

His Worship the Mayor
Councillors
City of Marion

Notice of Finance, Risk and Audit Committee

Tuesday, 22 February 2022 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, Risk 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

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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, Risk and Audit Committee Meeting held on 14 December 2021

Report Reference	FRAC220222R4.1
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, Risk and Audit Committee Meeting held on 14 December 2021 be taken as read and confirmed.

ATTACHMENTS

1. FRA C 211214 - Final Minutes (1) [4.1.1 - 13 pages]



**Minutes of the Finance, Risk and Audit Committee
held on Tuesday, 14 December 2021 at 2.00 pm
Council Chamber, Council Administration Centre
245 Sturt Road, Sturt**





PRESENT

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

In Attendance

Chief Executive Officer - Tony Harrison
 General Manager City Services - Tony Lines
 General Manager Corporate Services - Sorana Dinmore (via electronic attendance)
 General Manager City Development - Ilia Houridis
 Manager Office of the CEO - Kate McKenzie
 Unit Manager Governance and Council Support - Victoria Moritz
 Chief Finance Officer – Ray Barnwell
 Unit Manager Risk – Sherie Walczak (via electronic attendance)
 Unit Manager Asset Solutions – Brendon Lyons
 Manager IT Operations – Michael Bowden
 Mr Eric Beere (KPMG) (via electronic attendance)
 Ms Heather Martens (KPMG) (via electronic attendance)

1 Open Meeting

The Chair opened the meeting at 2.01pm.

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)

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 12 October 2021

Report Reference FRAC211214R4.1

Moved Ms Rantanen

Seconded Councillor Duncan

That the minutes of the Finance and Audit Committee Meeting held on 12 October 2021 be taken as read and confirmed.

Carried Unanimously



5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference FRAC211214R5.1

Moved Councillor Duncan

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

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

The Committee noted and requested that the schedule of upcoming items be adjusted as the 1st Budget Review was presented to this meeting and not the October 2021 meeting and a few other items were not in the correct dates.

Carried Unanimously

6 Reports for Discussion

6.1 Elected Member Report

Report Reference FRAC211214R6.1

Moved Councillor Duncan

Seconded Mr Papa

That pursuant to Section 90(2) and (3)(d)(i) and (ii) of the Local Government Act 1999, the Committee orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Development, General Manager City Services, General Manager Corporate Services, Manager Office of the Chief Executive, Manager City Activation, Chief Financial Officer, Unit Manager Governance and Council Support and Governance Officer, be excluded from the meeting as the Committee receives and considers information relating to Unsolicited Proposal – 262 Sturt Road, Marion (GC211026F16.4 and GC211123F16.2) and Edwardstown Urban Renewal Project – Update (GC211026F16.5), 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 a proposal from a third party and confidential commercial information including preliminary concept plans and financial figures.

Carried Unanimously

2.04pm the Committee moved into confidence

2.10pm the Committee came out of confidence

The Committee was provided a verbal update on the following confidential items and noted the remaining items in the Elected Member Report.

- Unsolicited Proposal – 262 Sturt Road, Marion (GC211026F16.4 and GC211123F16.2)
- Edwardstown Urban Renewal Project – Update (GC211026F16.5)

2.10pm the Committee came out of confidence



Moved Councillor Duncan

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Notes this report.

Carried Unanimously

6.2 1st Budget Review 2021/22

Report Reference FRAC211214R6.2

Mr Barnwell introduced the item noting the budget review is a revised forecast of the original 2021-22 budget. The completion of the of the 1st Budget Review identified a favorable cash adjustment of \$194k. The adjustments are primarily the result of an increase in the Grants Commission Financial Assistance Grant, offset by Council Resolutions.

The Committee noted the 1st Budget Review and made the following comments:

- Concerns over the re-classification of capital works budgets that have now been classified as operating in nature rather than capital. Staff advised there was no change to the overall budget for these works and the accounting reclassifications arose following the completion of design works post budget adoption which informed the correct accounting classification to cater for elements of capital projects which would be deemed operational in nature (including landscaping, contributions to capital works not on Council land). Processes are now in place to work with the capital project owners to bring forward the review of planned capital projects to ensure correct classification well prior to adopting the budget in June.
- Sought clarification over the treatment of forecast savings identified during the year and how these can be clearly identified within the budget review reports in future. Staff confirmed the review budget is a re-forecast of the annual budget which includes identified forecast savings.
- The Committee commented on the format of the reports and would like to see the actual year to date versus budget year to date and recommended a review of the format for future budget reviews.
- Discussed the capital versus operation and queried whether there are any other projects that haven't progressed to the point of separation. Staff confirmed there were some large streetscape projects which due to design completion late in the year may have changes to the final split on operating and capital elements but were aware of these and these will be addressed early in the new year as the procurement process is progressed.
- The Committee suggested the impact of timing/rephasing should be adjusted to show the real budget variances.
- The Committee queried whether there was a policy on Reserves (Asset Sustainability Reserve) and how the purpose and establishment of Reserves is defined and under what circumstances a reserve is created. Staff noted that there is no policy related to the creation of reserves but confirmed there is a policy related to the current reserves which is reviewed annually in accordance with legislation and will bring the policy to the FRAC prior to presenting to Council next year.

ACTION: Reserve Policy to be presented to the FRAC meeting in May 2022 prior to being presented to Council for endorsement.

Moved Councillor Duncan

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Note the 1st Budget Review 2021-22 position.

Carried Unanimously

FRAC211214 - Finance, Risk and Audit Committee - 14 December 2021



6.3 Framework and Key Assumptions for the preparation of the 2022-23 ABP and LTFP

Report Reference FRAC211214R6.3

Mr Barnwell provided a summary of the report, noting the key steps and indicative time frames in the planning and budgeting process for next year. The Organisation is in the process of preparing the 2022-23 ABP and LTFP to include adjustments to incorporate any identified ongoing savings from prior years and will be aligned with the funding requirements identified in Council's adopted asset management plans. The proposed key assumption relating to indexation is expected to return to an *an indexation rate of 2.5% for the remainder of the LTFP from the 2022-23 year due to current market conditions being experienced from COVID-19*. Councils currently adopted LTFP has factored a lower indexation of 1.5% for 2022-23.

The Committee provided the following feedback and comments:

- Interest rates have bottomed out and likely to stay low in the future are we building this into the LTFP. Staff commented that as the budget is developed, the future cash position will incorporate future forecasting for increasing interest rates but also noted our cash holdings will reduce as we expend the funds quarantined in Reserves over the coming couple of years.
- The Committee queried the carbon neutral plan and whether there is any intention to speed up the plan given the topical nature and associated risks. Staff advised that there were proposals to speed up projects and progress the plan, acknowledging this was also a focus for Council.
- The Committee also queried whether the intention was merely to pay for carbon credits or seek more innovative ways in which we can achieve carbon neutrality. Council has expressed that carbon credits would be a last resort and would prefer to see real action rather than paying for carbon offsets.
- There were concerns around the timeline of the budget process, particularly noting the impact the state and federal election might have on the process. Staff are aware of the election timelines and noted that while we can't predict what will happen, can plan for and acknowledge that there may be late changes. There is a good understanding of where we stand on projects and potential funding opportunities will be taken into consideration. Council will look to attract as much funding as possible and plan to be agile to adapt.
- The Committee commented the current market conditions, and the attraction of appropriately skilled resources is proving challenging. Staff advised with closed borders there has been a high demand for the available skilled resources which has driven market rates up. It was also noted the Enterprise Agreement is set to expire on 30 June 2022. Management is consistently reviewing resourcing through the Executive Budget Committee and will provide additional reports to Council if required to obtain additional resources, particularly in the IT area.
- Management commented on a recent external independent report received on salaries and services across councils, noting this is a very live issue for many councils. Management will be looking at contract positions early in the new year and the cost of human related capital going into the Enterprise Agreement in June.
- The Committee commented on the good use of the PESTLER framework and use of environmental scan. The process for utilising this was queried, with staff assuring the Committee it was revisited throughout the year for risk reviews and ongoing reporting throughout the year.

Action – The Committee requested to see indebtedness balance in the LTFP report

Moved Mr Papa

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

FRAC211214 - Finance, Risk and Audit Committee - 14 December 2021



1. Provide feedback on the proposed framework, key assumptions, and associated risks in setting the Annual Business Plan for 2022-2023 and the Long-Term Financial Plan
2. Provide feedback on the Environmental Scan (Attachment 3) as an input into the Draft ABP 2022-2023 and draft LTFP.

Carried Unanimously

Order of Agenda

The Chair sought and was granted leave of the meeting to vary the order of agenda items and consider the item *Corporate Risk Review Report Q1 2021/22* next on the agenda.

6.6 Corporate Risk Review Report Q1 2021/22

Report Reference	FRAC211214R6.6
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Unit Manager Strategy & Risk provided a summary of the item noting the review is undertaken quarterly by the Senior Leadership Team and provided to Council. Due to the timing of the FRAC meetings, this report was presented and noted by the Council at its meeting on the 23rd November 2021.

Scrutiny was placed on current controls, recognition of completed actions and updating actions and alignment of action due dates. There was a couple of re-rated risks regarding the outsourcing of management for LKCC through a management agreement with the risk profile changing. Noting the main new risk were the elections, reforms around funding and social media issues which have been included in the risk register. Staff are working through these with risk owners around over-due implementation or planned treatments.

The Committee noted the report and made the following comments:

- The Committee queried whether there should be a high risk around the cost of building materials for projects. Staff noted this and advised they have been in regular contact with procurement lead, and this is being well managed and will continue to monitor and work through this in the second quarter reviews. The Committee recommended that a risk be added to the risk register, at least in the short term.
- It was noted the legislation around vaccines had changed since the report was written and whether there was an impact on any staff within aged care and how this was being managed. Management advised that it is currently consulting with the organisation on the possible introduction of mandated vaccination requirements. The organisation has moved to support business continuity with the re-introduction of Team A and B, zoom meetings, provision of outdoor services and limiting travel between locations. The aged care home services are being maintained and in accordance with legislation.
- IMT are operating routinely twice a week, and more if needed to keep in line with restriction changed.
- It was queried with the new COVID-19 changes whether there is budget to cover emergencies or staff deciding not to be vaccinated and whether this would have an impact on the budget. The Committee was advised that there is no discretionary funds specifically, however this will be managed as they come through.
- The Committee re-iterated the importance of the risk review documentation and the need to make sure deadlines were not being missed. It was noted some of the dates are either overdue or nearly due, and not anticipated to be completed on time. Management assured the Committee there was an abundance of meetings, documents minutes, actions and activities that sits behind this consolidated report.

FRAC211214 - Finance, Risk and Audit Committee - 14 December 2021



7

Action: That procurement risk be reviewed due to the current market conditions with construction undertaken in this quarter's risk register review.

Moved Councillor Duncan

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Notes the report.

Carried Unanimously

6.4 Internal Audit 2021/22 - Plan and scope (Project Management - Collaborative)

Report Reference FRAC211214R6.4

Mr Eric Beere and Ms Heather Martens from KPMG introduced the item and provided an update on the status of the Internal Audit Program and an overview of the Project Management Scope. The following comments were noted:

- The Project Management Scope is a collaborative audit with City of Charles Sturt. The review covers the entire lifecycle of project management and includes consideration of the effective implementation of the project management framework and whether it has been consistently applied across the organisation.
- City of Charles Sturt has some good processes where City of Marion can align and share lessons learned.
- There is enough common ground in the scope for learnings on both sides, noting a good level of engagement from senior management at City of Marion.
- The Internal Audit will review the status of the implementation of recommendations from recent work done on carryovers and elements from other audits, however, will not significantly deep dive into those.

The Committee provided the following feedback:

- When the two councils have different projects and systems, how are we going to deal with the fundamental differences in running project management and whether the difference in structure pose a difficulty. KMPG commented that although they are different, they are becoming more aligned. There is a greater opportunity to share frameworks and projects managed across councils in a similar manner with document risks and reporting templates that sit behind the systems. Both Councils are heading in the same direction.
- The Committee queried whether the scope itself include major projects and construction and KMPG confirmed it does include this with the exclusion of the ICT / DTP projects which are included in the audit plan for 2022/23.

Moved Mr Papa

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Endorses the Project Management (Collaborative) Scope

Carried Unanimously



6.5 Civil Service Review

Report Reference

FRAC211214R6.5

The General Manager City Services and Manager, Operations introduced the item and provided a summary of the final Civil Services Review undertaken by BeeSquared Consultants. The review includes an outline of the approach intended to utilize findings of the review to improve and optimize the performance of the Civil Services Business Unit.

The Committee provided the following feedback and comments:

- The responses to the recommendations and actions appear high level and suggested there may need to be more measurable actions to monitor and hold to account. The Committee queried whether there were any steps along the way that can be incorporated to monitor the process.
- There appears to be a disconnect across the process and queried whether there is a consideration of alignment to work out a consistent approach for how things are being treated across the SA Councils. The Committee also queried whether there was a mechanism to collaborate with other councils to gain an element of consistency in relation to unit costings.
- The Committee queried how the data end up with inaccuracies and whether there was opportunity for improvement in our tender evaluation processes.

Staff noted the feedback and provided the following comments:

- The key finding of the report was insufficient data to find meaningful direction. The aim was to capture data to reinforce the actions. These will be developed in more detail and will come back as a subsequent report in early 2022
- Key approach is to take a step back and look at how we will achieve the fundamental change with the steps provided in the high-level implementation plan.
- Staff are currently looking at detailed process mapping. Once there is an understanding of these practices, a resource-based cost estimate can be applied to inter unit rates. This will enable a better understanding of real productivity.
- The data from the initial contractor was raw data which required further validation to become usable data, unfortunately the data didn't reconcile and required a cleansing process to further validate. The learnings from this were captured and a new data run is being scoped for early 2022.
- There was a group meeting collaboratively, however at this stage the civil component has been left to be implemented individually. The intention is to reach out and work with other Councils.
- The Committee queried whether the audit condition frequency aligned to the asset management plan. Staff advised they are looking at the process to determine what data we need to drive to determine the frequency. The Asset Management Plan is reviewed every year and will be reviewed to ensure alignment.

Moved Ms Rantanen

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Notes the Civil Services Review undertaken by BeeSquared.
2. Provides feedback and endorses the approach proposed to optimise performance of the Civil Services Business Unit.
3. Notes that a progress update including a more detailed implementation plan will be provided to the February 2022 FRAC meeting.

FRAC211214 - Finance, Risk and Audit Committee - 14 December 2021



Carried Unanimously

6.7 Annual Ombudsman Report 20/21

Report Reference FRAC211214R6.7

Manager, Office of the CEO provided a summary of the report noting that it was good to see a reduction in the number of complaints record against last year. In addition to complaints to the Ombudsman's office, two requests were received direct to the City of Marion to conduct an internal review of a decision in accordance with the City of Marion Complaints and Grievance Policy.

The Committee noted the report, made the following comments:

- The Committee queried whether there was a tolerable level of complaints and a way of measuring the validity of the complaints. It would be good to track these through a KPI system to identify any trends.
- Staff note there isn't currently a KPI set around this, however, are across the nature and types of requests and commented they are not at the point of any real concern. Ward related issues are tracked through regular ward briefings.
- It was noted with the implementation of the salesforce as the CRM, Council will be able to gather data to track and monitor different types of complaints. This will also provide an opportunity monitor the effectiveness of one off and continual service delivery. The Complaints and Grievances Policy and Procedure also provides a mechanism to determine any complaints that may be vexations, repeat offenders, etc.
- There is an opportunity for benchmarking against other councils and to compare any trending values, noting that salesforce may be implemented in other Councils.
- It is important to capture the Council Member interaction with community members, when issues are diffused and not escalated into complaints. The Committee suggested looking at additional mechanisms to capture these issues and to share the solutions.

Moved Ms Rantanen

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Notes the report.

Carried Unanimously

6.8 Work Program and Meeting Schedule for 2022

Report Reference FRAC211214R6.8

The Committee noted the Work Program and Meeting Schedule for 2022 suggesting that the February meeting looks quite large. Management acknowledged they are aware of this and indicated a Special Meeting may need to be called to consider the Section 48 Repot for Cove Sports and Community Club.

Moved Mr Papa

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Notes the proposed work program for 2022 identified at Attachment 1 to the report.



2. Adopts the following schedule of meetings for 2022:

- Tuesday 22 February 2022 (2-5pm)
- Tuesday 17 May 2022 (2-5pm)
- Tuesday 16 August 2022 (4-6pm and followed by a joint workshop with Council from 6.30pm onwards)
- Tuesday 11 October 2022 (2-5pm)
- Tuesday 13 December 2022 (2-5pm)

Carried Unanimously

7 Reports for Noting

7.1 Update on Asset Management Strategy KPI measures

Report Reference FRAC211214R7.1

The Committee noted the report as read. The Committee suggested simplifying the language used for the “Community facing KPI / What it measures” to better reflect the target. The Committee queried how we are determining the current levels of capacity of service. Staff advised they are currently working through this and with asset owners to simplify the strategy and measures.

Moved Ms Rantanen

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Notes the report and continues to support the measurement and reporting of progress against the Asset Management Strategy KPIs.

Carried Unanimously

7.2 Update on Asset Management Improvement Program progress

Report Reference FRAC211214R7.2

The Committee noted the update on the Asset Management Improvement Program Progress and commented it was good to see these being tracked and brought up to date. It was noted the organisations performance will continue to be managed on monitored through this program.

Move Mr Papa

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Notes the report and supports Council’s ongoing Asset Management improvement processes.

Carried Unanimously



7.3 Asset Valuation Process and Outcomes for 2020-21

Report Reference FRAC211214R7.3

Mr Barnwell introduced the item and commented it was provided for completion process and following a previous action. A full comprehensive valuation is booked for 2022-23 which will be good timing. The Asset Management Information System implementation is to be completed in October next year with testing and review of the data towards the end of 2022. It was noted if this doesn't fit the timeframe for comprehensive valuation to be completed by 30 June, the valuation will be pushed out to the following year.

Moved Ms Rantanen

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Note the 2020-21 independent desktop valuation for all infrastructure assets.

Carried Unanimously

7.4 Service Review Program and recommendations progress update

Report Reference FRAC211214R7.4

The Committee commented on the good work being done in the Service Review Program and noted the number of recommendations coming full circle and being completed.

Moved Mr Papa

Seconded Ms Rantanen

That the Finance, Risk 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).

Carried Unanimously

7.5 Internal Audit Program - Implementation of Recommendations

Report Reference FRAC211214R7.5

Manager, Office of the CEO provided an overview of the item, noting the overdue recommendations were primarily related to systems, the DTP program and issues being faced across the organisation. Staff are aware of these and are exploring options to overcome these challenges.

The Committee expressed their concerns over the number of overdue items in DTP, however, understands the reasons why, however encouraged staff to continue to monitor these and provide updates where possible to see progress on these items. Management noted many of the DTP actions are largely done and expect to have a better completion rate at the next meeting. The Committee also suggested if items are on-going and a procedure it set up to monitor these to close the items out.



The Committee noted the importance of this report and suggested it be moved out of reports for noting. The Committee queried what the report priority referred to and suggested this wording be amended for clarity.

ACTION – Report to be listed under Discussion Items for future meetings

ACTION – Change the title of “Report Priority” to “Auditor Risk Rating”

Moved Mr Papa

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Notes the status of the Internal Audit Program (Attachment 1).

Carried Unanimously

8 Workshop / Presentation Items - Nil

9 Confidential Items

9.1 Cover Report - ICT Security update

Report Reference FRAC211214F9.1

Moved Councillor Duncan

Seconded Ms Rantanen

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 ICT Security Update, 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 information security and technology systems.

Carried Unanimously

3.54pm the meeting went into confidence.

Moved Councillor Duncan

Seconded Mr Papa

In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that this report, IT Security Update, and any appendices having been considered in confidence under Section 90(2) and (3)(e) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2022.

Carried Unanimously

4.04pm the meeting came out of confidence.

9.2 Cover Report - Digital Transformation Program Update

Report Reference FRAC211214F9.2

Moved Councillor Duncan

Seconded Mr Papa

FRAC211214 - Finance, Risk and Audit Committee - 14 December 2021



That pursuant to Section 90(2) and (3)(b)(i) and (ii) 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, Unit Manager Governance and Council Support and Governance Officer,, be excluded from the meeting as the Council receives and considers information relating to Digital Transformation Program Update, 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 the current status of the Digital Transformation Program and the impact on contractual expectations.

Carried Unanimously

4.04pm the meeting went into confidence.

Moved Ms Rantanen

Seconded Mr Papa

In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that this report, Digital transformation Program Update, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b)(i) and (ii) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2022.

Carried Unanimously

4.19pm the meeting came out of confidence.

10 Other Business

11 Meeting Closure

The meeting was declared closed at 4.19pm.

CONFIRMED THIS 22ND DAY OF FEBRUARY 2022.

CHAIRPERSON

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference	FRAC220222R5.1
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, Risk and Audit Committee meetings, the meeting schedule and upcoming items.

RECOMMENDATION

That the Finance, Risk and Audit Committee:

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

ATTACHMENTS

1. Business arising statement 16 February 2022 [5.1.1 - 7 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.	18 May 2021	Draft Annual Business Plan 2021-22 and Long-Term Financial Plan Update Action: In future, the actual/forecasted KPI performance for the current year to be presented alongside the budget figures, in the same way that the financial results for the current year are presented alongside the budget figures.	CFO	Feb 2022	The draft budget prior to consultation will be first presented to FAC in Feb next year. All future KPI comparatives will include the current year and forecast years to enable proper assessment of the proposed KPI's	Feb 2022
2.	18 May 2021	Annual Business Continuity Management Program Action: Confirm that any changes to policies and delegations as a result of COVID-19 have been returned to normal requirements and controls are back in place.	Manager P&C Manager City Property	August 2021	Covid Leave Policy: Amendments occurred in December 2021 to reflect current state. Still in place. Additional Cleaning: Still in place.	Continue to monitor – review June 2022.
3.	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.	Manager Customer Experience Business Improvement Officer	August 2021	The CoM's Executive Leadership Team (ELT) is reviewing the current program and its future direction. A Cross Council Improvement Lead has commenced and will lead collaborative improvement initiatives across the three councils, the program is still in development.	Revised Date TBC

City of Marion
Finance & Audit Committee Action Arising Statement and Work Program - 2022

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		Action: The CEO committed to having discussions around accountability of actions and closing out outstanding actions.	Performance and Innovation Lead		Regular status reports on the implementation of recommendations will continue to be provided at each Committee meeting.	
4.	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	Working with the Records team a List has been created in Sharepoint for managing and tracking the implementation of the recommended actions.	
5.	12 October 2021	External Audit Tender Action: The Committee requested that a member of the Committee participate in the Tender Evaluation Process to enable the Committee to provide an informed recommendation to Council on the appointment of the auditor in compliance with the requirements of Section 128 of the Local Government Act 1999.	Chief Finance Officer	Jan 2022	Ms Rantanen participated in process. this item can be closed	Completed
6.	14 December 2021	1st Budget Review 2021/22 Action: Reserve Policy to be presented to the FRAC meeting in May 2022 prior to being presented to Council for endorsement.	Chief Finance Officer	May 2022	Item has been added to the May meeting in the Schedule of Works.	

