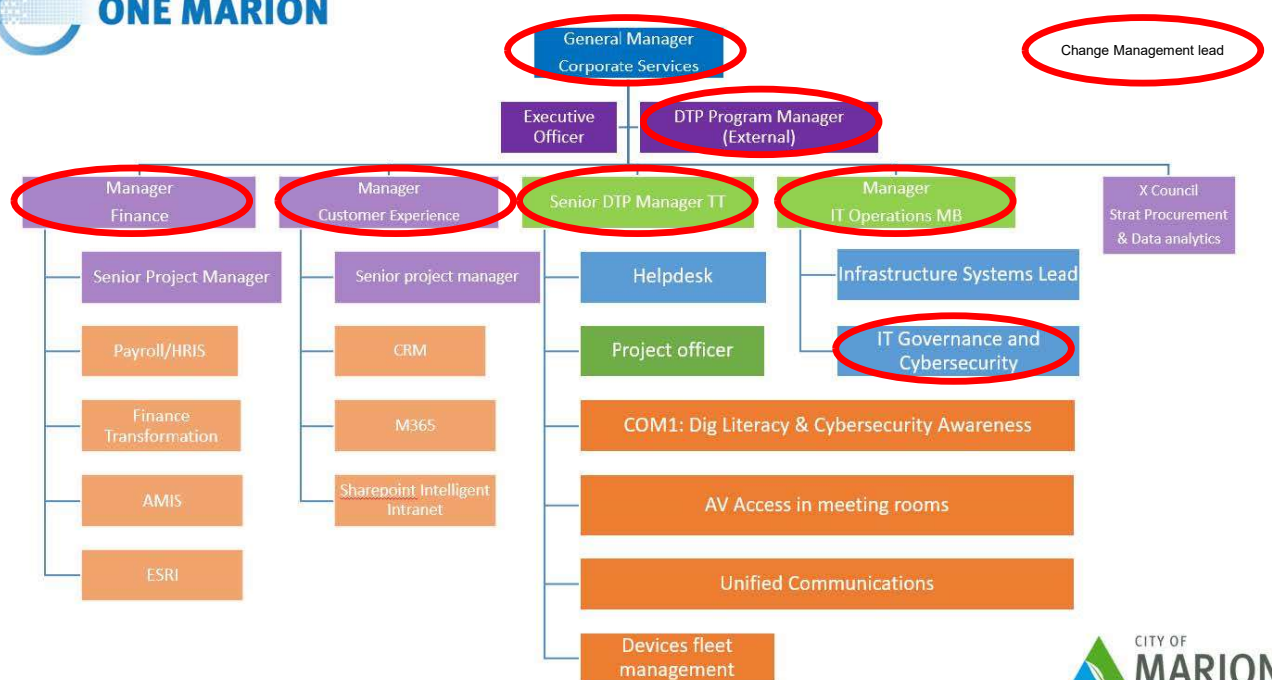


Discovery – Overall Document Review

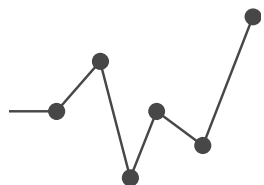
Observations	Comments
It wasn't clear from the documentation the linkages between IT, DTP and the Change Programs.	Create a single process that encapsulates the three streams of work and their relationships
There are linkages to the budget process but there isn't a clear articulation of how strategic planning and investing decisions are made beyond the current program for The City of Marion.	How the current program links to future programs of work over the long-term financial plan.
Part of the IT team has been deployed into the DTP and other projects.	Skills gathered by these staff will be valuable to BAU operations. Consideration should be given to a future state capability needs assessment and the transition of skills.



Discovery – Stakeholder consultation



EQi interviewed the following key stakeholders to identify opportunities for improvement.



Discovery – Stakeholder consultation

Questions asked	Interviewee response summary	Comments
Who are the customers of the Digital Transformation Program (DTP) and the IT Governance Framework?	<i>Interviewees identified both internal and external stakeholders.</i>	External communication to the community could be improved.
What is the level of awareness of the DTP across the organisation?	<i>Mixed response.</i>	Test the level of awareness across the organisation. SLT whilst aware, would benefit more direct input into decision making process.
What is the level of awareness of the IT Governance Framework?	<i>Low.</i>	With new IT leadership there is an opportunity to review and promote the IT governance framework.