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	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
7.	14 December 2021	Framework and Key Assumptions for the preparation of the 2022-23 ABP and LTTP Action: The Committee requested to see indebtedness balance in the LTTP report	Chief Finance Officer	Feb 2022	Council's forecast indebtedness over the LTTP is included in Feb report on 2022-23 ABP and LTTP to FRAC	Feb 2022
8.	14 December 2021	Corporate Risk Review Report Q1 2021/22 Action: That procurement risk be reviewed due to the current market conditions with construction undertaken in this quarter's risk register review.	Unit Manager Risk	31/12/21	Complete. CON04 has been revised to High and added to the High Risk Plans on a Page for monitoring by ELT and FRAC.	December 2021
9.	14 December 2021	Internal Audit Program – Implementation of Recommendations Action – Report to be listed under Discussion Items for future meetings Action – Change the title of “Report Priority” to “Auditor Risk Rating”	Manager Office of the CEO Governance Administrator	February 2022 FRAC Meeting	Complete. This change has been made for the February 2022 Meeting.	February 2022

* Completed items to be removed are shaded

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SCHEDULE OF MEETINGS 2022

Day	Date	Time	Venue
Tuesday	22 February 2022	2 pm – 5pm	Administration Centre
Tuesday	17 May 2022	2 pm – 5pm	Administration Centre
Tuesday	16 August 2022	4.00 – 6.00 pm Followed by 6.30 – 8.30 pm (Joint workshop with Council)	Administration Centre
Tuesday	11 October 2022	2 pm – 5pm	Administration Centre
Tuesday	13 December 2022	2 pm – 5pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM – 2022

TUESDAY, 22 February 2022

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2022-23 and Draft Long Term Financial Plan - Update	Review and Feedback
Internal Audit Program – Scopes, Reviews, Plans	Review and Feedback
Internal Audit Program – Implementation of Recommendations	Noting
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Quarterly Risk Report	Review and Feedback
Budget Review 2 – 2021-22	Review and Feedback
External Audit Contract Review	Recommendation to Council
Cybersecurity – Quarterly Update	Noting
Digital Transformation Project – Quarterly Status Update	Noting

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TUESDAY, 17 May 2022

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2022-23 (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Internal Audit Program – Scopes, Reviews, Plans	Review and Feedback
Internal Audit Program – Implementation of Recommendations	Noting
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Reserves Policy	(Present Policy to FRAC prior to presenting to Council) – Action from FRAC 211214
Annual Report on Business Continuity	Review and Feedback
Quarterly Risk Reporting	Review and Feedback
Internal Audit Plan for 2022-23 & 2023 724	Review and Feedback
External Audit Engagement Letter for the year ending June 2022	Review and Feedback
Budget Review 3 – 2021-22	Review and Feedback
Cybersecurity – Quarterly Update	Noting
Digital Transformation Project – Quarterly Status Update	
Cove Sports and Community Club – Section 48 Report	Review and Feedback

TUESDAY, 16 August 2022 (Joint Workshop with Council)

Topic	Action
Elected Member Report	Communication Report
Australian Service Excellence Standards – Audit Outcome (Aug 21 - provide a report back to the Committee in August 2022 with an update on the implementation of actions)	Review and Feedback
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, Plans	Review and Feedback
Internal Audit Program – Implementation of Recommendations	Noting
FRAC Annual Report to Council	For discussion prior to October
Quarterly Risk Reporting	Review and Feedback
Insurance & Claims Annual report	Review and Feedback
Service Review Program – Scopes, Reviews and Monitoring	Review and Feedback
Asset management maturity assessment results summary	External consultants to present a summary of the results of

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	asset management maturity assessment (electronically via zoom)
Joint Workshop with Council (6.30pm onwards)	TBA
Cybersecurity – Quarterly Update	Noting
Digital Transformation Project – Quarterly Status Update	Noting

TUESDAY, 11 October 2022

Topic	Action
Elected Member Report	Communication Report
FRAC Annual Report to Council 2021-22	Review and Recommendation to Council
Independence of Council's Auditor for the year end 30 June 2022	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2022	Review and Recommendation to Council
Investment Performance 2021-22	Noting
Debtors Report	Noting
Meeting with external auditors in camera	Seeking feedback from Auditors
Internal Audit Program – Scopes, Reviews, Plans	Review and Feedback
Internal Audit Program – Implementation of Recommendations	Noting
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Fraud and Corruption Annual Review	Review and Feedback
Annual Corporate Risk Profile & Strategic Risk Register	Review and Feedback

Tuesday, 13 December 2022

Topic	Action
Elected Member Report	Communication Report
Internal Audit Program – Scopes, Reviews, Plans	Review and Feedback
Internal Audit Program – Implementation of Recommendations	Noting
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Work Program and Meeting Schedule 2023	Review and Feedback
First Budget Review 2022-23	Review and Feedback
Framework and Key Assumptions for preparation of 2023/24 ABP and LTFP	Review and Feedback
Quarterly Risk Reporting	Review and Feedback
Cybersecurity – Quarterly Update	Noting
Digital Transformation Project – Quarterly Status Update	Noting

City of Marion
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6 Confidential Items

6.1 Cover Report - Cybersecurity - Quarterly Update

Report Reference	FRAC220222F6.1
Originating Officer	Manager IT Operations – Micheal Bowden
Corporate Manager	Manager IT Operations - Micheal Bowden
General Manager	General Manager Corporate Services - Sorana Dinmore

REASON FOR CONFIDENTIALITY

Local Government Act (SA) 1999 S 90 (2) 3

(b) information the disclosure of which (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and (ii) would, on balance, be contrary to the public interest

RECOMMENDATION

That pursuant to Section 90(2) and (3)(b)(i) and (ii) of the *Local Government Act 1999*, the Committee orders that all persons present, with the exception of the following persons: Chief Executive Officer, A/General Manager City Development, General Manager Corporate Services, A/General Manager City Services, Manager Office of the CEO, Chief Financial Officer, Unit Manager Governance and Council Support and Governance Officer, be excluded from the meeting as the Committee receives and considers information relating to Cyber security of CoM, upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to the current status of the CoM Cyber Security and the impact on contractual expectations.

6.2 Cover Report - External Audit Tender

Report Reference	FRAC220222F6.2
Originating Officer	Chief Financial Officer – Ray Barnwell
Corporate Manager	Chief Financial Officer - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore

REASON FOR CONFIDENTIALITY

Local Government Act (SA) 1999 S 90 (2) 3

(b) information the disclosure of which (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and (ii) would, on balance, be contrary to the public interest

RECOMMENDATION

That pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Committee orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager Corporate Services, Chief Financial Officer, Manager Office of the Chief Executive and Senior Procurement Specialist, be excluded from the meeting as the Council receives and considers information relating to the provision of External Audit Services, 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 commercial information.

6.3 Cover Report - Civil Service Review

Report Reference	FRAC220222F6.3
Originating Officer	Manager Operations – Russell Troup
Corporate Manager	Manager Operations - Russell Troup
General Manager	- N/A

REASON FOR CONFIDENTIALITY

Local Government Act (SA) 1999 S 90 (2) 3

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

RECOMMENDATION

That pursuant to Section 90(2) and (3)(a) of the Local Government Act 1999, the Committee orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Services, General Manager City Development, General Manager Corporate Services, Chief Finance Officer, Manager Office of the CEO, Manager Operations, Unit Manager Governance and Council Support, be excluded from the meeting as the Committee receives and considers information relating to the Civil Services Review, upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to personnel matters.

7 Reports for Discussion

7.1 Elected Member Report

Report Reference	FRAC220222R7.1
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, Risk 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, Risk and Audit Committee:

1. Notes this report.

DISCUSSION

Council Member Representative – Councillor Maggie Duncan

Since the last FAC meeting, Council has met three times for General Council Meetings. 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.

14 December 2021 – GENERAL COUNCIL MEETING

Policy Review – Policy Framework GC211214R11.6

Council endorsed a revised policy framework. Amendments to the framework include:

- New key principals and requirements section including strategic objectives, risk and
- continuous improvement
- Updated review cycle, reporting requirements and clarification of delegations
- Updates to formatting and language

Local Government Reform – Round 1 Amendments GC211214R11.7

Amendments commencing on 10 November required some amendments to existing policies, procedures and Code of Practice.

25 January 2022 – GENERAL COUNCIL MEETING

Mitchell Park Sports and Community Centre Resourcing GC220125R11.1

Council endorsed additional funding for additional for the Neighbourhood Centres Team to resource the Mitchell Park Sports and Community Centre.

Draft Behavioural Management Standards for Council Members - Consultation**Report Reference: GC220125R11.5**

Council endorsed a response to Office of Local Government provided, regarding the draft Behavioural Management Standards for Local Government. The response included the following comments:

- that that behavioural standards should be applied to all levels of government, not just local government.
- Queried who will incur the costs of referring matters to the Behavioural Standards Panel suggesting that this cost is incurred by the State Government (in the same way that the Ombudsman operates) to ensure that the process is fully independent of Council's.

12.2 Finance Report - December 2021 12.2 Finance Report - December 2021**Report Reference: GC220125R12.2**

Monthly Finance report. This report is presented on a monthly basis to provide Elected Members with key financial information to assist in monitoring Council's financial performance against budget.

12.3 Monthly WHS Performance Report**Report Reference: GC220125R12.3**

Monthly WHS Performance Report. Council's KPI is the achievement of a 10% reduction on last year's LTIFR of 14.5, to reach 13.0 or less in 2021-22. The 2021-22 LTIFR as at the end of December 2021 is 0.0 with 0 lost time injury claims being submitted.

Confidential Items**Cover Report - The Boatshed Cafe - Future Considerations****Report Reference: GC220125F18.3****8 February 2022 - GENERAL COUNCIL MEETING****Incident Management Team - COVID-19 Update****Report Reference GC220208R12.1**

Council noted that the Incident Management Team continues to manage service delivery and organisational impacts due to COVID-19 impacts and will continue to regularly report to Council on significant impacts to service delivery via the IMT Updates.

Confidential Items**South Adelaide Basketball Redevelopment - Feasibility and Business Case****Report Reference: GC220208F18.1****Sam Willoughby International BMX Facility damage****Report Reference: GC220208F18.3****ATTACHMENTS**

Nil

7.2 Internal Audit Program - Implementation of Recommendations

Report Reference	FRAC220222R7.2
Originating Officer	Governance Officer – Angela Porter
Corporate Manager	Manager Office of the Chief Executive – Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

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

EXECUTIVE SUMMARY

The Finance and Audit Committee is provided with a status report at its meeting on 22 February 2022 regarding the City of Marion's Internal Audit Program.

The implementation of recommendations from these reports continues to be monitored by the FRAC. 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, Risk and Audit Committee:

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

ATTACHMENTS

1. FRAC220222 - Internal Audit - Implementation of Recommendations - Appendix 1 [7.2.1 - 17 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 are on track.
Customer Experience	Complete (June '20)					
Cyber Security 2019	6	1	3	2		All recommendations have now commenced. Work has progress on the 'IT: CoM Information Security Policy' and this is currently sitting with the General Manager for review. In addition two Performance Opportunities with a low risk rating remain off-track.
Tendering 2019	Complete (March '20)					
BCP and Emergency Management	Complete (June '20)					
Payroll 2020/21	6	3		3		The new Payroll/HRIS system has now gone live. A number of items are pending implementation of the finance system in July 2022. The remaining items have a revised due date to reflect this and are 95% complete.
ITT Governance	11		6	5		Due to changes in resourcing, a number of items are being reviewed. Work has also commenced with the LGA on a number of items relating to policies. Proposed framework and policies are under review by the General Manager.
Metrics that Matter	3		2	1		Staff are working through foundations before developing a data governance strategy. There has been progress towards this goal and work is commencing on the data governance framework. PMO is planning for re-training of the PM Framework and CAMMS to PMs in Feb 2022
Collaborative Leasing	Complete (Dec '21)					
Stores Management	5	2		3		3 items have been completed in entirety with 2 remaining items and progress is linked to the digital transformation program and new Finance System. Continue to work with the project group
Business Continuity Plan and COVID-19 Response	7	5	1	1		1 item is overdue and should be completed by end of February 2022.
Assurance Mapping	Complete (November '21)					
Asset Inspection Schedule	6	6				Some parts have already been completed with the remainder on track and progressing well.
Project Carryovers	6	6				All items have commenced or commenced in part and are on-track. Three items have been completed in part. Some items have been identified as ongoing tasks and marked as complete. One PIO is considered has not yet commenced.
Fraud Management Framework	6	4		1	1	A performance opportunity has been completed and one item is yet to commence. Parts of 2 items are off-track. One will form a part of the People and Culture Policy & Procedure review commencing in 2022. The other is in relation to training for responsible officers and is being followed up through the Ombudsman.
Community Facilities Management Models	4	4				All items have commenced. 3 PIO's were completed as a result of council endorsement of the revised Leasing and Licensing Policy at the General Council Meeting 14 December. One PIO and part of another item are off-track and are awaiting capacity within the Digital transformation team to progress the Property Management System.

Procure to pay										
RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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	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.	On Track	30%	Design documents have been finalised and the build phase of the project has commenced.
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	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. Scoping has included the requirement to integrate with the ATO for Supplier electronic invoicing (Peppol E-Invoicing) which will be required to comply with the roll-out to all levels of government.	On Track	30%	Design documents have been finalised and the build phase of the project has commenced.

Cyber Security 2019										
RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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	31/10/2021	Not on Track	55%	Adjusted cyber security awareness training delivered to a small group of "new staff" - staff indicated a preference for the refined personal format and repeating detail. Phishing training review of third party suppliers has been negatively impacted by the resignation of COM1 Project Leader and incomplete exit interview, as no information able to be transferred to Cybersecurity Lead. Notably, in the previous quarter there have been only three incidents of CoM staff falling for "clickable" phishing attacks. A detailed review of Cyber Security Handbook indicates significant "rewrite" is necessary to develop a complete Information Security Manual in alignment with business objectives and staff awareness training.	Not on Track	65%	Regular assessment of staff cyber security posture through phishing testing is ongoing. We are looking to employ a trainer for City of Marion who will be able to develop a complete training plan for staff. Microsoft automated assignment of training for staff who would be compromised during phishing tests is often not completed
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,	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	50%	We are still working with LGIT around the policy.	Not on Track	30%	IT: CoM Information Security Policy is being reviewed by GM.

handling, whitelisting allowed USB devices, encryption and destruction.										
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	Not on Track	70%	Meeting held with TL Records and Manager IT. SharePoint site created. KPMG engaged to facilitate workshops. Workshops underway.	On Track	80%	Risk have conducted the workshops with all business units to identify critical systems. IT: Working with Risk and Governance around specification and requirements in BCP, including dependency mapping
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	70%	Cybersecurity additional investment remains on hold pending significant infrastructure reworks and ongoing remediation - Internal Security Audits have increased asset coverage of CoM "servers" by 120% for the Quarter. Remediation works during the same timeframe indicate that CoM's total "risk score" for known vulnerabilities on the internal network have been reduced 22%. CoM's highest risk against known vulnerabilities is held by the "comphone" systems, which account for 35.5% of our total known vulnerabilities. ACSC Maturity level (Operating Systems > Supported Operating Systems) raised from 36% compliance of on-prem workstations, to 80% compliance. Cloud compliance at approximately 50% of workstation assets or 99% of "active workstation" assets - reporting is complicated by poor inventory management in this environment. Complexity reduction through extranet exposure ongoing through firewall replacement project, with a reduction of 53% "accessible IPs" expected by end of Quarter 3	Completed	100%	Security is being considered against each change as part of a proposed change management policy and operational documentation policy. Continued investment in security is ongoing. Continual improvement of security posture, and investment of time and funds in security software is underway. Standard Operating Procedures to ensure continued security and stability of sensitive environments are under continual development and review. annual security reviews are conducted on the CoM systems by external contractors
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 on Track	0%	Recruitment has placed a candidate at CoM on a part time basis for Q2. No engagement with Governance has yet occurred	Not on Track	30%	All these requirements are being picked up by the HRIS (DTP Project), due to begin in February. We are working with P&C and governance around this area. Scoping of this initiative has commenced. Request a new due date of 30 June 2022.

Payroll 2020/21

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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 31/08/2021 Revised Due Date 31/07/22	Not 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 - forecast for implementation by July 2022.	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 the implementation of the HRIS system and Finance System - forecast for full implementation by July 2022.
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 retention will also be included as a key requirement for the new system.	Moderate	30/06/2021 31/08/2021 Revised Due Date 31/07/22	Not 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 forecast for July 2022.	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 forecast for July 2022.
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	Not on Track	90%	Analysis of data from system has commenced to transform the data into the required tables to prepare the required reports.	Completed	100%	Overtime reports have been created and added to the monthly reporting being extracted from our Payroll system
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 31/08/2021 Revised Due Date 31/07/22	Not 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 forecast for July 2022.	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 forecast for July 2022.

ITT Governance

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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		We are currently working through the policies in ITT. We have looked at AUP, Mobile devices, User policies.	Not on Track	80%	Proposed Framework under review by GM. Policies under review: Information Security Policy, Acceptable Use Policy, Mobile Devices Policy, Change Management Policy
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		We are currently working with the LGA to shape the governance policies. Funding has been approved for this project and the steering group has been formed, COM has a member on the group to help guide it.	Not on Track	80%	Proposed Framework under review by GM. ITT and ITAS principles are aligned in the framework
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		We are currently working with the LGA to shape the governance policies. Funding has been approved for this project and the steering group has been formed, COM has a member on the group to help guide it.	Not on Track	80%	Proposed Framework under review by GM. Framework is based on COBIT5
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		We are currently working with the LGA to shape the governance policies. Funding has been approved for this project and the steering group has been formed, COM has a member on the group to help guide it.	Not on Track	80%	Proposed Framework under review by GM
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		We are currently working with the LGA to shape the governance policies. Funding has been approved for this project and the steering group has been formed, COM has a member on the group to help guide it.	Not on Track	80%	Proposed Framework under review by GM. Policies are included in the framework.
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	50%	IT Ops working with the Helpdesk to better understand what they are currently doing and ways to automate this system to make them more reliable	Not on Track	40%	Asset management planning underway, working with Assets team regarding appropriate Information and Processing register. Asset management policy under development
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	50%	The analytics strategy made it to ELT in late October and further work/feedback on it was received. The data governance framework is a separate piece of work to the strategy, but the governance framework has been highlighted as a requirement before project initiation. With no Cross Council CDO in place, little communication has been had with partner councils around the subject. A data governance framework remains a key output of project planning.	Not on Track	50%	Remains off track as per last quarters comments, status unchanged though progress has been made with the data strategy. With the KPI framework likely to be signed off soon, the next piece of work will be a data governance framework.
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	10%	An updated strategy is to be provided to ELT in December. This will not include a data governance framework which is an extensive piece of work, but it will outline	Not on Track	10%	Remains off track as per last quarters comments, status unchanged though progress has been made with the data strategy. With the KPI framework likely to be signed off soon,

							the expected content of the framework for sign off at ELT level.			the next piece of work will be a data governance framework.
Investigate opportunities to update training and induction processes with more information regarding security practices and requirements.	PIO2.2	CoM agrees with the recommendation and security awareness is made part of the Digital Literacy project	N/A	31/12/2020	Not on Track	50%	We are currently looking to employ a person into the training role.	Not on Track	70%	All new staff receive a dedicated security awareness induction. We are looking to employ a dedicated trainer for the City of Marion to teach IT skills

Metrics that Matter

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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%	A review is being undertaken on CoM infrastructure and software options for BI. Power BI has not been embedded for corporate reporting as yet. A data governance framework will be created as part of the data & analytics project in the coming months. This is off track currently due to the loss of the CDO and CoM taking the chance to review the current analytics setup. The new strategy recommends a data governance framework be created as part of the larger project, and as a precursor to project initiation.	Not on Track	80%	As per last quarters comments, we are working through foundations before developing a data governance strategy. There has been progress towards this goal and work is expected to commence on the data governance framework in the next quarter.
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	80%	UM Risk to engage with PMO to promote risk assessment training through CAMMS re-engagement in Dec 2021 PMO have engaged Capital Works PM in Oct 2021 and directed the PMs to the project risk register template currently available in both Teams and CAMMS (risk matrix aligned)	Not on Track	60%	PMO is planning for re-training of the PM Framework and CAMMS to PMs in Feb 2022 - intention is to also re-iterate use of risk register template for projects

Collaborative Leasing

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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	70%	The updated Leasing and Licencing Policy principles were presented to the Elected Member Forum for feedback on 16 November 2021. An updated Leasing and Licensing Policy will be presented to the General Council for endorsement on 14 December.	Completed	100%	Council endorsed the updated Licensing Policy at the General Council 14 December 2021 which included: annual rent will be calculated at a rate of 7% of the 'market rent' in accordance with Council's asset valuation data.

Stores Management

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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	30%	Unit Manager Operational Support has been working with the Digital Transformation Team towards an outcome. It is reasonable to expect that Assetic will not deliver a suitable Fleet Management Tool.	On Track	30%	Progress is linked to the digital transformation program and new Finance System. Continue to work with the project group with no update to provide at this stage.
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	30%	Unit Manager Operational Support has been working with the Digital Transformation Team towards an outcome. Assetic is a standard business platform and should have no issues delivering the desired outcome, with regard to inventory management.	On Track	30%	Progress is linked to the digital transformation program and new Finance System. Continue to work with the project group with no update to provide at this stage.

Business Continuity Planning and COVID-19 Response

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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	70%	SharePoint site created. KPMG engaged to facilitate workshops. Workshops underway.	Completed	100%	Recovery Strategy project to provide a new platform, facilitate workshops with business unit and to review data is now complete.
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	On Track	40%	Staff spreadsheet from 2020 is currently being reviewed. Critical staff are being analysed through the Recovery Strategy project. Both will inform the review of the Workforce Plan.	On Track	40%	Meeting booked with P&C to progress.
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	70%	SharePoint site created. KPMG engaged to facilitate workshops. Workshops underway.	Completed	100%	Technologies were identified and recorded in the Recovery Strategy portal during the workshops held as part of the project.
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	99%	Procedures being presented to ELT for formal endorsement and implementation 16 December 2021.	Completed	100%	Procedures endorsed by ELT in December 2021.
As part of a lessons learnt exercise, the CoM should retrospectively review the events that occurred and: • Document IT procurement requirements and specifications to detail minimum standards to assist future urgent procurement needs. This will provide a baseline standard. • Assess compatibility of procured IT equipment, including laptops, to ensure they are sufficient to meet business specifications. • Assess the financial impact of the fast-tracked procurement. This should consider the increased cost associated with low buying power and not sourcing directly from one-provider.	2.2	Strategic Procurement together with Operational Support, Operations, City Property & IT to develop a crisis procurement process to enable quick procurement of items in a crisis whilst ensuring appropriate governance.	Moderate	30/06/2021	Not on Track	99%	Procedures being presented to ELT for formal endorsement and implementation 16 December 2021.	Completed	100%	Procedures endorsed by ELT in December 2021. Exemption process expanded to include emergency purchase elements for instances such as COVID.

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	30%	We went to tender for a phone system but the requirements were not met. We are going back to market for a system to better work with COM.	Not on Track	70%	A documented remote working solution has been refreshed in Horizon. We have a cloud-first model of adopting new and replacement technologies. Phone system is going back to market for a better CoM solution which functions in office and from home. Currently migrating PAI and MOP to 3CX digital telephony to allow working from home until Salesforce solution is implemented.
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	25%	Diglit assessments delayed until February 2022, as (a) COM are awaiting on the outcome of an application for federal funding for the provider, Navitas, to commence assessments and training for staff (b) filling of the DTP IT project manager position (currently vacant).	On Track	25%	Diglit assessments delayed, as (a) COM is awaiting on the outcome of an application for federal funding for the provider, Navitas, to commence assessments and training for staff. P&C awaiting further clarification from Navitas on likely timeframe for resolution. (b) filling of the DTP IT project manager position (currently vacant). P&C have met with Business Improvement Officer and Manager Operations to discuss roll out of proposed assessments and training with Operations, subject to funding outcome and filling of DTP positions.
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	85%	Embedding key findings as part of the Recovery Strategy review	Completed	100%	A meeting was convened with the Recovery Transition Group to review Recovery Action Plans and close them out. Learnings were implemented into the Recovery Strategy project.
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	70%	SharePoint site created. KPMG engaged to facilitate workshops. Workshops underway.	Completed	100%	Manual business processes were identified and recorded in the Recovery Strategy portal during the workshops held as part of the project.
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	70%	SharePoint site created. KPMG engaged to facilitate workshops. Workshops underway.	Completed	100%	Manual business processes were identified and recorded in the Recovery Strategy portal during the workshops held as part of the project.
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	35%	Conversations with Team Leader Records and Office of the CEO have confirmed Doc Assembler (Ecuria replacement) is not fit for purpose. Other opportunities to be explored.	Completed	0%	Doc Assembler, Ecuria's replacement, is not suitable. SharePoint is continuing to be used.
What tool is most appropriate for the creation and communication of Recovery Action Plans to avoid duplication of effort and enhance ease of use.	PIO2.2	Risk Team to incorporate the IMT risk assessments in the system specifications of the Enterprise Risk Management Software business case by June 2021.	Low	30/06/2021 Revised Due Date 31/03/2022	On Track	20%	Next critical task post BIA and Recovery Strategy project.	On Track	20%	Meeting booked with Strategy Partner and new Risk Business Partner to draft a Project Plan.
Formats of risk assessments moving forward and consider how this information integrates into and interacts with other BCP activities and assessments.	PIO2.3	Risk Team to incorporate the IMT risk assessments in the system specifications of the Enterprise Risk Management Software business case by June 2021.	Low	30/06/2021 Revised Due Date 31/03/2022	On Track	20%	Next critical task post BIA and Recovery Strategy project	On Track	20%	Meeting booked with Strategy Partner and new Risk Business Partner to draft a Project Plan.

Whether further communication templates need to be developed and added to the suite of templates.	PIO2.4	Comms Team to work with the Risk Team to review the current suite of templates and create a document library for ease of use by June 2021.	Low	30/06/2021 Revised Due Date 31/03/2022	On Track	70%	Comms review complete. Currently uploading to new SharePoint site in an easy to use, single document format.	Completed	100%	All templates reviewed, reformatted and updated. Further, a suite has been created for quick rollout for incident response.
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Asset Inspection Schedule

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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	20%	Procedure documents in development	On Track	50%	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	20%	Procedure documents in development	On Track	50%	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	20%	Procedure documents in development	On Track	50%	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	20%	As an interim solution the Asset Solutions Team are developing asset inspection solutions through ArcGIS Fieldmaps and an authorisation process through SharePoint to monitor progress of Level 1 inspections for infrastructure assets.	On Track	50%	Asset Solutions have been working with the Records and Information Management Team to develop a SharePoint solution to address the records management issues and inspection reporting statistics through Power BI. This is well progressed and will be in Beta testing mode by the end of January 2022. This will provide a process solution to address the recommendation for Asset Owners to implement with their teams.
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	15%	Ownership of this item has been transferred to the Senior Project Manager - Financial Transformation as this is tied to the AMIS DTP. AMIS Project is currently on track . Implementation is in progress Group 1 Open Space - Target Go Live - End Apr 2022 Group 2 Plant & Fleet - Target Go Live - End Jul 2022 Group 3 Transport & Drainage - Target Go Live - End Aug 2022 Group 4 Buildings & Property - Target Go Live - End Oct 2022 Group 5 - IT & Trees - Target Go Live - TBD	On Track	17%	AMIS Project is currently on track. Implementation is in progress Group 1 Open Space - Target Go Live - End Apr 2022 Group 2 Plant & Fleet - Target Go Live - End Jul 2022 Group 3 Transport & Drainage - Target Go Live - End Aug 2022 Group 4 Buildings & Property - Target Go Live - End Oct 2022 Group 5 - IT & Trees - Target Go Live - TBD

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	20%	Procedure documents in development	On Track	50%	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	20%	Procedure documents in development	On Track	50%	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	20%	Procedure documents in development	On Track	50%	Procedure documents in development
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	On Track	10%	Exploring the development of a management authorisation process through SharePoint to monitor progress of Level 1 inspections for infrastructure assets across the business. Include in procedure document.	On Track	50%	Asset Solutions have been working with the Records and Information Management Team to develop a SharePoint solution to address the records management issues and inspection reporting statistics through Power BI. This is well progressed and will be in Beta testing mode by the end of January 2022. This will provide a process solution to address the recommendation for Asset Owners to implement with their teams.
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	20%	Procedure documents in development	On Track	50%	Procedure documents in development
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	15%	AMIS Project is currently on track. Implementation is in progress Group 1 Open Space - Target Go Live - End Apr 2022 Group 2 Plant & Fleet - Target Go Live - End Jul 2022 Group 3 Transport & Drainage - Target Go Live - End Aug 2022 Group 4 Buildings & Property - Target Go Live - End Oct 2022 Group 5 - IT & Trees - Target Go Live - TBD	On Track	17%	AMIS Project is currently on track. Implementation is in progress Group 1 Open Space - Target Go Live - End Apr 2022 Group 2 Plant & Fleet - Target Go Live - End Jul 2022 Group 3 Transport & Drainage - Target Go Live - End Aug 2022 Group 4 Buildings & Property - Target Go Live - End Oct 2022 Group 5 - IT & Trees - Target Go Live - TBD
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	On Track	15%	As an interim solution the Asset Solutions Team are developing asset inspection solutions through ArcGIS Fieldmaps and an authorisation process through SharePoint to monitor progress of Level 1 inspections for infrastructure assets. This should enable management to have oversight through reporting.	On Track	50%	Asset Solutions have been working with the Records and Information Management Team to develop a SharePoint solution to address the records management issues and inspection reporting statistics through Power BI. This is well progressed an will be in Beta testing mode by the end of January 2022. This will provide a process solution to address the recommendation for Asset Owners to implement with their teams.

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	Refer 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 and is dependent upon the outcomes of recommendation 3.2.	On Track	Refer 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 and is dependent upon the outcomes of recommendation 3.2. More detail can be provided by Senior Project Manager - Financial Transformation.
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	20%	Procedure documents in development	On Track	50%	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	On Track	Refer 3.2	Recommendation is being addressed as part of data cleanse for AMIS implementation project. Asset Solutions Team are supporting the DTP in the provision of data for the AMIS implementation. Achievement of this recommendation is tied to the data delivery program as part of the AMIS DTP. Finalisation of this recommendation is dependent upon delivery of the AMIS.	On Track	Refer 3.2	Recommendation is being addressed as part of data cleanse for AMIS implementation project. Asset Solutions Team are supporting the DTP in the provision of data for the AMIS implementation. Achievement of this recommendation is tied to the data delivery program as part of the AMIS DTP. Finalisation of this recommendation is dependent upon delivery of the AMIS.
In some cases, assets should be considered on a location basis rather than an asset class basis. This will reduce duplication of efforts and allow for a more streamlined approach to some inspections (particularly inspections that take place on reserves, parks, beaches, etc).	PIO1.2	This recommendation requires discussion on the structure and responsibilities for asset inspections.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	Refer 3.2	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.	On Track	Refer 3.2	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. More detail can be provided by Senior Project Manager - Financial Transformation.

Project Carryovers

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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 Revised Due Date 31/03/2022	On Track	30%	Schedule for Planning of FY 22 / 23 Program completed. Actual Project and Program planning for FY 22 / 23 kicked off with Capital Works SLT and Finance on 4 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	On Track	75%	1st Draft of FY 22 / 23 Program completed. To proceed with detailed program budget planning in Feb - March 2022 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	On Track	N/A	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	Completed	Ongoing	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	On Track	N/A	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	Completed	Ongoing	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
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 Revised Due Date 31/03/2022	On Track	75%	Risk Register templates introduced to Capital Works PMs in October 2021. PMO will engage PMs to observe use of risk register template	On Track	75%	No new / revised templates were introduced during this period
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 Revised Due Date 31/03/2022	On Track	50%	Schedule for Planning of FY 22 / 23 Program completed. Actual Project and Program planning for FY 22 / 23 kicked off with Capital Works SLT and Finance on 4 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	On Track	75%	1st Draft of FY 22 / 23 Program completed. To proceed with detailed program budget planning in Feb - March 2022 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
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	On Track	N/A	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	Completed	Ongoing	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	On Track	50%	Previous historical project budget data was provided in August 2021 to Capital Works SLT. Updated historical budget data (as at Dec 2021) will be provided to PMs in Dec 2021	Completed	100%	Redistributed historical project budget data to Capital Works SLT in Dec 2021
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	On Track	50%	Previous historical project budget data was provided in August 2021 to Capital Works SLT. Updated historical budget data (as at Dec 2021) will be provided to PMs in Dec 2021	Completed	100%	Redistributed historical project budget data to Capital Works SLT in Dec 2021
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	On Track	N/A	This is an ongoing task - PMO resumed monthly service reviews with CAMMS vendor in Oct 2021) to manage system performance and post production issues PMO is maintaining an internal register of system enhancement requests from the users, and are regularly prioritising enhancements for implementation	Completed	Ongoing	This is an ongoing task - PMO resumed monthly service reviews with CAMMS vendor in Oct 2021) to manage system performance and post production issues PMO is maintaining an internal register of system enhancement requests from the users, and are regularly prioritising enhancements for implementation
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 Revised Due Date 31/03/2022	On Track	N/A	Risk Register templates introduced to Capital Works PMs in October 2021. PMO will engage PMs to observe use of risk register template	On Track	75%	No new / revised templates were introduced during this period.

Refer PIO2 for project training recommendations.	3.3	See responses in PIO2	Low	31/12/2021	On Track	N/A	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	Completed	Ongoing	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	On Track		Actual Project and Program planning for FY 22 / 23 kicked off with Capital Works SLT and Finance on 4 Nov 2021 Finance has commenced engagement with Capital Works SLT in Nov 2021 to review budgets, classification of spend, funding and timing of planned expenditure.	On Track	75%	1st Draft of FY 22 / 23 Program completed. To proceed with detailed program budget planning in Feb - March 2022 Finance to continue engagement with Capital Works SLT from Jan - Mar 2022 to review budgets, classification of spend, funding and timing of planned expenditure
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	Not Commenced	0%	PM Framework to be reviewed in Q1 2022	On Track	10%	In progress of reviewing PM Framework
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	On Track		Actual Project and Program planning for FY 22 / 23 kicked off with Capital Works SLT and Finance on 4 Nov 2021	On Track	50%	1st Draft of FY 22 / 23 Program completed. To proceed with detailed program budget planning in Feb - March 2022
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	Not Commenced	0%	Target to start activity in Jan 2022	Not Commenced	0%	Revised to start review in Feb 2022 - Procurement Lead away on annual leave 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	On Track	10%	Actual Project and Program planning for FY 22 / 23 kicked off with Capital Works SLT and Finance on 4 Nov 2021 Finance has commenced engagement with Capital Works SLT in Nov 2021 to review budgets, classification of spend, funding and timing of planned expenditure	On Track	75%	1st Draft of FY 22 / 23 Program completed. To proceed with detailed program budget planning in Feb - March 2022 Finance to continue engagement with Capital Works SLT from Jan - Mar 2022 to review budgets, classification of spend, funding and timing of planned expenditure
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	On Track	N/A	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	Completed	Ongoing	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	On Track	N/A	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	Completed	Ongoing	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
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	On Track	N/A	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	Completed	Ongoing	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
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.	PIO2.2	The PMO will consider the feasibility of implementing this improvement opportunity in CAMMS given its cost implications.	Low	31/12/2021	Not Commenced	0%	PMO is maintaining an internal register of system enhancement requests from the users, and are regularly prioritising enhancements for implementation	Not Commenced		PMO is maintaining an internal register of system enhancement requests from the users, and are regularly prioritising enhancements for implementation

•Learnings to be recorded as soon as practical, to ensure factual accuracy and that all project management staff are notified as early as possible.										
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Fraud Management Framework

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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 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.	1.1	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.	Low	31/12/2021	On Track	50%	Video link provided to People and Culture for uploading to Kineo.	Completed	100%	Provided to P&C for automatic distribution to staff
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.	1.2	Manager Office of the CEO will work with the Manager P&C regarding the training.	Low	31/03/2022	On Track	25%	Currently seeking quotes for PID training which will also cover changes to the ICAC and Ombudsman Act and the reporting of Corruption, Maladministration and Fraud. Looking to run in the early part of 2022.	On Track	30%	Quotes obtained and booking training to cover the ICAC and Ombudsman Act and the reporting of Corruption, Maladministration and Fraud. Looking to run in the early part of 2022.
Record completed fraud awareness and PID training in Training Manager.	1.3	Unit Manager Risk & Strategy will provide a record of completed training to be provided to P&C to be recorded in Training Manager.	Low	31/10/2021	Not on Track	50%	Spreadsheet provided to People and Culture for recording in Training Manager.	Completed	100%	Provided to P&C for recording in Training Manager.
The CoM prioritise conducting three FRA workshops with the following Business Units: •City Services •City Development •Corporate Services (Finance, IT and Procurement)	2.1	Unit Manager Risk & Strategy will conduct FRA workshops with business units.	Low	28/02/2022	On Track	15%	Risk workshop is booked with key stakeholders	On Track	15%	Session booked for 10/2/22.
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.	2.2	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	Low	31/03/2022	On Track	5%	Time has been booked in the diary	On Track	10%	Drafted and underway ready for session.
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.	2.3	Unit Manager Risk & Strategy will update the Fraud & Corruption Framework to reflect the FRA outcomes.	Low	30/04/2022	Not Commenced	0%	Awaiting the workshops.	Not Commenced	0%	Awaiting the workshops booked for 10/2/22.
A pre-employment screening policy should be developed and endorsed by ELT.	3.1	Unit Manager People & Culture will develop a pre-employment screening policy.	Low	31/12/2021	On Track	5%		Not on Track	15%	Will form a part of P&C Policy & Procedure review commencing in 2022

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.	3.2	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.	Low	31/12/2021	On Track	5%		Not on Track	25%	Present roles requiring Police checks have been identified
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.	3.3	Unit Manager Operational Support will Implement a Cab Charge Procedure.	Low	28/02/2022	Not Commenced	0%		On Track	20%	Procedure being drafted
Consider introducing further anonymous fraud reporting mechanisms for staff including phone and web channels.	4.1	Unit Manager Risk & Strategy will consider further anonymous fraud reporting mechanisms and update the Fraud & Corruption Framework accordingly.	Low	31/12/2022	Not Commenced	0%	quotes have been obtained and currently amending policy and procedure for this to be included.	On Track	25%	Sourced proposals from 4 alternative providers. Currently reviewing services and costs for consideration.
Formally document and communicate these fraud reporting mechanisms to staff.	4.2	Unit Manager Risk & Strategy will communicate any fraud reporting changes to staff.	Low	31/12/2022	Not Commenced	0%		Not Commenced	0%	Awaiting provider confirmation to assess changes in reporting.
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.	4.3	Manager Office of the CEO will work with Manager, P&C regarding process for Responsible Officers.	Low	31/12/2021	On Track	25%	Currently working through process and training requirements for the organisation. These will be imbedded within the procedures.	Not on Track	25%	Training has not been offered by Ombudsman. This is being regularly followed up.
Internal Audit recommends the CoM consider implementing data mining/analytics fraud detection programs as part of the Digital Transformation Program.	PIO1.1	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.	Low	30/06/2022	Not Commenced	0%	As our analytics implementation is not in place as yet, this task has not yet been started, but will be factored into analytics project planning.	Not Commenced	0%	As our analytics implementation is not in place as yet, this task has not yet been started, but will be factored into analytics project planning.

Community Facilities Management Models

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	AUDITOR RISK RATING	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 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.	1.2	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.	Moderate	31/04/2022	On Track	60%	Currently drafting of a Guidelines and Procedure document in line with the revised leasing and licensing policy scheduled for General Council on 14 December.	On Track	60%	Following endorsement by Council of the amended Policy, supporting Guidelines are in the process of being drafted.
	1.3	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.	Moderate	31/04/2022	Not Commenced	0%	In addition to regular reporting, spot checks will commence in early 2022 following the commencement of Annual scheduled property inspections at the end of 2021.	On Track	5%	Annual property inspections have commenced. Spot checks will be undertaken during the first quarter of this year.
To address the inadequate and inconsistent monitoring processes, it is recommended that the CoM: <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. 	2.1	As noted in the Finding 1 Management Actions, pending the implementation of a supporting system, further reporting will be investigated.	Moderate	31/04/2022	Not Commenced	0%	Business requirements have been developed and finalised for the Property Management System (PMS), awaiting for capacity within the Digital transformation team to progress the PMS.	Not on Track	0%	Business requirements have been developed and finalised for the Property Management System (PMS), awaiting for capacity within the Digital transformation team to progress the PMS.
	2.2	The Governance and Compliance Excel spreadsheet will also be reviewed to include conditional formatting to facilitate the tracking of compliance requirements.	Moderate	31/04/2022	On Track	20%	The spreadsheet is being looked at to determine appropriate data requirements and formatting.	On Track	20%	The spreadsheet is being looked at to determine appropriate data requirements and formatting.
	2.3	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.	Moderate	31/04/2022	On Track	50%	Annual Property Inspections have been commenced with compliance documentation being requested to align with these inspection dates.	On Track	60%	Annual Property Inspections have been commenced with compliance documentation being requested to align with these inspection dates.
It is recommended that the CoM developed a procedural document or guidelines to include at a minimum the following: <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. 	3.1	Refer to Finding 1 Management Actions.	Moderate	31/04/2022	On Track	60%	Refer to Action Progress Comments in Management Action 1.	On Track	60%	Refer to Action Progress Comments in Management Action 1.
	3.2	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.	Moderate	31/04/2022	Not Commenced	0%	As part of the policy review scheduled to go to General Council 14 December 2021, draft supporting Guidelines Procedure are being developed. Once policy review is endorsed by Council, the development of a manual for the leasing and licensing portfolio will be included as part of the induction process for new staff.	On Track	60%	As part of the policy review which was endorsed at the General Council 14 December 2021, draft supporting Guidelines Procedures are being developed which will act as a manual for property management staff.
As noted on p. 13, the CoM may improve the efficiency of the current processes with the following recommendations: <ul style="list-style-type: none"> •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. 	PIO1.1	Refer to Finding 1 Management Actions.	Low	31/04/2022	On Track	60%	Refer to Action Progress Comments in Management Action 1.	On Track	60%	Refer to Action Progress Comments in Management Action 1.
	PIO1.2	The CoM will also investigate the following efficiency opportunities: <ul style="list-style-type: none"> •Fixed annual increases rather than CPI; 	Low	31/04/2022	On Track	50%	This was discussed at the EM forum and broadly supported by EM's. This will be included in the revised Policy scheduled for General Council 14 December 2021.	Completed	100%	Included in the endorsed revised Policy
	PIO1.3	Consider KPI's as part of the annual reporting to replace the subsidy documentation requirements;	Low	31/04/2022	On Track	50%	This was discussed at the EM forum and broadly supported by EM's. This will be included in the revised Policy scheduled for General Council 14 December 2021.	Completed	100%	Included in the endorsed revised Policy

<ul style="list-style-type: none">•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.	PIO1.4	Consider standardised periods for annual property inspections and compliance reporting; and	Low	31/04/2022	On Track	50%	Annual Property Inspections have commenced with compliance documentation being requested to align with these inspection dates.	Completed	100%	This is now being implemented with the annual property inspections
	PIO1.5	Management will also further explore the clear need for the implementation of the effective supporting system at the earliest opportunity.	Low	31/04/2022	On Track	20%	Business requirements have been developed and finalised for the Property Management System (PMS), awaiting for capacity within the Digital transformation team to progress the PMS.	Not on Track	20%	Business requirements have been developed and finalised for the Property Management System (PMS), awaiting for capacity within the Digital transformation team to progress the PMS.

7.3 Corporate Risk Review Report Q2 2021/22

Report Reference	FRAC211214R7.3
Originating Officer	Unit Manager Risk – Sherie Walczak
Corporate Manager	Manager Office of the CEO - Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT HISTORY

The Corporate Risk Review is undertaken quarterly by the Senior Leadership Team as outlined in the Risk Management Policy and the outcomes of which are reported to the Council, via the Finance, Risk and Audit Committee (FRAC).

Report Reference	Report Title
FRAC211214R6.6	Corporate Risk Quarterly Report Q1 2021/22

REPORT OBJECTIVE

The purpose of this report is to provide the FRAC with the outcomes of Quarter 2 (October to December) 2021 Corporate Risk Review as reviewed by the Executive Leadership Team at their meeting held on 27 January 2022.

EXECUTIVE SUMMARY

The Corporate Risk Register was distributed to the Senior Leadership Team (SLT) to undertake a review of risks relevant to their portfolio for this reporting period. SLT, as the primary risk owners, reviewed and updated their risks. Supported reviews, facilitated by the Risk Business Partner, were undertaken in City Activation, Community Connections, Operations and City Property.

During the supported reviews there was an evaluation of the environmental scan undertaken, scrutiny was placed on current controls, the status of actions was updated with due dates being reviewed and, where appropriate, completed actions were listed as controls. Risks were also reassessed, in terms of likelihood and consequence ratings.

The result of these reviews resulted in the current risk rating increasing for one risk from medium to HIGH and a new LOW risk being added which saw the total number of risks increase to 103. The current risk ratings are: 7 high, 66 medium and 30 low as outlined in **Attachment 1**.

The rationale for the management of High Risks is outlined in **Attachment 2** and High-Risk Plans-on-a-Page have been developed for all 6 current High risks plus the new High risk to provide greater detail and oversight. These are included in **Attachment 3**.

CONCLUSION

The quarterly risk review process, culminating in an updated Corporate Risk Register and High-Risk Plans-on-a-page, provides assurance to Council, the organisation and its stakeholders of an integrated approach to the identification, management and ongoing monitoring of risk and opportunities.

RECOMMENDATION

That the Finance, Risk and Audit Committee:

1. **Notes the report.**

ATTACHMENTS

1. Corporate Risk Quarterly Review Report Q2 2021 22 A 1 [**7.3.1** - 2 pages]
2. Corporate Risk Quarterly Review Report Q2 2021 22 A 2 [**7.3.2** - 1 page]
3. Corporate Risk Quarterly Review Report Q 2 2021-22 A.3 [**7.3.3** - 7 pages]

Corporate Risk Quarterly Review Report Q2 2021-22 Attachment 1

RISK REGISTER ANALYSIS

The quarter 2 2021/22 review of the Corporate Risk Register resulted in a total of 103 risks identified. The current risk ratings are: 7 high, 66 medium and 30 low outlined in **Table 1** which also illustrates the movement in our risk exposure over the previous 12 months.