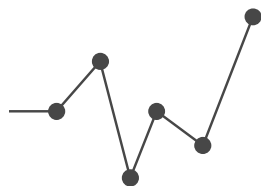
Discovery – Stakeholder consultation

Questions asked	Interviewee response summary	Comments
Is there alignment to Council's Strategic plan?	Yes.	
Is there a document that ties IT, change and DTP together?	No.	A document should be developed to clearly illustrate the linkages between the three programs.
Is there alignment between the long-term financial plan?	<i>Not really. More consideration needs to given to long-term planning and financial impacts.</i>	How will digital transformation be funded beyond the current program, and how does it link to the long-term financial plan?
How is reporting distributed regarding Program / Governance issues and outcomes?	<i>Through status update reports, risk log and program roadmap.</i>	Adequate program-level reporting. An opportunity exists to improve enterprise governance reporting.



Discovery – Stakeholder consultation

Questions asked	Interviewee response summary	Comments
How are risks managed and how are they considered by the governance group?	<i>Risks and Issues Dependencies Log – updated every 6 weeks.</i>	Strong risk reporting at program level. An opportunity exists to increase enterprise level risk awareness.
What other programs at Council exist that could or should be connected?	<i>Technology dependent projects exist outside of the DTP.</i>	Projects with a digital/technology element should be governed at an enterprise level to ensure benefits are maximized.
In your view, what is being done well and what could be improved?	<i>DTP and change process is being done well. Upfront business analysis could be improved.</i>	Absence of commentary regarding the effectiveness of the IT governance framework.
Is there anything else you wish to discuss?	<i>Impact of leadership changes.</i>	Recent leadership changes are impacting confidence.