Table 1: Risk movement over previous 12 months

Period:	Qtr 3: Jan to Mar 2021			Qtr 4: Apr to Jun 2021			Qtr 1: Jul to Sep 2021			Qtr 2: Oct to Dec 2021			
Corporate Risk	I	C	F	I	C	F	I	C	F	I	C	F	Overall Impact*
Extreme	27	0	0	28	0	0	28	0	0	28	0	0	↔
High	65	6	0	65	6	0	63	6	0	63	7	0	↑
Medium	13	71	59	11	70	62	11	67	60	12	66	60	↓
Low	0	28	46	0	28	42	0	29	42	0	30	43	↑
Total	105	105	105	104	104	104	102	102	102	103	103	103	
Current High Risk %	7%			6%			6%			6%			

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

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

- Changes to the risks reported in the Corporate Risk Register
- Ongoing and emerging risk / opportunity issues (currently not identified on the register)

CHANGES TO THE RISKS REPORTED IN THE CORPORATE RISK REGISTER

During the supported reviews, scrutiny was placed on current controls, updating actions and action due dates. This has resulted in some likelihood and consequence ratings being re-evaluated affecting current risk ratings for 1 risk which is outlined in **Table 2** and one risk being added to the register, outlined in **Table 3**.

Re-rated Risks

CON04, outlined in Table 2, was reviewed and re-rated due to the fluctuation in prices for materials as well as the timing and availability of contractors. According to a Rawlinsons Construction Costs Guide timber supply prices are up 80-100% and reinforcing and structural steel prices have increased 35-50% in the previous 12 months. Staff advised that with interstate restrictions and close contacts isolation requirements this has also provided additional challenges to have adequate resources available to complete projects.

Table 2: Risks Re-Rated During Reporting Period

Risk Ref	Work area	Risk Description	Inherent Rating	Current Rating	Forecast Rating	Comment	Risk Rating Movement
CON04	Strategic Procurement	Supply chain issues creating an inability to complete projects on time and within allocated budget	High	High	Low	Risk description rerated due to increases in material costs and availability of contractors. Current risk rating changed from Possible/Moderate - MEDIUM to Likely/Moderate - HIGH	↑

New Risk

COM05, outlined in Table 3, was added after a copyright infringement claim was received for use of an copyrighted image supplied by a band scheduled to perform at the Marion Cultural Centre which they did not have the licence to use.

Table3: Risks Added During Reporting Period

Risk Ref	Work area	Risk Description	Inherent Rating	Current Rating	Forecast Rating	Comment	Risk Rating Movement
COM05	Customer Experience	Unlicensed use of copyright material for marketing, advertising or web content.	Medium	Low	Low	Risk included due to recent event that incurred a copyright infringement notice.	↔

ONGOING & EMERGING RISK / OPPORTUNITY ISSUES

This quarter, the emerging risks and opportunities identified as part of the environmental scanning process were included in the Framework and Key Assumptions Plan that was provided to FAC on 14th December 2021.

The following is an extract from that report:

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

The scan was developed with senior leaders in October 2021 and several risks and opportunities were identified and are being considered through the development of the 2022-23 Annual Business Plan, including:

- **Business continuity related to COVID-19:**

On-going administrative, monitoring, and reporting impacts yet to be fully understood. Potential disruptions due to new variants and changes in Government direction.

- **Construction sector:**

Supply chain pressures and high demand in the sector may impact delivery time frames on projects - Rising inflation: Impacts felt broadly by the community as supply prices rise across a range of essential products.

- **Labour shortages and movements:**

Skilled labour shortages across Australia due to the lockdown of international and domestic borders, along with significant attitudinal trends towards work and conditions.

- **Upcoming elections:**

Federal and State elections in 2022 are likely to see opportunities for partnership funding towards unfunded projects. Local Government elections in November 2022. –

- **Cyber security:**

Exploitation of the pandemic environment targeted at individuals and businesses has increased.

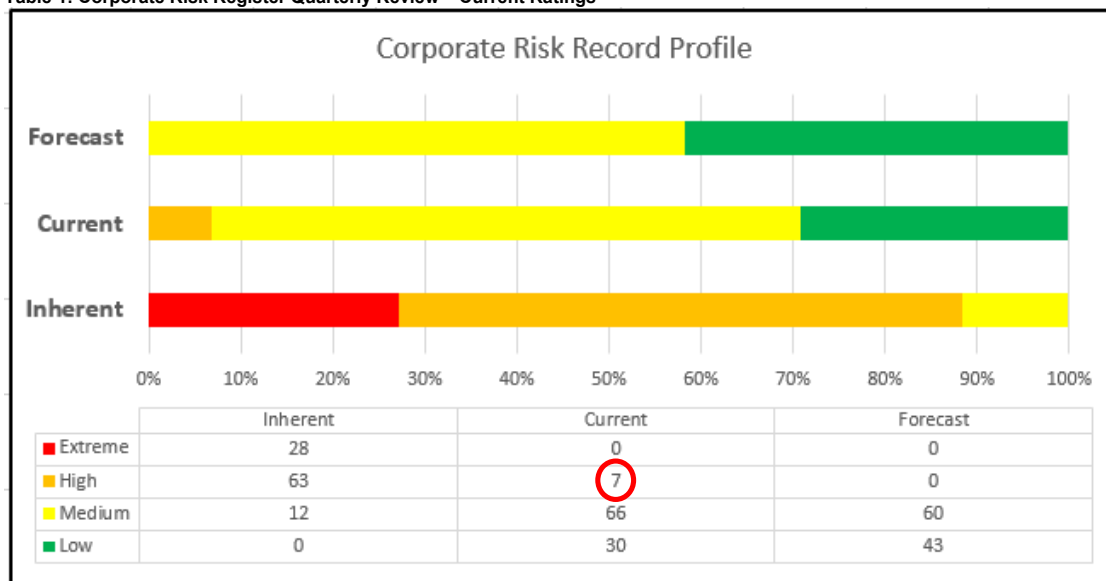
- **North-South Corridor:**

A watching brief on the recently announced State Government \$125 million investment fund to support improvements to the urban realm at the surface level. - Boundary realignments & code amendments: Outcomes expected in the short-term future.

MANAGEMENT OF HIGH RISKS

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

Table 1: Corporate Risk Register Quarterly Review – Current Ratings



An excerpt of the Corporate Risk Register, outlining the seven high-rated risks is provided in **Table 2**, which shows the movement in the current risk rating from last reporting period.



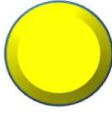
Table 2: Risks Currently Rated as High (or above)

Risk Ref	Risk Description	Inherent Risk Rating	Current Risk Rating	Qtr Mvmnt
CDO01	Poor data quality and information governance not supporting informed decision making	Extreme	High	↔
DTP01	Decentralised, unsupported, and unintegrated ICT systems to support current and future needs	High	High	↔
ESU03	Failure to understand, plan and act to respond to the projected impacts of climate change.	Extreme	High	↔
FIN06	Ineffective & inefficient organisational project and portfolio management/ monitoring to deliver strategic objectives and outcomes	High	High	↔
GOV10	Inability to prevent, prepare, respond to and promote resilience in the community in the event of an emergency ie pandemic (human disease), earthquake, flood, extreme heat, bushfire and terrorism	Extreme	High	↔
LPR02	Injury or harm/damage arising out of a failure of CoM contractors to comply with contract conditions and CoM HSE requirements	High	High	↔
CON04	Supply chain issues creating an inability to complete projects on time and within allocated budget	High	High	↑

Further detail on the mitigating actions identified by the risk owners, targeted to reduce the risk to within tolerance levels is outlined in the High Risk Plans-on-a-Page. These are developed in collaboration with the each of the risk owners, to provide greater detail and context for High rated risks and are validated and monitored by ELT each quarter. The High Risk Plans-on-a-Page are presented for discussion in Attachment 4.




Corporate Risk Quarterly Review Report 2021-22 Attachment 3

HIGH Risk - Plan on a Page

RISK ID	CDO01			
DATE LAST REVIEWED	30/09/2021			
ELT	Corporate Services			
SLT	Business Intelligence Lead	INHERENT	CURRENT	TARGET
Risk Description				
Poor data quality and information governance not supporting informed decision making				
Risk Statement				
There is a risk that poor quality and access to data within CoM systems doesn't allow for data driven decision making.				
Link to Strategic Plan	Council of Excellence			
Link to Business Plan	Digital Transformation Program			
Context/Background and Environmental considerations				
Due to the limited functions of the business systems, the business has needed to make manual work arounds, this can lend to data entry errors, this can contribute to long processes for information gathering and decision making.				
Stakeholders		Consultation		
Council, ELT, SLT and SMEs wishing to use data to support decision making.		Digital Transformation Program		
Risk source - Causes/Drivers				
<ul style="list-style-type: none"> - Inadequate strategic awareness/oversight of corporate data processes - Lack of standardised Data Quality Assurance processes - Obsolete Data Governance Framework - No resource/capacity to review/embed the Data Governance Framework - Poor data capture due to inadequate processes & systems - Lack of system training for staff (no system trainer role) - Ineffective use of end user reporting and query tools - Lack of single source of truth for Corporate data 				
Potential Consequences				
<ul style="list-style-type: none"> - Non compliance with related regulations/ legislation - Inability to measure outputs and outcomes, resulting in unsupported decision making - Inability to address business issues through data analysis - Decreasing value of data assets - Perpetual increase in data quality concerns - Manual effort required for reporting processes - Unable to provide adequate data to elected members 				
Implemented Controls		Endorsed/last reviewd Date	Review Date	Responsible Officer
1	DTP ELT Meetings (ICT steering committee)	Aug-21	Dec-23	GM Corp Serv
2	Vendor management reviews of software enhancements/faults	Jan-21	ongoing	Snr DTP IT Mgr
3	Software owner roles & responsibilities documented (org wide vs departmental)	ongoing	Jun-22	Snr DTP IT Mgr
Planned Treatment		Status	Due Date	Responsible Officer
1	Implementation of ICT Service Review recommendations	Behind schedule	30/11/2021	GM Corp Serv
2	Implementation of ICT Internal Audit recommendations	Behind schedule	31/12/2021	GM Corp Serv
3	Cross Council collaboration (peer review of initiatives)	On schedule	30/12/2022	Snr DTP IT Mgr
4	DTP - COM9 data analytics	On schedule	30/06/2022	BI Lead
5	Seek endorsement of Data & Analytics strategy	On schedule	18/02/2021	BI Lead
5	Seek endorsement of Data Governance Framework	On schedule	28/02/2021	BI Lead
6	Implement and oversee the strategy and framework	Plan & Scoping	30/06/2022	BI Lead
Rationale for Controls "Overdue for Review" & Treatments "Behind Schedule" or reported "Complete"				
<p>PT1. New Governance & Security Officer commenced in October and is working through as a priority</p> <p>PT1. New Governance & Security Officer commenced in October and is working through as apriority</p> <p>PT5. D&A Strategy still being worked through and tweaked as per ELT feedback before formal endorsement</p> <p>PT6. Data Governance Framework still to be developed. Data & Analytics schedules and due dates are shifting regularly while the project finds it's feet with strategy sign off, it is hoped this is resolved soon.</p>				




Corporate Risk Quarterly Review Report 2021-22 Attachment 3

HIGH Risk - Plan on a Page

RISK ID	DTP01			
DATE LAST REVIEWED	30/09/2021			
ELT	Corporate Services			
SLT	Manager IT Operations • Information Services	INHERENT	CURRENT	TARGET
Risk Description				
Decentralised, unsupported and unintegrated ICT systems to support current and future needs.				
Risk Statement				
There is a risk that having decentralised IT systems that are not fit for purpose through the lack of strategic planning for IT will cause unstable systems or failures, inefficiencies, and not allow progression of key business developments resulting in poor customer experience, frustrated staff.				
Link to Strategic Plan	Engaged			
Link to Business Plan	Digital Transformation Program			
Context/Background and Environmental considerations				
Old systems and old technologies used, these have caused inefficient work arounds for the systems. The planning and endorsement of the Digital Transformation Project has taken time to scope and present for endorsement from Council. Budget endorsement from Council was needed. The restructure of the organisation has moved the ownership of addressing these risks to the DTP				
Stakeholders		Consultation		
All data users within the business		ELT, SLT & work areas via meetings		
Risk source - Causes/Drivers				
<ul style="list-style-type: none"> - Ineffective implementation of the DT program - IT platform and operating systems no longer pertinent, potentially unfit for Business over the long term - Lack of strategic planning & investment in Business systems as Information Management assets - Lack of timely engagement with IT - Business units implement their own technology solutions - Lack of common IT architecture - Shortage of IT resources 				
Potential Consequences				
<ul style="list-style-type: none"> - Inefficient corporate software systems - Ineffective use of IT staff resources - Inability to support & progress key business developments - Lack of flexibility, capacity &/or capability for future options - Poor customer experience - Frustrated staff - low morale - Increase turnover of staff - Business inefficiency - System instability &/or failures 				
Implemented Controls		Endorsed/last reviewd Date	Review	Responsible Officer
1	DTP ELT Meetings (ICT steering committee)	Aug-20	Dec-23	GM Corp Serv
2	DTP Communications Plan	Nov-20	Nov-21	Mgr Cust Ex
3	DTP Change Management Plan	Jul-20	Jul-21	Mgr Cust Ex
4	Digital Literacy training plan	Jan-21	Dec-21	Snr DTP IT Mgr
5	DTP team of qualified & experienced personel inc dedicated BA and PM resources (service review undertaken)	Feb-21	Feb-22	GM Corp Serv
6	DTP performance reporting to ELT & FAC	Aug-20	Dec-23	Snr DTP IT Mgr
7	Cross Council collaboration (peer review of initiatives)	Jun-20	Jun-22	Snr DTP IT Mgr
Planned Treatment		Status	Due Date	Responsible Officer
1	1. Digital Transformation Project	On schedule	30/06/2023	GM Corp Serv
2	1a. CRM system replacement	On schedule	31/01/2022	Mgr Cus Exp
3	1b. Finance system replacement	On schedule	1/07/2022	Mgr Fin
4	1c. Asset Mgt new system	On schedule	1/05/2022	Mgr Fin
5	1d. HR/Payroll system replacement	On schedule	31/01/2022	Mgr P&C
Rationale for Controls "Overdue for Review" & Treatments "Behind Schedule" or reported "Complete"				
<p>IC02 - New comms team has drafted a DTP Marketing and Communications plan which is currently going through the approval process to finalise.</p> <p>IC03 - No Change Management Plan role since June. Now recruited a part time role to manage change management - review to occur by 28 Feb</p> <p>IC04 - Training plan is on hold - recruiting for role. Training is occurring but not to a plan</p> <p>PT1a - 1st stage complete, 2nd stage in progress</p> <p>PT1d - Aurion launched - HRIS project starting Feb 2022</p>				




Corporate Risk Quarterly Review Report 2021-22 Attachment 3

HIGH Risk - Plan on a Page

RISK ID	FIN06			
DATE LAST REVIEWED	18/01/2022			
ELT	Corporate Services			
SLT	Finance	INHERENT	CURRENT	TARGET
Risk Description				
Ineffective & inefficient organisational project and portfolio management/monitoring to deliver strategic objectives and outcomes				
Risk Statement				
There is a risk that work areas across the organisation are managing projects and project risk through differing methodology and that projects are not easily able to be monitored by the Executive Leadership Team.				
Link to Strategic Plan				
Council of Excellence				
Link to Business Plan				
Digital Transformation Program				
Context/Background and Environmental considerations				
The Project Management Office was introduced a number of years ago with a Project Leader and a Project Support Officer. The team developed a Project Management Policy and Framework and implemented CAMMS project management software however, the implementation and uptake of these documents and software solution was inconsistent.				
Stakeholders		Consultation		
All data users within the business		Digital Transformation program		
Risk source - Causes/Drivers				
<ul style="list-style-type: none"> - inefficient set-up & utilisation CAMMS system - lack of PMO resources - inadequate assessment of organisational PM needs - omission of key considerations in project outline eg: risk/WHS/finance/reporting/contracts 				
Potential Consequences				
<ul style="list-style-type: none"> - Failure to achieve strategic objectives - Poor business/project planning-. Inability to effectively delivery of projects - Inappropriate use of resources - Inadequate staff levels for projects - Community dissatisfaction - Reputation damage 				
Implemented Controls		Endorsed/last reviewd Date	Review Date	Responsible Officer
1	Prudential Management Policy	Dec-21	Dec-25	CFO
2	Project Management Framework	Dec-21	Dec-23	Snr PM FT
3	CAMMS project management software (contract)	Mar-21	Mar-22	Snr PM FT
4	Monthly Project Steering Group meetings	ongoing	ongoing	Snr PM FT
5	Monthly financial reporting	ongoing	monthly	CFO
6	Project Management Office	May-21	ongoing	Snr PM FT
7	Cross Council collaboration (peer review of initiatives)	ongoing	ongoing	Snr PM FT
8				
9				
10				
Planned Treatment		Status	Due Date	Responsible Officer
1	Implement KPMG Internal Audit Report outcomes - Project Carryovers - report to be presented to FAC (actions and due dates included in report)	Complete	31/12/2021	Mgr Corp Gov
Rationale for Controls "Overdue for Review" & Treatments "Behind Schedule" or reported "Complete"				
PT01 - FRAC to be updated with ongoing future budget reviews on a qtrly basis				



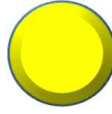
Corporate Risk Quarterly Review Report 2021-22 Attachment 3

HIGH Risk - Plan on a Page

RISK ID	ESU03			
DATE LAST REVIEWED	6/01/2022			
ELT	City Services			
SLT	Engineering Assets and Environment	INHERENT	CURRENT	TARGET
Risk Description				
Failure to understand, plan and act to respond to the projected impacts of climate change.				
Risk Statement				
There is a risk that extreme weather events, coastal inundation and protracted and enduring changes in weather patterns caused by climate change/global warming will result in an increase in operating costs due to asset damage and accelerated deterioration, damage to Council natural and built environments and an increasing disconnect between Councils capacity to deliver facilities and services and the community's expectations				
Link to Strategic Plan	Valuing Nature			
Link to Business Plan	Series of supporting processes and guidelines (i.e ESD guidelines for new building and refurbishments) guide project/initiatives such as the development of the Asset Management Plans			
Context/Background and Environmental considerations				
Climate change is already affecting aspects of CoM operations including how we undertake business and activities and how we design, build and refurbish facilities and infrastructure. It is recognised that unless we ensure we have a sound understanding of the projections and impacts of climate change and incorporate this knowledge into the design and management of infrastructure and the mode of delivery of services we risk exposing the community to increased operating costs and a decrease in the utility of infrastructure and service.				
Stakeholders		Consultation		
Community, Elected Members, State and Federal Governments, Risk Unit/ Governance, City Activation, City Development, SME's and Local Business, Resilient South, Regional Climate Partnership, Consultants		Consultation through the Climate Risk Governance assessment (internal survey/SLT Interview/ focus/group interview). Common Thread engagement initiative, Local Member, Resilient South Regional Climate Partnership collaboration, Community of Practice (through RCP)		
Risk source - Causes/Drivers				
<ul style="list-style-type: none"> - Lack of climate change awareness / understanding - Lack of recognition for climate risk mapping in urban planning (PDI Act) and decision making (climate hazard mapping) - Failure to include Climate Change consideration in business activities/operations (inc events, asset management planning & CapX projects) - Inadequate stakeholder engagement - Poor inter-departmental collaboration and communication - Increasing carbon emissions - Planning application approvals in unsuitable areas 				
Potential Consequences				
<ul style="list-style-type: none"> - Catastrophic damage to assets and infrastructure during extreme weather (e.g. flooding and fire) - Increased cost of remedial works - Increased cost of mitigation works - Dissatisfied community - Damage to coastal zone from storm surge - Reduced rates revenue as property values go down - Increased difficulty in obtaining insurance cover/increased premiums - Increased difficulty in obtaining loans if financial institutions require evidence of responses to climate change impacts - Adverse impact of vulnerable people during extreme weather events (e.g. heat wave) - Increased operating costs - Reduction in asset lifecycle 				
Implemented Controls		Endorsed/last reviewed Date	Review Date	Responsible Officer
1	Resilient South Regional Climate Change Adaptation Plan	2019	2022	UM ES
2	Resilient South Local Government Regional Implementation Plan	2019	2022	UM ES
3	Coastal Climate Change Adaptation Plan inc monitoring to detect changes to risk.	2019	2023	UM ES
4	Carbon Neutral Plan	2021	2030	UM ES
5	Cross Council collaboration (peer review of initiatives)	1/01/2021	ongoing	UM ES
6	Insurance; Asset & Public Liability	1/07/2021	30/06/2022	UM ES
Planned Treatment		Status	Due Date	Responsible Officer
1	Update Review of climate change projections/observations & use of pathways approaches in adaptation planning as part of the Resilient South Regional Implementation Plan review.	On schedule	30/12/2021	UM ES
2	Develop & implement RAMP program	On schedule	30/06/2025	UM ES
3	Deliver the Coastal Climate Change Monitoring Program	On schedule	30/06/2024	UM ES
4	Undertake a skills/capability audit & document training gaps in the TNA	On schedule	30/06/2022	UM ES
Rationale for Controls "Overdue for Review" & Treatments "Behind Schedule" or reported "Complete"				
PT01 - Going forward Resilient South will use State-generated climate change projections / observations upon which to base our planning; will also commission our own reports to fill any gaps in this work (e.g. coastal climate change monitoring). This will ensure consistency with other Regional Climate Partnerships in SA. This is an ongoing activity.				



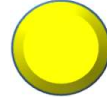


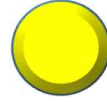


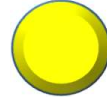
Corporate Risk Quarterly Review Report 2021-22 Attachment 3

HIGH Risk - Plan on a Page

RISK ID	GOV10			
DATE LAST REVIEWED	29/12/2021			
ELT	CEO			
SLT	Office of the CEO			
		INHERENT	CURRENT	TARGET
Risk Description				
Inability to prevent, prepare, respond to and promote resilience in the community in the event of an emergency ie pandemic (human disease), earthquake, flood, extreme heat, bushfire and terrorism				
Risk Statement				
There is a risk that the organisation has not acted reasonably in the prevention, preparation, response and promotion of resilience to the community which could adversely affect the liveability of our residents.				
Link to Strategic Plan	Liveable			
Link to Business Plan	Risk Strategic Plan			
Context/Background and Environmental considerations				
Emergencies are becoming more prevalent in recent time with incidents occurring blackouts, bush fires, pandemics etc...				
Stakeholders		Consultation		
Community, Elected Members, State and Federal Governments, Risk Unit/ Governance, SME's and Local Business, Resilient South		Risk team members, LG Council Ready specialist project officers, various SLT emergency risk owners, RWG		
Risk source - Causes/Drivers				
<ul style="list-style-type: none"> - Failure of Business Continuity Planning - Failure of Community Emergency Planning - Failure of Recovery Planning - Risk assessment doesn't identify appropriate controls - Inadequate training of the IMT and workforce - Failure to undertake scenario exercises and reviews 				
Potential Consequences				
<ul style="list-style-type: none"> - Death or critical injury to Worker(s) and/or Visitor(s) - Disruption to CoM's service delivery - Disgruntled local community - CoM exposure to liability - Officers' exposure to criminal litigation - Reputation damaged through adverse media cover - Asset Damage 				
Implemented Controls		Endorsed/last reviewd Date	Review Date	Responsible Officer
1	Business Continuity Policy	Sep-19	Sep-23	UM Risk
2	Business Continuity Procedure	Sep-19	Sep-23	UM Risk
3	Business Continuity Plan (inc testing and training)	May-18	May-22	UM Risk
4	Business Impact Analysis; Critical Functions identification and Recovery Strategies	Feb-20	Feb-22	UM Risk
5	Cross Council collaboration (peer review of initiatives)	Jul-18	Jul-22	UM Risk
6	Recovery Management Plan	Jun-20	Jun-24	UM Risk
7	Risk Assessment on State Hazards	Nov-20	Nov-25	UM Risk
8	IT Service Recovery Plan (inc testing)	Feb-19	Feb-20	IT Gov & CS Lead
9	Asset Management Plans x 8	Jan-20	Jan-30	UM Asset Systems
10	ZEMC membership - TOR/Workplan	Jan-21	Jan-22	UM Risk
Planned Treatment		Status	Due Date	Responsible Officer
1	Implementation of IMT response to COVID19 for CoM and the community	On schedule	ongoing	UM Risk
2	Review and redevelopment of Recovery Strategies	Complete	31/12/2021	UM Risk
Rationale for Controls "Overdue for Review" & Treatments "Behind Schedule" or reported "Complete"				
IC8 - IT Service Recovery Plan review has been delayed due to the replacement of CoM sytems. It is being rewritten as new systems are built and implemented.				
PT2 - Redevelopment of the Recovery Strategies is complete and a supported review via workshop taken place				



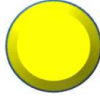
Corporate Risk Quarterly Review Report 2021-22 Attachment 3

HIGH Risk - Plan on a Page

RISK ID	CON04	  	  	  
DATE LAST REVIEWED	18/01/2022			
ELT	Corporate Services			
SLT	Mgr Strat Procurement	INHERENT	CURRENT	TARGET
Risk Description				
Supply chain issues creating an inability to complete projects on time and within allocated budget				
Risk Statement				
Increases in prices of materials, along with a shortage of materials from suppliers has created a risk of projects not being able to be completed on time and within the allocated budgets. Risks associated with COVID-19 impacts - interstate restrictions, close contacts isolation requirements etc has also provided additional challenges to have adequate resources on hand to complete projects.				
Link to Strategic Plan	Liveable			
Link to Business Plan				
Context/Background and Environmental considerations				
Supply issues have emerged in many sectors commonly used by councils for delivery of capital projects. The number of tenderers has dramatically reduced this is having a twofold effect: the pricing is fluctuating significantly, often leading to a lack of options when budgets are factored in. This is still prevalent even with close reviews and requests for pricing revisions; and workloads on particular suppliers is becoming a risk. Pricing on 'like for like' projects, eg streetscapes etc have increased. In several recent examples at COM across major projects, reserve upgrades and civil works all submissions have been above the allocated budget, thus leading to either de-scoping of the project or requesting additional funding via the Elected Members. This is a by-product of the current supply and demand market forces.				
Stakeholders		Consultation		
Strategic Procurement City Activation Open Space and Rec Planning Civil Services Land and Property		Strategic Procurement Strategy and Risk		
Risk source - Causes/Drivers				
<ul style="list-style-type: none"> - building stimulus package - fluctuating pricing - increase in price of materials - shortage of available materials from suppliers - availability of suitable contractors - reduced numbers of tender submission - tenderers withholding submissions waiting on grant approvals before committing - variations on contracts - Dept Health COVID-19 directions (isolation, travel etc) 				
Potential Consequences				
<ol style="list-style-type: none"> 1. Additional costs to complete projects 2. Delays in completion, not meeting deadlines 3. Reputation damaged 4. Community dissatisfaction 5. Adverse media coverage 6. De-scoping of projects due to price increases above budget 				
Implemented Controls				
		Endorsed/last reviewed Date	Review Date	Responsible Officer
1	Contract Management Policy & Procedures	Nov-21	Nov-25	Mgr St Procurement
2	CoM Procurement procedure	Jul-21	Jul-23	Mgr St Procurement
3	CoM Tender Evaluation procedure	Jul-21	Jul-23	Mgr St Procurement
4	Targeted pricing reviews	ongoing	ongoing	Mgr St Procurement
5	Cross Council collaboration (peer review of initiatives)	ongoing	ongoing	Mgr St Procurement
Planned Treatment		Status	Due Date	Responsible Officer
1	Revised process (to be incorporate in procedure review) including <ul style="list-style-type: none"> - Pro-active awareness of potential supplier submissions to understand appetite for participation in tendering - Tenders to be released only where there is high interest from suppliers - Simplification of tender response schedules - Improved quality of specifications to ensure variance of pricing is minimised - Extension of tender call periods to allow pre-planning of procurement activities 	Complete	30/11/2021	Mgr St Procurement
2	Deliver Contractor Management training on revised Policy/Procedures	Complete	31/08/2021	Mgr St Procurement
3	Implementation of VendorPanel	On schedule	31/01/2022	Mgr St Procurement
Rationale for Controls "Overdue for Review" & Treatments "Behind Schedule" or reported "Complete"				
PT3 - Vendor Panel implementation across council is in progress. Wider use within the organisation to be promoted.				

Corporate Risk Quarterly Review Report 2021-22 Attachment 3

HIGH Risk - Plan on a Page

RISK ID	LPR02			
DATE LAST REVIEWED	15/04/2021			
ELT	City Development			
SLT	City Property	INHERENT	CURRENT	TARGET
Risk Description				
Injury or harm/damage arising out of a failure of CoM contractors to comply with contract conditions and CoM HSE requirements				
Risk Statement				
There is a risk of non performance of contractors engaged by City of Marion to undertake high risk Land & Property related activities as a consequence of a failure to effectively apply a rigorous, commercial and proactive contractor induction and management process which may result in a failure to deliver services within the intended scope, budget and timeframe and to the required standard of safety and legislative compliance leading to additional operational costs, the potential for injury or harm, litigation and reputational and community relationship degradation				
Link to Strategic Plan	Council of Excellence			
Link to Business Plan	Develop the City Property Strategic Asset Management Plan to meet community, sport and recreation needs			
Context/Background and Environmental considerations				
CoM Contractor Management processes are manual, with no clear process or system having been implemented into the City Property team through a trained and supported approach.				
Stakeholders		Consultation		
SafeWork SA, Community (facility users), Staff (facility users), Elected Members, Risk Unit, City Activation, Operational Support		Consultation through City Property team meetings and regular engagement with the Risk Team		
Risk source - Causes/Drivers				
<ul style="list-style-type: none"> - Ineffective procurement processes that evaluate Contractors' WHS practices/performance - Inconsistent / Ineffective WHS induction of contractors - Ineffective monitoring and evaluation of Contractors' WHS practices/performance - Failure to undertake site inspection and hazard identification prior to commencement of work. 				
Potential Consequences				
<ul style="list-style-type: none"> Serious injury to Workers, Contractors or member of Public - Disruption to works impacting CoM & team - Disruption to works impacting local community - CoM exposure to liability - Officers' exposure to criminal litigation - Reputation damaged through adverse media coverage - Net increase in operating costs 				
Implemented Controls		Endorsed/last reviewd Date	Review Date	Responsible Officer
1	Contract Management Procedure (inc Checklist)	Jun-21	May-23	Mgr St Procuremnt
2	Cross Council collaboration (peer review of initiatives)	Jul-21	Jul-25	Mgr St Procuremnt
3	Contractor Site Induction (inc handover of CoM risk assessment plus contractor generated site hazard and risk assessment before commencement)	Oct-19	Oct-23	Mgr St Procuremnt
4	Contractor Insurance - recording and monitoring process	ongoing	ongoing	Mgr St Procuremnt
5	CoM Insurance	1/07/2021	30/06/2022	UM Strategy & Risk
Planned Treatment		Status	Due Date	Responsible Officer
1	City Property staff to attend Contractor Management training on revised Policy/Procedures (including updates through KPMG Audit recommendations)	Complete	1/08/2021	Mgr City Property
2	Engage HSE Business Partner to review contractor management undertaken by CP	Complete	30/08/2021	Mgr City Property
3	Implement revised Contractor Management Procedure into team processes	On schedule	30/09/2021	Mgr City Property
IC02	Implement Contract Performance Evaluation process	On schedule	30/09/2021	Mgr City Property
###	Implement Contractor Induction/Observation/Monitoring process (inc record keeping)	On schedule	30/09/2021	Mgr City Property
Rationale for Controls "Overdue for Review" & Treatments "Behind Schedule" or reported "Complete"				
IC4 - Recording and monitoring of Public Liability Insurance currency for ongoing contracts is a manual process manged by Procurement using Excel, considering new opportunities with new Financial Management System PT3 - Seeking extension on treatments due to staff shortages, currently recruiting PT4 - Seeking extension on treatments due to staff shortages, currently recruiting PT5 - Seeking extension on treatments due to staff shortages, currently recruiting				

7.4 Internal Audit 2021/22 Progress Update

Report Reference	FRAC211214R7.4
Originating Officer	Unit Manager Risk – Sherie Walczak
Corporate Manager	Manager Office of the Chief Executive - Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

To provide a status report of the progress of the Internal Audit program and to seek the Finance, Risk and Audit Committee (FRAC) feedback and endorsement of the Project Management Scope (Attachment 1)

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 FRAC 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 - Final report attached for review and feedback
- Contract Management (Collaborative) - Final report attached for review and feedback
- Project Management (Collaborative) - In progress
- Desktop review of Stakeholder Management - Scope attached for endorsement

The Internal Audit Program is currently on track for completion within the 2021/22 financial year. Two (2) Internal Audit Report and one (1) Scope is attached for consideration and feedback.

Collaborative Project(s) Health Check - Final report attached for review and feedback

This internal audit is a collaborative audit with Cities of Port Adelaide Enfield and Charles Sturt. The objective of this audit was 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. This internal audit included a specific focus on reviewing the current governance structures in place to support the overarching Collaborative Model, along with an in-depth review of the Strategic Procurement Initiative. The Internal Audit has identified one (1) high recommendation, five (5) moderate recommendations and two (2) performance improvement opportunities. The recommendations related to:

- Limited documented guidance over certain aspects of WHS management
- Change management and communication plans
- Key person risk

- Inconsistent application of governance framework applied across individual initiatives
- Gaps identified in the defining, tracking and reporting of benefits for collaborative projects
- Gaps identified in program documentation
- Lessons learned and continuous improvement
- Improvements in cost allocations of shared resources

Contract Management (Collaborative) - Final report attached for review and feedback

This internal audit is a collaborative audit with the City of Charles Sturt. The objective of this audit was to review the Councils' overarching contract management framework with a specific focus on the end-to-end contract management in relation to the post-contract award process. The Internal Audit has identified one (1) high recommendation and five (5) moderate recommendations. The recommendations related to:

- Risk Management
- Financial Management
- Roles, responsibilities and accountability of Contract Administrators
- Performance Management
- Contract Administration
- Overarching governing body or committee

Desktop review of Stakeholder Management - Scope attached for endorsement

The objective of this audit will be to review the CoM's stakeholder management framework as well as identifying opportunities for further improvement; identification of key stakeholders for the CoM across Federal, State and Local Governments, business and community groups (focused on peak groups) as well as international relationships; and confirm who is responsible for the relationship on behalf of the CoM and what this means from a roles and responsibilities perspective.

RECOMMENDATION

That the Finance, Risk and Audit Committee:

- 1. Notes the progress of the Internal Audit Program.**
- 2. Considers and provides feedback on the:**
 - a. Collaborative Project(s) Health Check and**
 - b. Contract Management (Collaborative) Reports.**
- 3. Endorses the Project Management (Collaborative) Scope**

ATTACHMENTS

1. KPMG Final Report Co M Collaborative Model Health Check [7.4.1 - 31 pages]
2. COM Collaborative Contract Management Final Report [7.4.2 - 31 pages]
3. Co M Desktop Review of Stakeholder Management Draft Scope v 9.02.22 [7.4.3 - 4 pages]



City of Marion
Collaborative Model
Health Check
Internal Audit Report

January 2022





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01



**Executive
Summary**

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Executive Summary



The Collaborative Model, consisting of the Cities of Charles Sturt, Marion and Port Adelaide Enfield, has involved the delivery of several projects across a broad range of services and activities. Key drivers for embarking on these collaborative projects have included:

- Improved and more efficient services for customers.
- Identification of cost savings and cost avoidance through better practice.
- The three Councils jointly can fund high demand and high cost skills resources.

The success of these projects has been largely driven by the alignment of the Senior Leadership and strategic objectives of each Council, along with a centralised resource which developed the framework and drove the implementation of the initial model.

In accordance with the 2021/22 Internal Audit Plan for the Cities of Charles Sturt, Marion and Port Adelaide Enfield, an internal audit project focussing on the Collaborative Model was performed.

The objective of the internal audit has included assessing 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.

This internal audit included a specific focus on reviewing the current governance structures in place to support the overarching Collaborative Model, along with an in-depth review of the Strategic Procurement Initiative.

The scope of this review has included consideration of the following items:

- Clarity of relevant roles, responsibilities and accountabilities responsible for the delivery of projects and stakeholder communication processes.
- Processes to identify and select potential collaborative projects.
- The management and coordination of the Collaborative Model, including equality of benefits sharing and resource planning between the Councils.
- Monitoring and reporting of collaborative projects and initiatives, including both collaborative project outcomes and financial management and reporting.
- Work, health and safety (WHS) requirements for collaborative projects (where relevant).
- Learned lessons including the application of learnings to help inform continuous improvement towards future projects.

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Background

What did we do?

KPMG has worked closely with the CCS, CoM and CoPAE to conduct a review of the Collaborative Model. Working with each Council, we conducted the following activities as part of our approach:

- Desktop review** | We conducted a desktop review of relevant information to understand the current vision and objectives of the Collaborative Model. We reviewed overarching documentation, including the Head Agreement and Collaborative Framework, along with documentation relevant to our in-depth review of the Strategic Procurement project.
- Stakeholder Consultations** | Stakeholders were consulted across each of the three Councils, including CEOs, Executive Representatives, Finance Managers, Governance Managers and Human Resource Managers to understand strengths, weaknesses, risks and opportunities of the model.
- Implementation review** | To understand in practice application of the Collaborative Model we performed a deep-dive with a selected project agreed with the Executive team, the Strategic Procurement Initiative.
- Outcomes and recommendations** | On the back of the review, we documented outcomes and recommendations for the Collaborative Model based on the work conducted.
- Observations and recommendation workshop** | We conducted a workshop with key stakeholders to review and validate our observations and proposed recommendations.
- Report finalisation** | Following the validation workshop, we finalised this report that contains documented observations and recommendations for the Collaborative Model.

Overview of the Collaborative Model

- 2016** **Context** | The CoM was presented with a strategy for cross council performance improvement in late 2016. The initial program was based on the following potential opportunities:
 - A mutual understanding of common drivers for opportunities in local government.
 - Applicability of learnings across Councils, resulting in benefit of cost sharing.
 - The program would be self-funded.
- 2017** **CCS and CoPAE** | The CCS joined the program in February 2017 and the CoPAE joined the program in 2018. The Councils selected for the program were based on the CEOs' strong orientation to driving performance, reform in the sector and alignment of their professional values.
- 2018** **Initial program achievements** | Achievements in the first 15 months of the Model were reported as generating a range of savings including:
 - Expenditure reduction in excess of \$7M per annum across the three Councils.
 - Open Space transformation program at the CoM with service improvement benefits and cost reductions greater than \$0.5M per annum by year 3.
 - Activity based costing and benchmarking and identification of a significant pipeline of valuable opportunities.
- 2019** **A more formalised approach to collaboration** | In May 2018 the CEOs committed to working together for at least 3 years, and as part of this, appointed a shared analyst as the Cross Council Improvement Lead (CCIL). 12-months later, a formal memorandum of understanding, the Collaborative Head Agreement and Collaborative Framework were developed.
- 2020 /21** **Present** | Since formalising the agreement, the Councils have completed projects such as an insourced irrigation construction, establishing a shared procurement function, undertaking an extensive assessment of ICT platforms, Fleet Management Service Review, management of utility cost review, civil construction service review, progressing data analytics work and a joint procurement for a CRM system.

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Summary of Observations

What's working well

Across our review, observed strengths of the current Collaborative Model were identified as follows:



Support | Overarching consensus and support on the Collaborative Model's intent, and a strong drive across each Council to ensure program success, especially from senior leadership.



Strong foundation | A strong foundation of the Collaborative Model has been established through the developed framework, including a comprehensive Head Agreement and Collaborative Framework.



Greater access to critical skills and increased resilience | Through shared funding and resourcing, advantages of scale have enabled the Councils to have greater ability to employ higher calibre and experienced resources than they otherwise would on their own. Greater resilience has also been achieved through shared resources working across all Councils.



Knowledge sharing and capability uplift | It was observed that a number of stakeholders expressed strong knowledge sharing, and capability uplift has resulted across teams from each Council as a result of the Collaborative Model.



Strategic Procurement improvement | A number of positive outcomes have been reported as a result of the Strategic Procurement Initiative, including a range of cost savings, policy uplifts and knowledge sharing opportunities.



Driving value and budget assurance | Greater value has been generated through the Model benefiting each of the Council's communities, included various cost savings derived from the Strategic Procurement Initiative.

Opportunities

Key opportunities identified from our review to further build on the Collaborative Model, and contained within this report include:



Refresh current governance structure | Refreshing overarching documentation to ensure it remains fit-for-purpose will help to ensure a more consistent governing structure is applied across all initiatives.



Key person risk | Key to the sustainability of the Collaborative Model will be reducing the reliance on a singular resource by standardising processes through documented policies, procedures and capability uplift for staff across the Councils and building out further resource support.



Identification and monitoring of performance measures | Greater consideration and clarity of benefits realisation, to ensure a consistent approach to the identification, monitoring and reporting is performed for each initiative.



Risk management | Review the WHS management process of the Collaborative Model to ensure to ensure all WHS risks are considered and required plans and controls are put in place.



Change management | Opportunity to review the change management process of initiatives to ensure the correct stakeholders are engaged and supported during and after any change activities.

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What we heard

What's working well?

"Although all Councils may be at different stages of the maturity path, it doesn't mean they can't learn from one another."

"Shared resources and knowledge allows us to be more fluid and create resilience in small and specialised areas."

"Cultures are similar across Councils and like-minded in their approach to collaboration and ambitions. This is driven from senior leadership."

"There are a range of intangible and organic benefits that accompany collaboration with our counterparts at other Councils."

"The Strategic Procurement Initiative is a great example of how successful the Collaborative Model can be, particularly in terms of attaining high-quality shared resources."

"Collaboration where it makes sense is really beneficial for all parties!"

"Solid infrastructure is in place through overarching documentation such as the Head Agreement and Collaborative Framework."

"Direct cost savings can be easily measurable through a benefit register and communicated through structured reporting."

What's not working well?

"Governing structures don't align to the Head Agreement and the Collaborative Framework needs a refresh."

"I found it hard to understand how a decision was made and did not get an opportunity to see the business case despite being directly impacted by the initiative."

"It can be difficult to understand the savings proposed, especially where additional administration is necessary."

"Sometimes you can't bring everyone on the journey, change management is difficult, some people are very resistant to a Collaborate Model."

"Sharing resources is burdened by over-complicated charging methods across the Councils, which introduces additional administrative responsibilities."

"For the Collaborative Model to continue its success, centralised Executive support is required to keep strategic alignment on track (previously the CCIL role)."

"There is no central person owning the Collaborative Model at an operational level."

"There is no group or committee to provide specialised consideration to risk assessment and management for each initiative. Risk and Compliance Managers are currently not involved unless an issue arises."



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Summary of Recommendations



Governance improvement

- Refresh and update the Collaborative Governance Framework, with specific consideration given to the overarching governance structures.
- Provide greater oversight over the Collaborative Model through Program level reporting.
- Build out critical program frameworks, including items such as a calendar of agreed key activities and dates.
- Implement a guiding framework to ensure adequate consideration of WHS risks (see Finding 1).



Change management and communications

- There is opportunity to provide additional communication support to the CEOs to reinforce the vision, purpose and benefits of the Collaborative Model more deeply across the various levels of Management at the Councils.
- This could include further internal communications on the success and benefits of various initiatives to help build a stronger collaborative culture mindset at each Council.
- Update roles and responsibilities relating to change management and communications in particular.
- Provide stakeholders with relevant information to help them to make better informed decisions about their business.



Performance

- Consider establishing a performance measurement framework including the design and categorisation of measures to be aligned with desired ROI and strategic outcomes.
- Develop an updated set of measures and a supporting performance reporting framework. These measures should be aligned to the key principles and strategies of the Councils.
- Provide greater transparency by including the KPI targets in regular reporting to appropriate governance groups and committees.



Resourcing

- Appoint a Program Leader or Leadership Team who can drive a clear strategic approach for the Collaborative Model and can be a key point of contact for information and assistance with collaborative initiatives.
- As part of any new appointment, have clear contractual terms and record keeping processes in place to ensure critical knowledge and information is retained and easily accessible.
- Standardise key steps in the Framework to reduce the reliance on individuals, including building out greater resource support to assist with driving the initiative across the three Councils.

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Management Response

The Management of the Cities of Marion, Charles Sturt and Port Adelaide Enfield are supportive of the findings from this internal audit and the recommendations.

The recommendation to refresh the current Collaborative Governance Framework to ensure it is fit for purpose and applied consistently to collaboration initiatives is timely as we now enter another phase of the collaboration. In January 2022 the three Councils engaged a Cross Council Improvement Lead (a business performance consultant). The three Councils will ensure that the appropriate governance and resourcing support is provided to the Improvement Lead Consultant and agreement for program documentation established to ensure lessons learned are not lost over time.

To mitigate the key person risk identified in the internal audit the following deliverables have been built into the Improvement Lead contract:

- Mentoring and support of identified staff with the aim of building a continuous improvement skill set and culture within Councils by the end of the program
- Performing monthly performance meetings with leadership and executive to support embedding performance improvement processes and culture.

The use of performance measures, including the development of outcome indicators, is an area for improvement across all three Councils. The Cities of Marion and Port Adelaide Enfield have recently allocated additional resources into performance metrics and the City of Charles Sturt is assessing how best to resource. The three Councils will continue to explore how they can collaborate with data analytics and performance measures.

The risk regarding certain aspects of WHS management has been shared with the WHS and Risk Teams at the three Councils and risk assessments will be embedded into the collaboration governance.

The Cross Council Collaboration has been an innovative approach that has introduced significant change and different ways of working. The findings in regard to change management are not surprising and the recommendations will assist all three Councils to continue to engage all stakeholders and support them through change and with an increased focus on communications.

In summary, the recommendations from the internal audit will assist in further strengthening the Collaboration Model.

Responsible Personnel: Sorana Dinmore, General Manager Corporate Services

Completion Date: An action plan with timeframes and resources will be developed for implementation of the recommendations from the internal audit and reported through to the Audit Committees of the three Councils.

02

Detailed Findings

This section of the report presents the internal operations and experiences within the Collaborative Model.

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Summary of Detailed Findings

During the review, Internal Audit identified one (1) high risk rated finding, five (5) moderate risk rated finding and two (2) performance improvement opportunities (PIOs). The following table provides a summary of the risk rated findings, relevant issue owner and target date for implementation. These findings and recommendations were discussed with Management. Management has accepted the findings and has agreed action plans (see Page 9) to address the recommendations.