Research – Best Practice

Relevant Levels of Governance

**Enterprise:**

Direction and sponsorship of long-term strategic outcomes

**Program:**

Management and alignment of projects to organisational goals

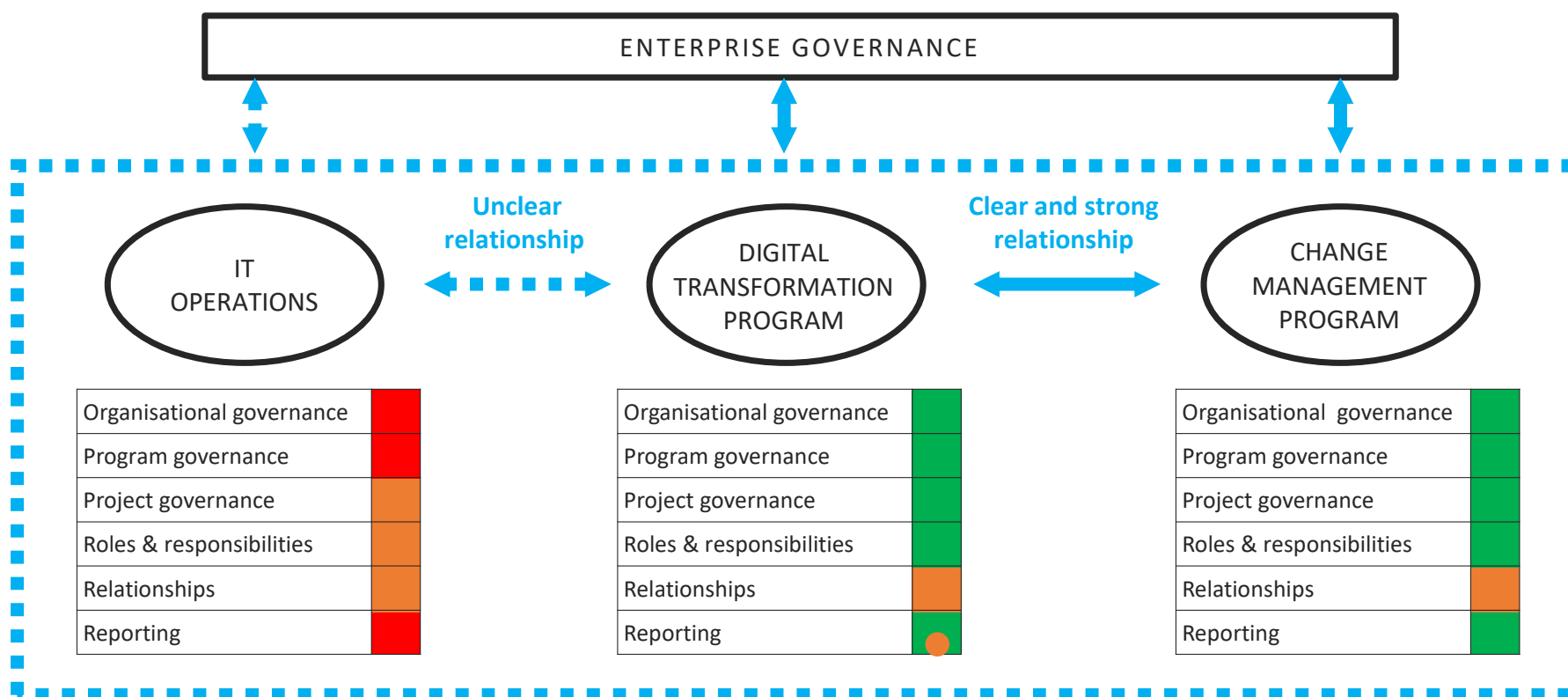
**Project:**

Execution and delivery of short-term project goals

*Innovative &
Opportunistic
Governance
Framework*

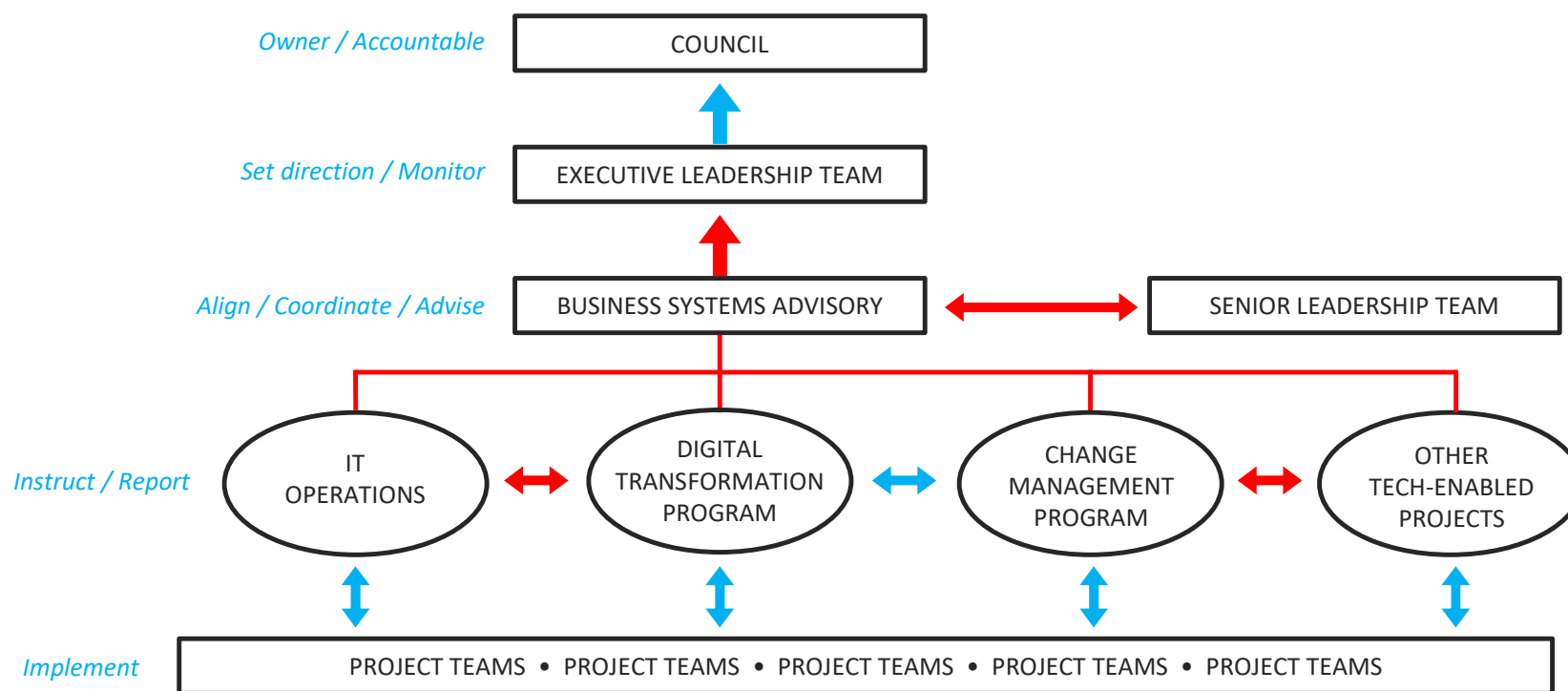


Findings – Gap & risk assessment



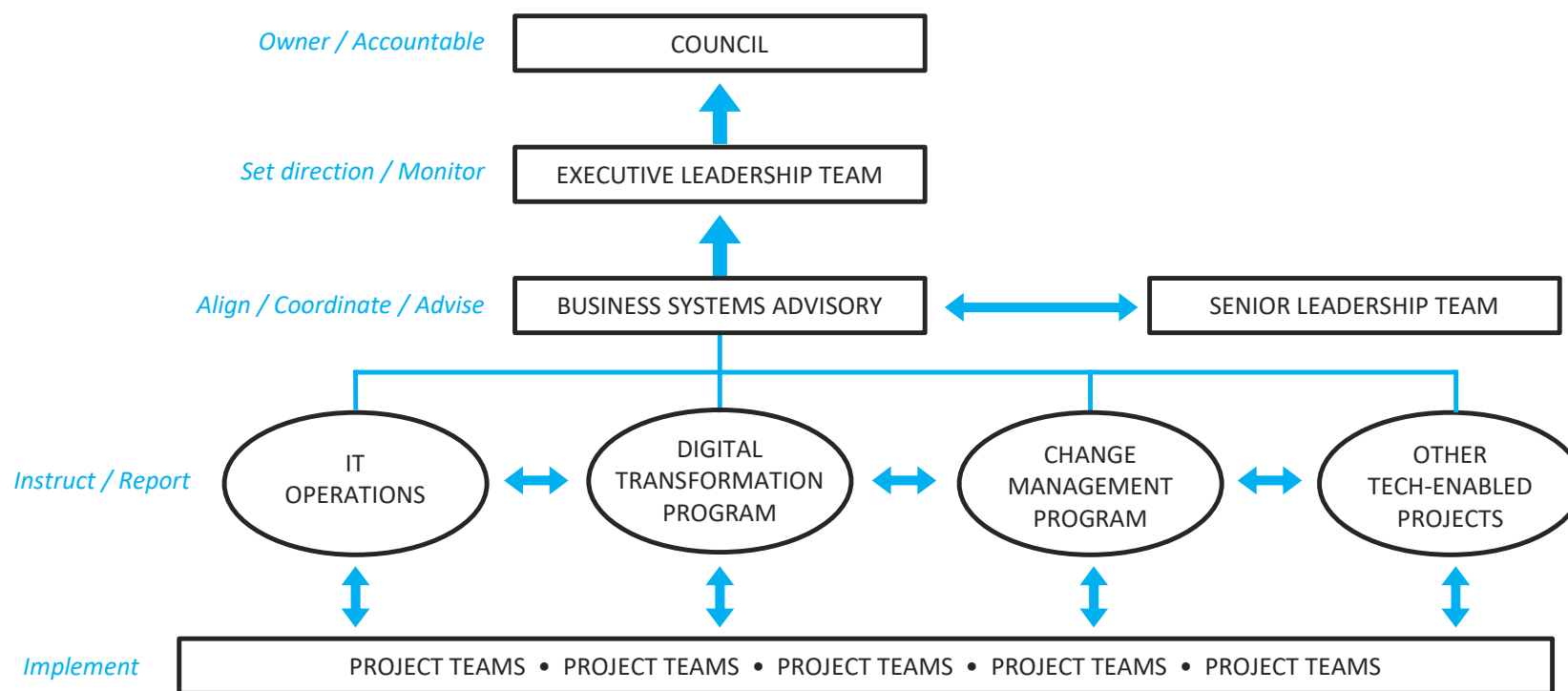


Findings – Digital Enterprise Governance Gaps





Findings – Future State Enterprise Governance





Recommendations

1. Rationalise and simplify IT operational frameworks.
2. Improve integration between the IT operations, change program and DTP.
3. Establish a Business Systems Advisory role for the SLT to integrate enterprise governance and decision making.
4. Develop a future state vision for the DTP, beyond the current plan.
5. Align long-term financial planning to digital transformation future state vision.
6. A key person risk assessment conducted, mitigations identified and implemented .
7. Identify all projects with a technology element to be included in enterprise governance.



INTELLIGENT
PROBLEM
SOLVING



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8 Workshop / Presentation Items - Nil

9 Confidential Items

9.1 Cover Report - 2020-21 ACSC Annual Cyber Threat Report

Report Reference	FAC211012F9.1
Originating Officer	Manager IT Operations – Micheal Bowden
Corporate Manager	N/A
General Manager	General Manager Corporate Services - Sorana Dinmore

REASON FOR CONFIDENTIALITY

Local Government Act (SA) 1999 S 90 (2) 3

(e) matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person

RECOMMENDATION

That pursuant to Section 90(2) and (3)(e) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Development, General Manager Corporate Services, General Manager City Services, Manager Office of the CEO, Chief Financial Officer, Manager IT Operations, Unit Manager Governance and Council Support and Governance Officer, be excluded from the meeting as the Council receives and considers information relating to 2020-21 ACSC Annual Cyber Threat Report, 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 given the information relates to internal and external security assessments.

10 Other Business**11 Meeting Closure**

The meeting shall conclude on or before 5.00pm unless there is a specific motion adopted at the meeting to continue beyond that time.