Rating	Ref #	Description
High	F1	Limited documented guidance over certain aspects of WHS management
Moderate	F2	Change management and communication plans
Moderate	F3	Key person risk
Moderate	F4	Inconsistent application of governance framework applied across individual initiatives
Moderate	F5	Gaps identified in the defining, tracking and reporting of benefits for collaborative projects
Moderate	F6	Gaps identified in program documentation
PIO	PIO1	Lessons learned and continuous improvement
PIO	PIO2	Improvements in costing allocations of shared resources

The classification of risk ratings in this report are based on the risk ratings documented at **Appendix 4**.

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Finding 1 – Limited documented guidance over certain aspects of WHS management

High

Observation	Risks/Opportunities	Recommendation(s)
<p>Currently, a formalised risk analysis process is referenced but not required to be completed during the preliminary stages of collaborative initiatives. Whilst a large proportion of Collaborative Model projects do not necessarily utilise plant or pose significant safety risks, it is recognised that there have been some projects (such as the Irrigation project) which have presented specific Workplace Health & Safety risks.</p> <p>Although the Irrigation Project was not specifically included in the scope of this review, through stakeholder consultation it was noted that the current approach to risk analysis is inconsistent and requires more rigour for relevant collaborative projects. Specifically, it was advised there has been multiple collaborative projects which have commenced without prior consultation from relevant Council risk and WHS staff members.</p> <p>The following items were noted regarding the risk management processes related to Collaborative Projects:</p> <ul style="list-style-type: none"> Guidance is not in place within the Head Agreement or Collaboration Framework regarding the management of shared safety risk. This includes minimal required guidance on WHS deliverables. It is noted however, that each Council has an independent WHS Safety System and Framework in place which were not tested in detail as part of this review. Schedule 12 (the risk assessment) of the Strategic Procurement Initiative Agreement had not been completed in the version provided to Internal Audit (last updated 26th October 2020). It was noted that for one collaborative project which presented an element of safety risk (the Irrigation project) that a risk analysis had not been completed at the onset of the project. Key processes for ensuring the safety of staff had not been sufficiently considered as part of the Irrigation Initiative. This included a noted incident when removing a gecko mat from a public facility where the shared equipment became dislodged and fell from the trailer, with the potential for a significant incident. It was further noted that a subsequent internal review was conducted over the Initiative Agreement and various recommendations were provided. Despite this, the suggested changes have not been formally implemented and the risk assessment (Schedule 12) is yet to be completed in the documentation provided. It is noted however, that this is likely due to the departure of the key responsible personnel of the framework and a lack of subsequent projects which have occurred subsequent to this time. 	<p>Risk(s):</p> <p>Without a guiding framework, there is a risk that there are inconsistent approaches adopted in managing shared safety risks. This is demonstrated through the Collaborative Model's decision not to develop a WHS Management Plan for the Irrigation project. In addition, there is also a risk that the documentation developed does not adequately:</p> <ul style="list-style-type: none"> Detail all WHS obligations and activities that should be communicated to key stakeholders, to ensure they are properly informed on WHS matters. Incidents may occur that were not previously considered. <p>Opportunities:</p> <ul style="list-style-type: none"> There is an opportunity for greater oversight from a governance, risk and WHS perspective for Collaborative Model initiatives. There is an opportunity to engage risk/compliance stakeholders from the beginning of an initiative, rather than only if an incident occurs. 	<p>Internal Audit recommends the following:</p> <ul style="list-style-type: none"> Implement a scaled process (scale of process based on risk) within the Collaborate Model Framework to ensure adequate consideration of WHS risks (see Appendix 1). Nominate a Risk Manager from one of the Councils to be engaged in the preliminary phases of a new initiative. Risk assessments are formally considered and risk registers are completed for every new and existing Collaborative Model initiative. See Finding 2 for consideration of stakeholder change management and communication

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Finding 2 – Change management and communication plans

Moderate

Observation	Risks/Opportunities	Recommendation(s)
<p>Although the Collaborative Framework clearly outlines a Communication and Engagement Plan, change management and communication planning could be improved to communicate with stakeholders during the initial assessment of collaborative projects.</p> <p>Within the current Collaborative Framework, Section 3 (Collaboration Governance) includes targeted Communication and Engagement Plans for relevant steps which highlight specific responsibilities regarding sharing key outputs and recommendations. Our review noted strong commitment from the CEOs on the Collaborative Model, with frequent communication provided to relevant stakeholders, such as at Town Hall Events. Our review further noted strong consultation with the Organisational Development team at each Council. Going forward however, there is an opportunity for greater support to help further communicate on the Collaborative Model and projects.</p> <p>The following was noted regarding the change management and communication plans of the Model:</p> <ul style="list-style-type: none"> The Collaborative Framework does not include considerations relating to which specific stakeholders should be consulted in the planning stages of an initiative (outside of the CCIL, Senior Leadership, Executives and CEOs). Communicating with relevant stakeholders is a key step in ensuring its success and reducing risk. As a result of this, some key stakeholders expressed that they were not included in the initial planning/implementation phases, despite changes directly impacting their BAU responsibilities. Exclusion of key stakeholders is further exacerbated by the fact that risk assessments are not currently being conducted. This resulted in a significant WHS incident during the Irrigation Project when transporting gecko mats (see Finding 1). Further, improvements could be implemented in communicating the collaborative projects and their business case to the broader stakeholders in each organisation. This would include informing staff not directly involved with the initiative of the tangible and intangible benefits, including savings, cost avoidance, shared knowledge and capability uplift. Improvements could also be made with communicating the Collaborative Model to staff during onboarding, to ensure that the collaborative culture is instilled during induction. 	<p>Gaps in the change management and communication plans may lead to the following:</p> <p>Risk(s):</p> <ul style="list-style-type: none"> Without engaging the correct stakeholders, incidents that could have been avoided may arise. There is a risk that the uptake from within each organisation could be hampered if stakeholders directly impacted are not aware of the business case for an initiative. Valuable collaborative insight including improvements and better practices may be missed without including relevant stakeholders. <p>Opportunities:</p> <ul style="list-style-type: none"> There is an opportunity to increase the probability of success for certain initiatives by additional communications with key stakeholders directly impacted. There is an opportunity to spread further awareness to the broader organisation and continue to foster a collaborative culture. There is an opportunity to make the collaboration process easier through calendar oversight across Councils. 	<p>Internal Audit recommends the following improvements to the Change Management and Communication Plans:</p> <ul style="list-style-type: none"> Develop a Stakeholder engagement plan that is aligned to the strategic objectives of the Collaborative Model. This plan should ensure a consistent stakeholder engagement strategy and approach which is applied to all initiatives identified within the Collaborative Model Those charged with governance should consider who has been consulted as part of the formal approval for each initiative, with the ability to require further consultation with required stakeholders if required. Enhance capability of shared calendar function to provide oversight of all three Councils, reducing the administrative burden in organising collaborative events. Consider further opportunities to develop a collaborative culture at each Council. This could include further internal communications on the success and benefits of various initiatives and information on the collaborative model as part of inductions for all staff.

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Finding 3 – Key person risk

Moderate

Observation	Risks/Opportunities	Recommendation(s)
<p>A number of key responsibilities within the Collaborative Framework have been reliant on a single individual, the Cross Council Improvement Lead (CCIL).</p> <p>The CCIL role has been vacant since November 2020 and is responsible for a number of key activities within the Head Agreement and Collaborative Framework. Most notably, the CCIL is the driving force for completing annual opportunity scans, conducting desktop reviews to ascertain costs and benefits, developing and maintaining accountability to the business case, providing a holistic view of the Collaborative Model and engaging with key stakeholders across the three Councils.</p> <p>Specifically, the following gaps were identified related to the vacancy of this role:</p> <ul style="list-style-type: none"> • There has not been an Annual Opportunity Scan conducted for 2021. • Consequently from the above, evidence of formalised desktop reviews for upcoming opportunities was unable to be provided. • Formalised tracking of benefits across the range of initiatives was unable to be provided. • Informal and frequency of governing meetings has diminished and their structure has become more inconsistent. <p>The CCIL role is important for the success of the Collaborative Model. A centralised and coordinated approach to selecting, monitoring and reporting on existing and upcoming initiatives will ensure their success and support from the broader organisations.</p> <p>It is acknowledged the three Councils see the criticality of this role and the search for a suitable replacement has commenced. As some key activities (noted on the previous page) have not occurred since the departure of the CCIL, there is an opportunity to consider the future of this position and how the CCIL will function across the three Councils. Further, there is an opportunity to explore whether the CCIL role requires additional support, likely in the form of an individual at each Council in a liaison role. Additionally, implementing the recommendations within this report will assist in mitigating the existing key person risk to make the Collaborative Model more sustainable and less dependent on a singular resource (formalised frameworks, procedures, document retention system, etc.).</p>	<p>There is a risk that the knowledge of certain procedures or processes and key information may be lost if a key person leaves the Collaborative Model.</p> <p>Risk(s):</p> <ul style="list-style-type: none"> • In the event of a vacancy for the CCIL role, key steps within the Framework may not occur. • Increased reliance on the centralised role which enhances key person risk. This risk is intensified due to the lack of formalised procedures being followed in their absence. <p>Opportunities</p> <ul style="list-style-type: none"> • Further opportunities to consider a replacement for the CCIL role. • Opportunity to increase capability uplift of staff across Councils by rotating internal resources through the CCIL role. • Opportunity to formalise a review of lessons learned and improvement opportunities. 	<p>Internal Audit recommends the following:</p> <ol style="list-style-type: none"> 1. Review the key steps in the Framework to identify ways to minimise key person reliance, through the introduction of new shared roles across initiatives, such as introducing an Initiative Lead role for each project and providing other additional resource support for the Model, and better documentation of key processes and protocols. 2. Consider reinstating the CCIL role, and whether the position requires additional support in each Council through a designated liaison/ representative to ensure the model's ongoing success. 3. See Finding 4 for further information on refreshing the Collaborative Framework and Appendix 1 for further information regarding a Collaborative Model checklist. 4. See Finding 6 for recommendations in relation to ensuring all documentation is retained and the impact of knowledge management in mitigating key person risk.

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Finding 4 – Inconsistent application of governance framework applied across individual initiatives				Moderate
Observation	Risks/Opportunities	Recommendation(s)		
<p>Although a framework is in place with strong emphasis on the importance of good governance across the Collaborative Model, there is an inconsistent approach to its implementation across collaborative projects and there is an opportunity to review and refresh the current governance structure.</p> <p>Upon formalising the Collaborative Agreement between the three Councils, a 'Head Agreement' and 'Collaboration Framework' were agreed. These documents outline the key requirements, roles, responsibilities and governance structures to be applied during each collaborative initiative including:</p> <ul style="list-style-type: none"> • A detailed governance structure including a Management Committee, Sponsorship Group and Governance Group, which details the roles and responsibilities of each group and the frequency of meetings • Approval required for the annual opportunity scan, needs assessment, cost benefit analysis and business cases • Monitoring and reporting of financials (i.e. cost, realised benefits) • Risk assessment. <p>The following was observed regarding the implementation of the governance structure for individual initiatives, and the Strategic Procurement Initiative:</p> <p>Leadership and reporting</p> <ul style="list-style-type: none"> • Although this overarching governance structure is in place, along with a defined communication plan, it was observed there is a lack of clarity and understanding regarding the roles of each group. Consequently, accountabilities within the Collaborative Framework are not clearly understood and there appears to have been a limited transfer of ownership following the departure of the Cross Council Improvement Lead (CCIL) role (see Finding 3). It is further noted there is an opportunity to refresh and revisit how well the governance structure is working to ensure it is fit-for purpose and adapting to the needs of the Collaborative Model as it matures. <p><i>Continued on following page</i></p>	<p>A lack of consistent governance applied to initiatives may lead to the following:</p> <p>Risk(s):</p> <ul style="list-style-type: none"> • The current governance structure may not be fit for purpose and updated for key learnings and opportunities identified for improvement. • Collaborative projects may be under or over governed in relation to their size, scope or complexity. • Collaborative project risks and issues may not be formally identified or managed. • Insufficient reporting over projects benefits may result in information not being provided within a timely manner for effective decision making. • Staff that are new to collaborative projects may not have access to the information required to perform their roles effectively. • Lack of engagement and support from key business stakeholders. <p><i>Continued on following page</i></p>	<p>Internal Audit recommends the following:</p> <ol style="list-style-type: none"> 1. The Councils consider refreshing the principals of the Collaborative Model, key Collaboration Framework activities and critical aspects of the supporting Framework is fit-for-purpose and meets the needs of the three Councils, specifically: <ul style="list-style-type: none"> • Including the remit and membership of governance bodies and how information should flow between the various groups and to ELT and Managers. • Redefine and strengthen the role of Managers in supporting collaborative projects and delegate lower risk items to empower and further develop Manager capabilities. • Build out critical program frameworks, including items such as a calendar of agreed key activities and dates. • For reference and planning, consideration could be given to creating a governance, risk and compliance map that outlines various governance, risk and compliance groups that are in operation throughout each Council. 2. The relevant General Manager from each Council should oversee a review of the Collaborative Framework and advise on areas of improvement in line with the above recommendations. <p><i>Continued on following page</i></p>		

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Finding 4 – Inconsistent application of governance framework applied across individual initiatives

Moderate

Observation	Risks/Opportunities	Recommendation(s)
<p><i>Continued from previous page</i></p> <ul style="list-style-type: none"> Ongoing governance mechanisms are ad-hoc and are not always consistent with the Collaborative Framework. Specifically, it is understood the Sponsorship Group meetings have not been regularly occurring. Additionally, Governance Group meetings are not occurring on a regular basis. It is positively noted that a Governance Group has been implemented and meetings are ongoing for the Strategic Procurement Initiative. It was advised that the format and scheduling of these meetings are broad. It was also noted that whilst the meetings provide an appropriate update to the Governance Group on progress of the Strategic Procurement Initiative, they do not necessarily facilitate a platform to discuss ideas or allow members to offer opportunities for improvement. An agenda for the most recent Strategic Procurement Initiative Governance Meeting (6 May 2021) has not been completed. The most recent meeting minutes able to be provided to Internal Audit was from June 2020. <p>Financial management and performance (see Finding 5)</p> <ul style="list-style-type: none"> Without a central resource ensuring accountability to the business case, there is a lack of consistent financial management and performance across the Collaborative Model (see Finding 4). It was noted that monitoring and reporting of benefits realised from the collaborative initiatives are not communicated on a regular basis (or at all in some cases). A standardised formal process for undertaking the opportunity scan, needs assessment, cost benefit analysis and business case has not been implemented. Stakeholders further advised that these initial processes have not been formally conducted for all collaborative initiatives. <p>Stakeholder engagement (see Finding 2)</p> <ul style="list-style-type: none"> Opportunities were identified for additional engagement of internal resources directly impacted by proposed changes or with relevant subject matter expertise during the pre-implementation stages of collaborative initiatives. <p>Risk and compliance (see Finding 1)</p> <ul style="list-style-type: none"> Gaps were identified in the management of risks and compliance in practice across the program. This includes an opportunity to formalise the WHS process for relevant collaborative initiatives. 	<p><i>Continued from previous page</i></p> <p>Opportunities:</p> <ul style="list-style-type: none"> There is an opportunity to refresh the Collaboration Framework to ensure its robustness. There is an opportunity to provide further guidance for key steps within the Collaborative Model Framework. 	<p><i>Continued from previous page</i></p> <ol style="list-style-type: none"> Roles and responsibilities relating to change management and communications need to be more clearly defined across Collaborative Model stakeholders and specific projects to ensure accountability. Future reporting is undertaken on a program wide level on a quarterly basis against schedule, detailed activities, RAG status, risks / issues, as well tracking against communication and change management.

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Finding 5 – Gaps identified in the defining, tracking and reporting of benefits for collaborative projects				Moderate
Observation		Risks/Opportunities	Recommendation(s)	
<p>It was noted that while benefits were articulated and tracked as part of the Strategic Procurement Initiative, no formal benefits realisation framework has been rolled out as part of broader the Collaborative Model.</p> <p>Our review further noted that whilst the Collaborative Framework provides high-level guidance on the steps to be undertaken to highlight the benefits included within each collaborative initiative's business case the following was observed:</p> <p>Specifically, as a result of our review the following items were noted:</p> <ul style="list-style-type: none"> A number of measures have not clearly been articulated. Examples of these measures include customer feedback and time invested in skills development, rather than specific indicators linked to initiative outcomes, which can be tracked and reported on as the initiative matures. Although positive steps have been taken and a robust process put into place to track and report on identified cost savings for the Strategic Procurement Initiative, tracking and monitoring has not been performed for a number of other identified measures. Specific examples include improved delivery related to cycle times and progress against the annual plan. It was advised the metrics detailed within the Strategic Procurement Initiative and reported to the Governance Committee were aligned to the relevant Business Case. Despite this, Internal Audit was unable to confirm alignment of the above as the relevant Business Case was not able to be provided. It was noted due to a lack of consistent systems across the Councils, that data to support the on-going reporting of metrics is not easily accessible. Internal Audit also noted in some cases stakeholders were unaware of what benefits were intended to be achieved. Due to a lack of metrics reporting, there was limited insight into how the initiative has delivered key intended outcomes. <p><i>Continued on following page</i></p>		<p>Gaps in the benefits realisation, identification, monitoring and reporting may lead to the following:</p> <p>Risk(s):</p> <ul style="list-style-type: none"> Decisions are based on insufficient and unreliable measures that hinder the ability to drive effective decision-making and investment of scarce resources. The net benefits from initiatives may not be accurately reported on. Initiatives that do not benefit from collaboration or are realising a net cost for the Councils may continue to operate. <p>Opportunities:</p> <ul style="list-style-type: none"> Linking initiative activities with outputs and outcomes, before developing a set of KPIs can help to demonstrate progress against milestones, and achievement of desired outputs and outcomes. Improved reporting can provide greater transparency of the outcomes of the investment towards collaborative initiatives from each Council. Standard reporting templates can streamline the monitoring and reporting process. 	<p>It is recommended that the Councils update the current Collaborative Model Performance Measurement Framework, with reference to good practice and the following considerations:</p> <ul style="list-style-type: none"> The benefits measurement framework can be applied consistently to projects across the Collaborative Model to ensure that benefits are appropriately identified and defined, measured and reported on for future collaborative initiatives. Focus on the services, investments and key drivers that impact stakeholders including ratepayers, community members and other Council stakeholders. Measures are aligned to the key principles and strategies of the Councils. Identify and establish mechanisms to capture the right data to measure performance against defined targets. Provide data analytics and supporting reporting for timely, accurate and relevant information on an ongoing basis, to ensure that each decision-making forum has the right information delivered at the right time. This reporting should be linked to the review of the Governance Framework. <p>Refer to Appendix 1 for further information on good practice performance frameworks.</p>	

2.0 Internal Audit Findings

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Finding 5 – Gaps identified in the defining, tracking and reporting of benefits for collaborative projects

Moderate

Observation

Continued from previous page

- Inconsistent documentation management and cost benefit analysis has led to difficulties with monitoring and reporting of the ongoing costs and benefits of some initiatives.
- A number of components outlined in the Collaborative Framework, relating to the annual review of performance of the assumptions and targets and ongoing reported has not been performed. It is noted this is likely due to the departure of the key staff member responsible for these activities.

In the development of a performance mechanism, program inputs are linked with activities, outputs and outcomes. It is critical that performance measures are then identified at the output and outcome level, as opposed to the input and activity level. In identifying these measures, there are certain compromises about the effectiveness of the measure in shifting behaviours and performance that should be considered.

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Finding 6 – Gaps identified in program documentation

Moderate

Observation	Risks/Opportunities	Recommendation(s)
<p>During our review, gaps were identified in documentation able to be provided that evidenced the application of the Head Agreement and Collaborative Framework for the Strategic Procurement Project.</p> <p>With reference to Finding 3, it is acknowledged there was previously a centralised resource (CCIL) whom was driving and supporting the Collaborative Model working across the three Councils. Upon the departure of the CCIL, information was saved to three different hard drives and provided to each Council.</p> <p>Information contained on these hard drives included collateral documentation for all initiatives to date. Upon reviewing this documentation, not all contents were completed or retained. A lack of consistency in filing structure was also noted.</p> <p>It is recognised that some of the Strategic Procurement Initiative's collateral documentation predates a number of current staff (initial planning occurred in 2016). It was noted the following key documents specified in the Head Agreement and Collaborative Framework were not retained or able to be provided:</p> <ul style="list-style-type: none"> • Needs assessment and desktop review. • An adequate Business Case including an analysis of the costs, benefits, risks and impacts. • A Communication Plan for key stakeholder engagement. <p>These documents are all a requirement under the Collaborative Framework. Consequently, there is a risk that without completing the appropriate documentation, key program requirements are not being met. Furthermore, the absence of supporting documentation may result in limited considerations and exacerbate key person risks.</p> <p>Structured document retention reduces the reliance on individuals and ensures overall costs, benefits, risks and impacts are accurately considered, monitored and reported on.</p> <p>Stakeholders noted that the documentation retention processes for projects undertaken subsequent to the Strategic Procurement Initiative have been progressively improving, in particular for the Utilities Expenditure and ICT initiatives.</p>	<p>Gaps in program documentation for initiatives, including retention policies and document naming conventions, may lead to the following:</p> <p>Risk(s):</p> <ul style="list-style-type: none"> • Documents are unable to be found in a quick and efficient manner. • Documents may be misplaced or unable to be found in an audit. • Increased difficulty in monitoring and reporting on KPIs and benefits realisation. • Increased reliance on specific staff for initiative specific information, which enhances key person risk. <p>Opportunities</p> <ul style="list-style-type: none"> • Introduce a dedicated filing structure that is consistent across the Collaborative Model. • Re-file existing documentation to be easily leveraged for future initiatives and to drive reporting on KPIs/benefits realisation. 	<p>Internal Audit recommends the following:</p> <ol style="list-style-type: none"> 1. Documentation practices are formalised, communicated and made readily available for staff review. 2. Implement a shared drive between Councils (e.g. Microsoft Teams site) to save all initiative collateral. 3. Implement a standardised filing structure/system for documentation relating to the Collaborative Model. 4. Review the current filing system to ensure documentation is stored in line with above recommendations.

3.0 Performance Improvement Opportunities

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PIO 1 – Lessons learned and continuous improvement

Observation

It was identified that further improvements could be gained from including lessons learned workshops and continuous improvement into the Collaborative Framework.

Hosting lessons learned workshops at the completion of initiatives, or at set intervals for ongoing initiatives will provide the governance groups and stakeholders an opportunity to reflect and implement improvements for future initiatives.

Any action items from the workshops could be included in a register and implemented in the Collaborative Framework or in ongoing initiatives.

Recommendation(s)

The Councils should consider implementing lessons learned workshops at the completion of initiatives, or at set intervals for ongoing initiatives. Any findings or action items should be recorded in a register and implemented where appropriate.

To ensure that recommendations are implemented, responsibility for oversight should be defined within the Governance Framework.

Responsibility:

Target date(s):

PIO 2 – Improvements in costing allocations of shared resources

Observation

Inefficiencies were identified in the costing allocation of shared resources across the Councils.

Various initiatives involve the sharing of resources, most notably being staff. It was identified through stakeholder consultation that the cost allocation methodology was conducted on an ad hoc basis for each initiative. This had led to process inefficiencies and a large administrative burden.

An investigation of the costing allocation methodology should be conducted by the Finance Managers, with the output of this included in the refreshed Collaborative Framework (see Finding 4).

Recommendation(s)

The Councils should consider undertaking an investigation regarding a more efficient and consistent costing methodology (or methodologies). The output of this investigation should be included in the refreshed Collaborative Framework (see Finding 4).

Responsibility:

Target date(s):

03

Appendices

This section contains supporting information and analysis to the main report.

- 1 Collaborative Model Project Checklist
- 2 Performance Framework
- 3 Stakeholder Consultation List
- 4 Classification of Findings

Appendix 1 – Collaborative Model Project Checklist

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Collaborative Initiatives - Checklist

The checklists included below and on pages 22-23 cover different areas of the Collaborative Model, and have been compiled by KPMG based on relevant industry experience. They may be used by the Councils towards the Collaborative Model as it grows in order to ensure that it maintains robust collaborative governance.

Governance - Is it clear how strategic and operational decisions are made?

1. Delegation of authority and decision cadence clearly established
2. Right information arrives at the right time to enable decisions to be taken
3. Remit and terms of reference of current committees/groups are clear
4. Decision requirements are escalated and decisions communicated back effectively
5. Committees/groups lead to effective and positive actions
6. Progress on actions is tracked and delays are investigated
7. Performance indicators look forward as well as back
8. Performance indicators cover initiative comprehensively (tangible and intangible), not just financial
9. Reporting processes and systems are streamlined and effective

Appendix 1 – Collaborative Model Project Checklist

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Collaborative Initiatives - Checklist (cont)

Risk Management & Compliance - Can issues be detected early to support preventive intervention?	
1.	There is clarity on how specific risks are tracked and reported
2.	Clear responsibility for appropriate intervention for specific detected risks
3.	Compliance procedures across the three Councils have been adjusted to work for the Collaborative Model
4.	Collaborative Model experienced resources adequate to conduct risk reviews and internal audits
5.	Clear process and accountability for ongoing review of across Council initiative associated risk
6.	Clearly defined reporting which provides early detection of issues
7.	External stakeholders managed

Value Add Considerations

While the Strategic Procurement Initiative business case was not able to be provided for review as part of this internal audit, in order to achieve industry better practice, the Collaborative Model should consider performing the following:

1. Key risks from the business case are agreed and embedded in the initiatives processes and controls.
2. There is a regular review of the risk-reward balance for each business case.

Appendix 1 – Collaborative Model Project Checklist

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Collaborative Initiatives – Checklist (cont)

Communications - Is the desired culture of the Collaborative Model articulated and is there a supporting delivery plan for each initiative?	
1.	Pre-collaborative cultural difference assessment continually reviewed and updated
2.	Staff regularly updated about the successes and future plans of the Collaborative Model
3.	Robust Stakeholder Engagement and Communication Plan
4.	Clear accountability for internal communication within overarching documentation

Appendix 2 – Performance Framework

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Elements and considerations of an effective performance framework are outlined below, based on KPMG's methodologies and research on effective performance frameworks.

Why measure performance?



Creates a longer term focus on tackling strategic issues



Creates and enables a continuous, evidence-based improvement process



Drives focus at both a Board and Executive level about the future direction of the organisation



Provides visibility on how investment is creating change and driving growth



Provides purpose beyond vision statements and fiscal responsibility



Creates accountability for service delivery through measurable outcomes



Supports planning and prioritisation of future activities



Supports cross divisional collaboration, effective relationships and better ways of working



Enables the organisation's narrative to be translated into tangible outcomes



Provides transparency on service delivery outcomes, not just policy and new expenditure

Performance mechanism



What are our goals for the Collaborative Model?

What difference are we making?

What activities are we undertaking?

What resources are we using?

Performance measures, or Key Performance Indicators (KPIs) are used to track the impact of an activity.

The performance mechanism forms the basis for identifying and selecting the right performance measures.

Ultimately, organisations must make a choice on a subset of measures to track to understand the impact of their activities.

Characteristics of a good measure

Characteristic	Description
Simple	Clear and easy to understand
Measurable	Must be a direct measure of performance
Relevant	Should be a basis for action – not just information; they should enable informed decision making
Obtainable and controllable	Should leverage available data and should not require 'heavy lifting' to obtain the data
Timely	Data should be available on a real-time or near-time basis
Targeted	Define a limited, manageable number of core KPIs that measure high priority aspects of the process or service; not data for data's sake
Complementary	Should complement, not replace, other sources of insight such as user feedback or voice of customer surveys
Evolving	Keep KPIs under review to ensure they continue to provide relevant insight

Appendix 3 – Staff Consultation

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The table below summarises the CCS, CoM and CoPAE stakeholders who were consulted during the review.

City of Charles Sturt (CCS)

Name	Title
Paul Sutton	CEO
Donna Dunbar	General Manager Corporate Services
Jamie Dunnicliff	Manager, Strategic Procurement Services
Kerrie Jackson	Manager, Governance and Operational Support
Annette Martin	Manager, Finance
Jacki Done	Manager, People and Culture
Danielle Pipicella	Internal Controls Officer

City of Marion (CoM)

Name	Title
Tony Harrison	CEO
Sorana Dinmore	General Manager Corporate Services
Jamie Dunnicliff	Manager, Strategic Procurement Services
Kate McKenzie	Manager, Office of the CEO
Sherie Walczak	Manager, Risk
Ray Barnwell	Chief Financial Officer
Jessica Lynch	Manager, People and Culture

City of Port Adelaide Enfield (CoPAE)

Name	Title
Mark Withers	CEO
Abby Dickson	Director Corporate Services
Jamie Dunnicliff	Manager, Strategic Procurement Services
Mark Gray	Manager, Finance
Jodie Stevens	Manager, People and Culture
Daniel Dolatowski	Team Leader, Corporate Governance & Risk

Appendix 4 - Classification of Findings

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City of Marion (CoM)

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)

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City of Marion (CoM)

Risk and Opportunity Consequence(s) Definitions:

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).

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City of Marion (CoM)

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 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.

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	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 work site affected. Widespread morale issues. Temporary loss of some 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 work site 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.

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Contract Management
City of Marion and City of Charles Sturt
Collaborative Project
Internal Audit Report

February 2022



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1.0 Executive Summary

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In accordance with the 2021/22 Internal Audit Plans for the City of Charles Sturt (CCS) and the City of Marion (CoM), collectively (the Councils), a collaborative contract management internal audit was performed. The objective, scope and approach of this engagement are outlined below.

1.1 Objective

The objective of the internal audit was to review the Councils overarching contract management framework with a specific focus on the end-to-end contract management in relation to the post-contract award process.

1.2 Scope

The scope of this internal audit included consideration over the following areas:

- Review of key contract management policies and procedures post-award.
- 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 KPIs 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.

1.3 Collaborative Model Approach

Our approach in undertaking this joint internal audit as part of the Collaborative Model included:

- Desktop review of contract management related documentation including existing policies, procedures, processes and controls for both Councils.
- Interviews with key staff across both Councils to discuss and obtain an understanding of contract management processes, systems and key controls.
- Sample testing from an agreed sample of 4 contracts from each Council, to assess the operating effectiveness over key controls (see Appendix 1 for Contracts).
- Facilitation of a joint workshop with key stakeholders from both Councils to validate risk findings, performance improvement opportunities and collaborative opportunities.

1.4 Construct of this Report

The construct of this report includes our observations over each primary area of our review, and is structured as follows:

- Colour coding has been utilised within the report to indicate findings and items associated with each Council, where **green** represents the **CCS**, **light blue** represents the **CoM**, and **dark blue** represents a **collaborative section**.
- Joint and individual internal audit findings from our review of the contract management framework, as well as key processes and selected controls from sample testing.
- Appendices, the stakeholders consulted as part of this review and risk rating criteria.

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Summary of Observations

What's working well

Across our review we observed the following strengths of each Council's contract management process.



Strategic Procurement Improvement | The Continuous Improvement Initiative, led by the Manager, Strategic Procurement has resulted in an uplift of the maturity of both Councils' Contract Management Framework. This has included a number of new policies and procedures such as:

- Procurement and Contract Management Policy
- Tender Evaluation Procedure
- Procurement Procedure
- Contract Management Procedure



Steering Committees | High risk priority construction contracts at the Councils have a Steering Committee to provide support, guidance and oversight and ensure delivery of outputs and achievement of outcomes.



Knowledge and Expertise | Based on our discussions with Contract Administrators, it appears that they have strong knowledge and experience on the nature of contracts they are managing.



Relationship Management | Through discussions with a sample of Contract Administrators, we were advised of the strong relationships that have been built with relevant contractors.

Opportunities

Key opportunities to further build on the maturity of the management of contracts at both Councils include:



Risk Management | Opportunity to engrain risk management as front of mind for all Contractor Administrators and train key stakeholders to dynamically manage contracts throughout the end-to-end contract lifecycle. This will also help to inform decision making for the management of contracts, including identification of priority/higher risk contracts that require contract management plans, appropriate resource allocation and governance oversight.



Financial Management | Opportunity to implement financial management reporting to monitor contract spend profiles against the contract commitment value (original contract and variations) and Purchase Orders to ensure compliance with procurement thresholds over the contract lifecycle.



Training and Development Program | A fit for purpose training and development program should be developed and implemented for all Contract Administrators. The content of the training should include the Councils' contract management governance frameworks and best practice contract management principles.



Performance Management | A review of contract performance management requirements should be undertaken and enforced to ensure operational effectiveness of performance management and to hold contractors accountable for their performance across the end-to-end contract lifecycle.



Governance Body | Implementation of a governing body or committee, for all high risk operational and strategic contracts should be considered, to oversee the improvement initiative of the current contract management framework and review key contract metrics.

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High Level Findings Identified

Below are the key contract management functions required for effective contract management, which we have aligned to the agreed scope of the internal audit. We have included a column for all finding references, to highlight the functions with opportunities for improvement against best practice contract management principles.

CONTRACT MANAGEMENT FUNCTIONS		
Contract Management Functions	Scope	Finding Reference
Framework	<ul style="list-style-type: none"> Governance, resources and roles and responsibilities in relation to contract management (including skills, experience and training). 	2.3 2.6
Administration	<ul style="list-style-type: none"> Systems and processes in place to support contract management, including records management and notification of contract milestones and renewals. Compliance monitoring of contract obligations, commitments and service requirements. 	2.5 3.1.1 3.2.1
Financial Management	<ul style="list-style-type: none"> Financial management and oversight, including verification of contract expenditure and financial monitoring and reporting. Documentation and authorisation requirements of contract variations and extensions. 	2.2
Performance Management	<ul style="list-style-type: none"> Management of contract performance, including management of contract variations, achievements of KPIs and the ability of the contractor to meet the terms of the contractual arrangements. Relationship management, including escalation and resolution management over non-compliances and disputes. 	2.4
Risk Management	<ul style="list-style-type: none"> 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. 	2.1
Training, Performance and Professional Development	<ul style="list-style-type: none"> Consideration of lessons learned processes to help inform continuous improvement in relation to contract management. 	2.3

As per the Executive Summary on page 3, **green** represents the **CCS**, **light blue** represents the **CoM**, and **dark blue** represents a **collaborative** finding.

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The Comparison of both Councils' Contract Administration functional processes

The table below includes a high-level comparison between both Councils in relation to current contract management approach and practices:

FUNCTIONS	CITY OF CHARLES STURT	CITY OF MARION
 Framework	<ul style="list-style-type: none"> • Procurement and Contract Management Policy • Contract Management Procedure (Draft) • Tender Evaluation Procedure (Draft) • Procurement Procedure (Draft) • Contract Administration Guideline 	<ul style="list-style-type: none"> • Procurement and Contract Management Policy • Contract Management Procedure (Draft) • Tender Evaluation Procedure (Draft) • Procurement Procedure (Draft)
 Administration	<ul style="list-style-type: none"> • Technology One application • Content Manager 	<ul style="list-style-type: none"> • Microsoft Excel • Microsoft SharePoint
 Financial Management	<ul style="list-style-type: none"> • Technology One application • Operational annual budgets 	<ul style="list-style-type: none"> • Microsoft Excel • Operational annual budgets
 Performance Management	<ul style="list-style-type: none"> • High risk construction contract performance is monitored against agreed KPIs/metrics and reported to Steering Committees • Operational and lower risk contract performance is ad-hoc and informal 	<ul style="list-style-type: none"> • High risk construction contract performance is monitored against agreed KPIs/metrics and reported to Steering Committees • Operational and lower risk contract performance is ad-hoc and informal
 Risk Management	<ul style="list-style-type: none"> • Contract risk assessment conducted during pre-award phase • WHS risk assessments conducted on an ongoing basis, as required 	<ul style="list-style-type: none"> • Contract risk assessment conducted during pre-award phase • WHS risk assessments conducted on an ongoing basis, as required
 Training, Performance & Professional Development	<ul style="list-style-type: none"> • Training and development program for Contract Administrators and other key internal stakeholders is currently in development 	<ul style="list-style-type: none"> • Training and development program for Contract Administrators and other key internal stakeholders is currently in development

2.0 Internal Audit Findings

Findings and Improvement
Opportunities

2.0 Internal Audit Findings - Joint Findings and Improvement Opportunities

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Joint internal audit findings

Internal audit findings in this report have been organised into two categories, as follows:

- Joint findings in relation to consistent observations and opportunities identified across both Councils (pages 9 to 19).
- Specific findings that apply to only one Council (pages 21 to 24).

Through discussions with process owners, documentation review and sample testing performed for Councils a total of six (6) joint findings were identified.

Overall, there are a number of opportunities moving forward for both Councils to collaborate and share learnings from each other as they address the identified findings. These include:

- Opportunities to discuss and agree best practice contract administration, management, functionality and systems.

This section outlines the joint findings identified as part of this review. The risk rating for each finding has been mutually agreed by both Councils during the closing collaborative workshop. A section has been provided in each finding for a Management response from each Council.

Rating		Ref #	Description
CoM	High	2.1	Risk Management
CCS	Moderate		
Moderate		2.2	Financial Management
Moderate		2.3	Roles, responsibilities and accountability of Contract Administrators
Moderate		2.4	Performance Management
Low		2.5	Contract Administration
Low		2.6	Overarching governing body or committee

2.0 Internal Audit Findings and Improvement Opportunities

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Finding 2.1 - Risk Management

CoM

High

CS

Moderate

Finding(s)	Risk(s)	Recommendation(s)
<p>Through discussions with key stakeholders and sample testing, Internal Audit identified issues with risk management practices across both pre-award and post-award phases of the contract management lifecycle.</p> <p><u>Pre-award phase</u></p> <p>The contract risk assessment process is a key component of the pre-award phase and should have a direct link to the contract profiling process. Best practice for this profiling process is to use a tool for objective scoring across defined criteria (e.g. operational, scale, complexity, customer, strategy, reputation). The outcome of the contract profiling assessment should determine the contract management tier (e.g. priority, routine) and associated requirements. Tier requirements should be clearly defined (e.g. priority contracts should mandate the use of contract management plans, steering/governance committee and reporting requirements, etc.). Related to this process, Internal Audit identified the following gaps:</p> <ul style="list-style-type: none"> Both Councils do not use a robust contract profiling tool, with clearly defined methodology criteria and contract management tier requirements, to help inform governance requirements. Contract management plans are not in use to define the tasks, roles, responsibilities and accountabilities to effectively manage and administer the contract. This tool is a key part of the contract governance framework as they contain a wealth of critical contract specific information, which should be regularly reviewed and updated. The CoM Contract Administrators did not provide contract risk assessments for all four contracts within our sample testing. <p><u>Post-award phase</u></p> <p>Contract risk profiles should be regularly reviewed throughout the contract lifecycle. Further, contracts which have multiple sites or materially different portions of work should have separate risk assessments where required (e.g. different roads, buildings or ovals, etc.) as different risk environments may need to be managed in isolation of each other. All categories of risks (e.g. operational, safety, environmental, reputation, financial, etc.) should be considered and each identified risk should be treated with controls and actions to mitigate to an acceptable level. Priority contracts should have regular risk reporting to a steering/governance committee. Internal Audit identified the following gaps related to the post-award process:</p> <ul style="list-style-type: none"> Through sample testing of eight contracts across both Councils, contract risk profiles are not dynamically managed throughout the post-award phase, and risk management is not effectively used as a tool for decision making. <p><i>Continued on next page</i></p>	<ul style="list-style-type: none"> Key contract risks are not identified, assessed and managed throughout the entire contract lifecycle. This may lead to adverse outcomes across a range of areas (financial, reputational, operational). Risk is not used as a tool for decision making. 	<ol style="list-style-type: none"> Ensure that risk assessments are conducted for all contracts and form part of the contract profiling process. Further, ensure that contract risk profiles are dynamically managed, reported and used for informed decision making, throughout the lifecycle of the contract. Develop and implement a robust contract profiling tool to help inform contract governance requirements. The tool should have defined methodology criteria and is used for all contracts in the pre-award phase. All priority/higher risk contracts should require a contract management plan, steering/governance committee and reporting whilst routine contracts could be streamlined to only require a contract management checklist. Implement a Contract Management Plan template and mandate the use for all priority/higher risk contracts, which should be developed in the pre-award phase. This document should be used as an active management tool throughout the lifecycle of the contract. Contracts with multiple sites or materially different portions of work should have separate risk profiles and risk treatments. Consider the opportunity for the procurement and risk teams to leverage their skill sets, on a risk based approach, beyond their initial input into risk identification as part of the pre-award process, to supporting Contract Administrators within ongoing dynamic risk management across the contract life cycle for priority/higher risk contracts.

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Finding 2.1 – Risk Management (cont'd)

CoM

High

SCS

Moderate

Finding(s)	Risk(s)	Recommendations (s)
<p><i>Continued from previous page</i></p> <p>CoM specific</p> <ul style="list-style-type: none"> For all four CoM contracts sample tested, requested contract risk assessments were not provided by the Contract Administrators, therefore Internal Audit could not assess the design or operating effectiveness of this process for the CoM. Two out of four contracts (CC202095 Construction of Sturt Road Streetscape & CC201636 Sports Oval Maintenance) sample tested had separate sites, however Contract Administrators advised that there was only one risk assessment performed for each contract. One of these contracts was a civil works construction contract with two distinct sites with different road and traffic conditions. It was further advised that each site had different risks and it was acknowledged by CoM staff that separate risk profiles would assist to manage the site more effectively. The other contract was for oval maintenance with eight separate sites. 		
<p>CCS Management Action(s)</p> <ol style="list-style-type: none"> Procurement procedures to be implemented to define the additional risk assessment requirements and be reviewed each tender, as part of the Tender Initiation process. Implementation of contract profiling tool to be included as part of Tender Initiation form process. Implementation of Contract Management Plans to be completed for each tender and handed over to Contract Administrator at exaction of contract. To be recorded in the contract handover form. Strategic Procurement to work collaboratively with Risk team to update processes to include risk assessments for each site. Investigation of ability to resource contract management support within Council. 	<p>CoM Management Action(s)</p> <ol style="list-style-type: none"> Procurement procedures have been endorsed December 2021, which detail the mandatory inclusion of Risk Assessments, as part of the Tender Initiation process. Strategic procurement to ensure risk assessments are completed for each tender, inclusive of recommendations. Implementation of contract profiling tool to be included as part of Tender Initiation form process. Implementation of Contract Management Plans to be completed for each tender and handed over to Contract Administrator at exaction of contract. To be recorded in the contract handover form. Strategic Procurement to work collaboratively with Risk team to update processes to include risk assessments for each site. Investigation of ability to resource contract management support within Council. 	
<p>Responsibility: Manager Strategic Procurement Services</p> <p>Target Date: August 2022</p>	<p>Responsibility: Manager Strategic Procurement Services</p> <p>Target Date: August 2022</p>	

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Finding 2.2 - Financial Management

Moderate

Finding(s)	Risk(s)	Recommendation(s)
<p>Financial management is a key function of contract management to ensure compliance with Council policies, procurement and financial delegations and value for money contract services.</p> <p>During the review of the process, sample contracts and consultation with Contract Administrators (CAs), Internal Audit identified the following issues with regards to financial management:</p> <p><u>Contract procurement commitment</u></p> <ul style="list-style-type: none"> Currently the Councils have limited system controls to prevent CAs from exceeding contract commitment values. Purchase Orders (POs) are used to manage commitments and should be raised in line with contracts, but the approach for POs can vary depending on capital vs operations, multi year contracts (spanning across multiple financial years) and variations. Variation controls are not standardised, as Management advised that some variations drawdown from the original PO, whilst others result in a new PO when the original PO is exhausted. Management advised that for capital expenditure, a PO is processed for the entire project and is 'drawdown' over that period. For operational expenditure, it was advised that CAs manage their contract spend profile against their annual operational budgets, rather than to the original procurement contract commitment. New POs are raised each year, in line with the approved annual budget. This may result in overall contract spend not being tracked or monitoring given that many of the Council contracts run over multiple years. Management advised that there is no detective controls and/or reporting available to identify contracts which are close to and exceeding contract commitment values. <p>CoM</p> <ul style="list-style-type: none"> CAs could not provide financial figures of total commitment value, total variation/purchase order value and total contract value spent to date, for the four CoM contracts within sample to validate whether procurement delegations had been exceeded. <p><u>Variation management</u></p> <ul style="list-style-type: none"> One out of four contracts (CC201345 Provision of Bituminous Works) sample tested identified that the CA was not effectively managing and controlling financial records of variations, rather reliance was placed on records maintained by the contractor. The CA of the civil works construction contract advised that the contractor had begun variation works prior to formal variation approval by the CA, with only verbal agreement received prior to works commenced, however documentation to evidence this was unable to be provided. <p><i>Continued on the next page</i></p>	<ul style="list-style-type: none"> Inadequate financial controls to minimise spend in excess of executed contract values and associated delegation of authority Value for money opportunity identification is limited due to ineffective contract financial management reporting 	<ol style="list-style-type: none"> Implement financial management reporting to monitor contract spend profiles against the contract commitment value (original contract and variations) and POs to ensure compliance with procurement thresholds over the contract lifecycle. Further, consider providing this reporting to relevant Committee or governing body, as required. Consider implementing an additional requirement for contract variations to consider the percentage to overall contract spend and require an additional approver where this threshold is reached (e.g. for total variations exceed 10% of overall contract value).
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Finding 2.2 – Financial Management (cont'd)

Moderate

CCS Management Action(s)

1. Work collaboratively with Finance to include contract sums into regular reporting process of contracts.
2. Undertake review of variation management procedures and frameworks.

Responsibility: Manager Strategic Procurement Services

Target Date: September 2022

CoM Management Action(s)

1. Ensure implementation of Contracts Module within new Finance System includes elements relating to spend versus contract sum. (implementation due September – November 2021).
2. Undertake review of variation management procedures and frameworks.

Responsibility: Manager Strategic Procurement Services

Target Date: December 2021

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Finding 2.3 – Roles, responsibilities and accountability of Contract Administrators

Moderate

Finding(s)	Risk(s)	Recommendations (s)
<p>Internal Audit identified during discussions with Contract Administrators (CAs) there are gaps within the roles, responsibilities and accountabilities of CAs to ensure effective contract management. The CA performs a critical role and is accountable for the overall management of the contract. This individual will have a significant influence on the nature of the relationship between the Councils and the contractor.</p> <p>The following gaps were identified:</p> <ul style="list-style-type: none"> Based on stakeholder consultations with the CAs, gaps in the knowledge of key contract documentation and initial risk profiles during this process were observed. This was due to a combination of CAs not being involved in the pre-award phase and/or inadequate and informal CA handover process. Limited knowledge of contract spend, often across multiple years, against procurement contract commitment value was observed. The decentralised contract management process does not involve aligning Contract Administrators' required capacity, skills and experience with the risk profile of the associated contract they are assigned to manage. Lessons learned exercises are not consistently considered, documented and thus organisational value can be lost. There has been no recent training and awareness program for CCS Contract Administrators, and for the CoM, it was advised that in late 2021, approximately 60 CoM CAs attended formal training. 	<ul style="list-style-type: none"> Inadequate contract management and poor oversight of contractors and works performed. Future value from contracts is not maximised. Value for money not achieved due to ineffective contract and financial management. Increase in contract variations/work orders against existing contracts as was identified. Contractual disputes, claims and/or litigation may occur. 	<ol style="list-style-type: none"> Consideration should be given to include CAs in the tender phase as standard practice, including involvement in the negotiations leading to contract award and draft contract management plan (when applicable). This would enable CAs to have improved understanding of the contractor's commercial offer, and the contract terms and conditions. Councils to explore the feasibility of developing a centralised Contractor Management Team. Benefits of this model include: <ul style="list-style-type: none"> Effectively managing the capacity, skills and experience of the team. Ensuring consistency with the application of the new contract management framework. Managing performance and continuous improvement. <p>CCS</p> <ol style="list-style-type: none"> Develop and implement a fit for purpose training and development program for all CAs. The content of the training should include the content and application of the Councils' revised contract management framework (including new policies and procedures) and best practice contract management principles. Additionally, a refresher course (e.g. every two to three years) should be considered to ensure CAs are regularly informed and trained on governance and industry best practice. Lastly, a process to monitor and enforce the new framework should be implemented.
CCS Management Action(s)	CoM Management Action(s)	
<ol style="list-style-type: none"> Tender process checklist to be updated to include Contract Administrator for inclusion in tender process. Additional handover to be included in contract handover process to ensure Contract Administrator understand all elements. <p><i>Continued on the next page</i></p>	<ol style="list-style-type: none"> Tender process checklist to be updated to include Contract Administrator for inclusion in tender process. Additional handover to be included in contract handover process to ensure Contract Administrator understand all elements. Feasibility study to be undertaken to explore central Contract Management Team. 	

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Finding 2.3 - Roles, responsibilities and accountability of Contract Administrators (cont'd)

Moderate

CCS Management Action(s)

2. Feasibility study to be undertaken to explore central Contract Management Team.
3. Training has been created, to be rolled out across CCS Contract Administrators in first half of 2022 calendar year.

Responsibility: Manager Strategic Procurement Services

Target Date: Recommendations 1 & 3: July 2022; Recommendation 2: December 2022

CoM Management Action(s)

Responsibility: Manager Strategic Procurement Services

Target Date: Recommendation 1: July 2022; Recommendation 2: December 2022

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Finding 2.4 – Performance Management

Moderate

Finding(s)	Risk(s)	Recommendation(s)
<p>Through discussions with stakeholders and sample testing, Internal Audit identified issues with the operational effectiveness of performance management. The impact of this is that the Councils are not consistently and formally holding contractors accountable for their performance.</p> <p>Specifically, Contract Administrators (CAs) advised that contractor performance requirements are in-place, however due to a lack of robust performance reporting and associated records management, contractors were not being held accountable for their performance as strongly as they could be. Sample testing identified the following:</p> <p>CCS</p> <ul style="list-style-type: none">For one out of four contracts sampled (18.030 Vegetation and Pest Management Services), it was advised the contractor performance measures in-place were not effective to manage performance, which has contributed to the contractor consistently being behind schedule and minimal terms to manage. <p>CoM</p> <ul style="list-style-type: none">For two out of four contracts sampled (CC201636 Sports Oval Maintenance and CC201852D Minor maintenance of council buildings and open spaces) informal document management processes were in place. As a result, the information retained to capture performance/non-conformance management against KPIs or metrics was inconsistent. CAs further advised that performance was managed via emails, rather than formal reporting and there was inadequate records management to save key contract information on Council systems.	<ul style="list-style-type: none">Systemic contractor non-performance.Culture of non accountability.Councils not receiving all benefits and value for money outcomes from the contract.	<ol style="list-style-type: none">For the Contract Management Plans and Checklists implemented (based on contract profile per Finding 2.1), ensure the contract specific performance management details (e.g. contractual metrics and reporting required) are documented and maintained.As part of spot audits to be undertaken by the Strategic Procurement team, check there is a risk-based performance management process in-place, with regular reporting of KPIs and metrics, minuted meetings and adequate records management.Update the draft 'Contract Management Procedure' to provide more context and requirements for CAs regarding contractor performance management best practice principles. For example:<ul style="list-style-type: none">KPIs and metrics are fully documented in executed contracts.Implement a process to ensure that CAs are regularly monitoring and formally documenting contractor performance per the Councils' record management requirements.Performance management is a standing agenda item on minuted contractor meetings capturing key date resolution.
CCS Management Action(s)	CoM Management Action(s)	
<ol style="list-style-type: none">KPIs and metrics to be included in contract profiling and contract management plans when implemented.Already included in Draft Contract Management Procedure, with the spot audit review form as Appendix 2. Ensure inclusion in finalised procedure. <p><i>Continued on next page</i></p>	<ol style="list-style-type: none">KPIs and metrics to be included in contract profiling and contract management plans when implemented.Already included in Contract Management Procedure, with the spot audit review form as Appendix 2.	

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Finding 2.4 – Performance Management (cont'd)

Moderate

CCS Management Action(s)

3. Draft procedures include these elements. Implementation of contract management templates and forms to support the processes to be undertaken by Contract Administrators.

Responsibility: Manager Strategic Procurement Services

Target Date: August 2022

CoM Management Action(s)

3. Procedures include these elements. Implementation of contract management templates and forms to support the processes to be undertaken by Contract Administrators.

Responsibility: Manager Strategic Procurement Services

Target Date: August 2022

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Finding 2.5 – Contract Administration

Low

Finding(s)

Contract administration is a key function of effective contract management. Through discussions with key stakeholders, review of framework documentation and sample testing, Internal Audit identified the following gaps that impact the ability for effective contract administration. We have considered these gaps against the revised policies and procedures currently being implemented by the Councils.

Conflict of Interest management:

- Conflict of Interests are declared and managed during the pre-award phase to ensure probity, accountability and transparency. Through stakeholder consultation, it was observed that for non-high risk construction contracts, CAs did not have adequate knowledge of conflicts of interest directly related to the contracts if they were not stakeholders during the pre-award phase. Furthermore, a handover process for CAs to obtain declared conflicts of interest which may impact the management of their respective contracts and which need to be controlled and managed, was not in place.

CCS

Contract execution

- For two out of four contracts (18.042 West Beach Rock Sea Wall and 18.017 Provision of cleaning services) sampled, contracts were executed without dates documented on the signed execution page of each respective contract.

CoM

Contract extension management

- For one out of four contracts (CC201636 Sports Oval Maintenance) sampled, the contract extension letter had the contract extension date changed in pen by the contractor (from 2021 to 2022). Additionally, no other initials/signature/identification was able to be provided on the document from any CoM employee, to ascertain the validity of the change. This contract is still current and operational.

Continued on next page

Risk(s)

- Ineffective and inconsistent approach applied to contract risk management can result in unnecessary Council risk exposure (e.g. reputational, financial, legal etc.).
- Litigation and dispute with contractors.

Recommendation(s)

1. Revise relevant policy or procedure(s) to define and implement responsibility for identifying and reporting any relevant declared conflicts of interests, including required mitigating controls, to ensure that Contract Administrators are aware of all declared conflicts for the contracts they are administering.
 2. Further to the development of the robust training and awareness program (see Finding 2.2), implement a process to monitor and report on attendance and completion of modules for all Contract Administrators.
- CCS**
3. Ensure that all Contract Execution templates include sections for signatures and dates on signed execution pages.
- CoM**
4. Ensure that there are robust contract extension controls in place to identify contracts up for renewal in a timely manner and ensure adequate governance over delegated approval.

2.0 Internal Audit Findings - Joint Findings and Improvement Opportunities

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Finding 2.5 – Contract Administration (cont'd)

Low

CCS Management Action(s)

1. Undertake review of conflict of interest process and end to end recognition (pre tender and post tender).
2. All training to be recorded in the training register with People and Culture.
3. Ensure date fields are updated in contract templates and reviewed prior to contract handover.

Responsibility: Manager Strategic Procurement Services

Target Date: August 2022

CoM Management Action(s)

1. Undertake review of conflict of interest process and end to end recognition (pre tender and post tender).
2. All training to be recorded in the training register with People and Culture.
4. Contracts module within the new finance system to be implemented with alerts around expiring contracts and anniversaries.

Responsibility: Manager Strategic Procurement Services

Target Date: Recommendation 1 & 2: August 2022; Recommendation 4: December 2022

2.0 Internal Audit Findings and Improvement Opportunities

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Finding 2.6 – Overarching Governing Body or Committee

Low

Finding(s)	Risk(s)	Recommendation(s)
<p>There is a requirement to improve the governance monitoring over the effectiveness of contract management at both Councils for non-construction high risk contracts. The contract financial reporting constraints noted in Finding 2.4 also support this requirement. This governance monitoring would form a key control to cover the following associated contract management areas:</p> <ul style="list-style-type: none"> Escalating non-compliance and assurance related issues over unnecessary risk and commercial exposure (e.g. contractor incidents and claims). Contract spend profile vs commitment. Escalation mechanism to deal with contractual high risk issues and potential commercial conflict of interest issues. Performance monitoring and dashboard reporting of key contract data (e.g. risk management, contracts due for renewal, contracts exceeded procurement delegation, etc.), to assist data driven informed management decision making. Considering various improvement initiatives proposed by the business to improve the respective contract management framework approach to be more effective, dynamic and fit for purpose. Lessons learned to benefit future contracts. 	<ul style="list-style-type: none"> Inadequate governance oversight in-place over high risk/strategic non-construction contracts, which can lead to avoidable risk exposure and/or excessive contract spend. 	<ol style="list-style-type: none"> Consider implementing, on a risk based approach as part of the contract profiling process, a governing body or committee for operational and strategic contracts where there is a significant risk profile to the Councils. Furthermore, ensure regular key contract activity reporting (contract value, number and cost of variations, spend, claims/disputes, etc.) is conducted as required.
CCS Management Action(s) <ol style="list-style-type: none"> Review the potential to create a Contracts Governance Committee to review ongoing contracts and their performance that meet periodically throughout the year. 	CoM Management Action(s) <ol style="list-style-type: none"> Review the potential to create a Contracts Governance Committee to review ongoing contracts and their performance that meet periodically throughout the year. 	
Responsibility: Manager Strategic Procurement Services	Responsibility: Manager Strategic Procurement Services	
Target Date: October 2022	Target Date: October 2022	

3.0 Internal Audit Findings

Individual Findings and
Improvement Opportunities

3.1 Internal Audit Findings – City of Marion

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Internal audit findings

Through our discussions with the process owners, documentation review and sample testing performed, Internal Audit identified one low rated finding. The following table provides a summary of the finding identified. This finding and recommendation was discussed with Management. Management has accepted the finding and has agreed action plans to address the recommendations.

Rating	Ref #	Description
Low	3.1.1	Contract Milestone and Closure Management

3.2 Internal Audit Findings – City of Marion

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3.1.1 Contract Milestone and Closure Management

Low

Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
<p>Through discussions with key stakeholders during sample testing, Internal Audit identified that the CoM has the following control gaps with regards to contract milestone and closure management:</p> <p><u>Practical completion and final completion certificates</u></p> <ul style="list-style-type: none"> The CoM does not issue practical completion and final completion certificates to contractors upon completion of these respective milestones. Rather, this process is managed informally via emails. For one out of four contracts sampled (CC202095 Construction of Sturt Street Streetscape) it was identified that practical completion was issued to the contractor via an email and not saved on the CoM's documentation management system, Microsoft SharePoint. Upon request of this email, the Contract Administrator could not provide evidence and advised that this process is not well controlled. <p>Upon review of the draft 'Contract Management Procedure', Internal Audit notes that the CoM will develop and implement Practical Completion or Final Completion Certificates.</p> <p>Responsibility: Manager Strategic Procurement Services</p> <p>Target date(s): July 2022</p>	<ul style="list-style-type: none"> Litigation and dispute with contractors. 	<ol style="list-style-type: none"> Following implementation of the practical and final completion certificate templates, ensure that both the 'Contract Management Procedure' and contract templates are updated to reference the requirements of the issuing of Practical Completion and Final Completion Certificates. As part of spot audits to be undertaken by the Strategic Procurement team, ensure that practical completion and final completion certificates have been issued and are saved on the CoM document management system as required. 	<ol style="list-style-type: none"> Template library currently being developed in collaboration with Manager – Operations to pilot the use of standard templates for key contract management processes and activates. Will be implemented and stored centrally for ease of access by all Contract Administrators. Update contract management review form to include evidence of certificates.

3.2 Internal Audit Findings – City of Charles Sturt

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Internal audit findings

Through our discussions with the process owners, documentation review and sample testing performed, Internal Audit identified one low rated finding. The following table provides a summary of the finding identified. This finding and recommendation was discussed with Management. Management has accepted the finding and has agreed action plans to address the recommendations.

Rating	Ref #	Description
Low	3.2.1	Inconsistent use of Technology One system for contract management

3.2 Internal Audit Findings – City of Charles Sturt

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3.2.1 – Inconsistent use of Technology One Contract Management Module

Low

Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
<p>CCS use Technology One as their financial management system, including a Contract Management module. Through testing it was identified this system is not consistently used as Contract Administrators felt more comfortable using spreadsheets within Microsoft Excel.</p> <p>The use of more than one application inhibits effective financial management, for example, the capture of total versus actual spend and other associated process requirements. A contract management tool such as Technology One alleviates these inherent risks and allows a concise and current reporting tool to be used for various management activities.</p>	<ul style="list-style-type: none"> • Inaccurate and incomplete data within Council systems. • Increased risk of procurement delegation and operational budget amounts being exceeded. • Value for money not being achieved due to ineffective contract and financial management. 	<ol style="list-style-type: none"> 1. CCS should mandate the use of Technology One for contract management to ensure consistency and robust contract management governance. 2. Implement a training course on the Technology One contract management module, to ensure Contract Administrators and other key stakeholders, learn and utilise all system functionality to manage contracts effectively. 	<ol style="list-style-type: none"> 1. Review to be undertaken of Contracts Module in Technology one and the utilisation of available functionality. 2. Use of contracts module to be incorporated into planned Contract Management training to be delivered throughout 2022.
Responsibility: Manager Strategic Procurement Services			
Target date(s): August 2022			

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Appendix 1 – Contracts Sample Tested from the Councils

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The tables below summarises the contracts which were sampled tested by Internal Audit during our fieldwork testing.

CCS

Reference Number	Contract Details
18.014	Minor civil works panel.
18.017	Provision of cleaning services.
18.030	Vegetation and pest management services.
18.042	Reconstruction of West Beach rock sea wall.

COM

Reference Number	Contract Details
CC201345	Provision of Bituminous Works.
CC201636	Sports Oval Maintenance.
CC201852D	Minor maintenance of council buildings and open spaces.
CC202095	Construction of Sturt Road streetscape – Marion Road to Diagonal Road.

Appendix 2 – Staff Consultation

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

City of Marion

Name	Title
Tony Lines	General Manager, City Services
Ilia Houridis	General Manager, City Development
Jamie Dunnicliff	Manager, Strategic Procurement Services
Mathew Allen	Manager, Engineering, Assets & Sustainability
Kevin Poh	Senior Project Manager, Financial Transformation
Colin Natt	Unit Manager, Civil Services
Michael Collins	Unit Manager, Land and Property
Craig Burrell	Property Maintenance Officer
Tony Harris	Coordinator, Open Space Operations
Sherie Walczak	Unit Manager, Strategy and Risk

City of Charles Sturt

Name	Title
Adrian Ralph	General Manager Asset Management Services
Ian Yarrow	Acting Corporate Program Manager
Jamie Dunnicliff	Manager, Strategic Procurement Services
Murali K.G. Kumarapuram-Ganapathi	Coordinator Engineering Projects
Joe Parisi	Team Leader Contracted Services
Mick Willis	Contracts Administrator
Sal Lucivero	Project Engineer – Civil Construction
Mark Chittleborough	Operations Engineer
Danielle Picicella	Internal Controls Officer

Appendix 3 – COM Classification of Findings

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The following framework for internal audit ratings has been developed and agreed with the Councils 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 Councils 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 be Councils issue. Decrease in the public's confidence in the Councils. 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 Councils Finance and Audit Committee via the Presiding Member Requires immediate notification to the Councils 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 Councils General Manager notification. Requires prompt management action planning/remediation actions (i.e. 30 days)

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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 Councils. 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 Councils 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 The competing priorities and cost/benefit (i.e. 90 days).

Appendix 3 - Classification of Findings

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City of Marion (CoM)

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 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.

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 Councils 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 Councils. 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 Councils 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 Councils 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 Councils, 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 Councils 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 Councils and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated February 2022 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 Councils 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: Desktop Review of Stakeholder Management

9 February 2022

DRAFT



Internal Audit Program 2021/22: Desktop Review of Stakeholder Management

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

Objective

The objective of this internal audit will be to perform a high level desktop review over the CoM's key stakeholder and relationship management, including review of relevant plans, processes and internal controls. This internal audit will also consider opportunities for improvement in accordance with better practice stakeholder and relationship management.

Scope of services

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

- Desktop review of the CoM's Stakeholder Management Framework, including relevant stakeholder maps and stakeholder engagement plans for key relationships between the CoM and key stakeholder groups.
- Review of current internal controls related to stakeholder management, including the approach to the effective identification and profiling of key stakeholders for the CoM across Federal, State and Local Governments, business and community groups (focussed on peak groups) as well as international relationships.
- Clarity of relevant roles, responsibilities and accountabilities for stakeholder management, including understanding and confirmation of who is responsible for relationship management processes on behalf of the CoM between different people and functional areas.
- Review of current processes and practices related to stakeholder management across the CoM, including communication mechanisms in place for the facilitation of knowledge sharing and insights originating from stakeholder engagement.

- Opportunities for the introduction of better practice and process improvements for stakeholder and relationship management relevant to local government and other comparable organisations.

Approach

The approach to this engagement will include:

- Desktop review and analysis of selected documents and systems in place as they relate to stakeholder and relationship management, including review of relevant stakeholder maps, stakeholder engagement plans, and policies and procedures.
- Consultation with relevant stakeholders to understand current practices and processes in place for stakeholder and relationship management.
- Provide a comparison of the CoM's Stakeholder Management Framework and practices against better practice to identify gaps and opportunities for improvement.
- 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 stakeholders have been identified based on preliminary discussions with the CoM:

Personnel	Position title
Tony Harrison	Chief Executive Officer
Sorana Dinmore	General Manager Corporate Services
Tony Lines	Acting General Manager City Development
Mathew Allen	Acting General Manager City Services
Kate McKenzie	Manager Office of the Chief Executive
Sherie Walczak	Unit Manager Strategy and Risk
Sheree Tebyanian	Strategy Planner
Megan Bradman	Manager Customer Experience
Nick Marwe	Unit Manager Media and Engagement
Pia Vogrin	Engagement and Events Coordinator
Charmaine Hughes	Manager City Activation

Resources and Budget

The team members and proposed budget for the Desktop Review of Stakeholder 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
Heather Martens	Director	\$264	15	\$3,960
TBA	Senior Consultant	\$158	30	\$4,740
TBA	Consultant	\$112	40	\$4,480
Total (excl. GST)				\$14,985

Timing

The proposed timing for the Desktop Review of Stakeholder Management internal audit project is for the project to commence in late-February 2022 with a draft report completed for consideration by early-April 2022.



Approvals

We are in agreement with the scope document for the internal audit project focussing on a desktop review of the CoM's Stakeholder Management.

CoM Internal Audit Project Sponsor: KPMG Internal Audit Partner:

Name: Sorana Dinmore

Name: Eric Beere

Signed:

Signed:

Date:

Date:

Disclaimers

Inherent limitations

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

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

Third party reliance

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

COVID-19

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

7.5 Draft Annual Business Plan 2022-23 and Long Term Financial Plan

Report Reference	FRAC220222R7.5
Originating Officer	Unit Manager Statutory Finance and Payroll - Andrew Doyle
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 Risk and Audit Committee (FRAC) with an update on the development of the Council's Draft Annual Business Plan for 2022-23 (2022-23 ABP) and to provide a coinciding update on the Draft Long Term Financial Plan (LTFP) 2022-23 to 2031-32.

RECOMMENDATION

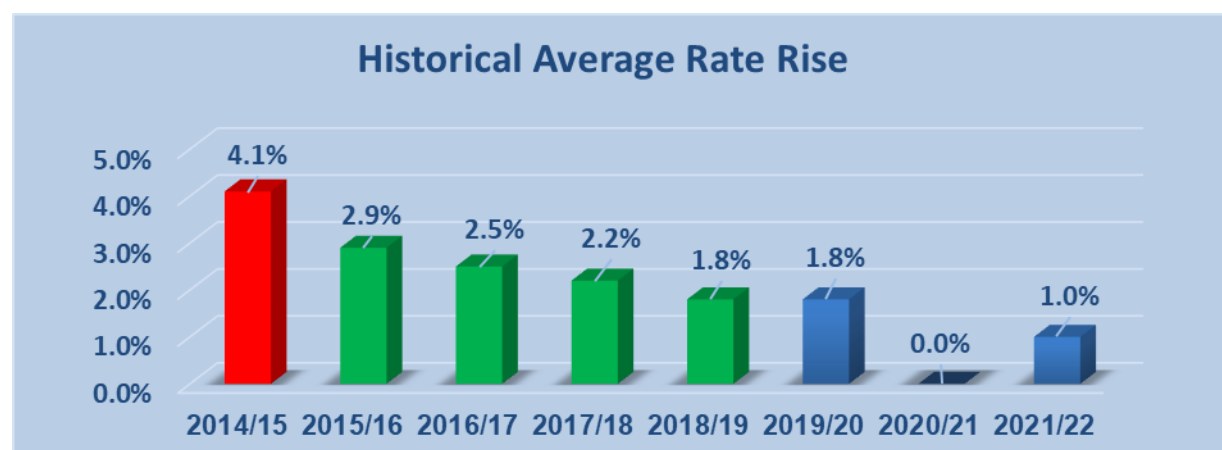
That the Committee provide feedback on:

- 1. The development of the Draft ABP 2022-23 and LTFP (Attachment 1)**
- 2. The reasonableness, fairness and equity of the potential rating approaches for 2022-23, including in the context of Council's LTFP and on-going financial sustainability.**

DISCUSSION

Council is in a strong position to continue to minimise the financial impact on our community through a low rating strategy for 2022-23 and beyond. However, funding for future project aspirations may, in turn, impact on the forecast rating strategy in order to successfully deliver projects currently not funded in the LTFP.

The graph below depicts the historical average rate increases applied over the past two council terms.



Council, at its Planning Day on 29 January 2022 (EMF220129R1.4), considered a number of rating models for the proposed LTFP 2022-23 to 2031-32. Council will continue to consider the rating options over the coming months as the development of the 2022-23 ABP and LTFP progresses. Further consideration will also be given to a number of currently unfunded initiatives. The rating options currently being considered, outlined in table 1 and 2 of this report are well below current Adelaide CPI (Dec 2021 year on year 3.3%).

KEY ASSUMPTIONS

The following key assumptions have been applied in the development of the high-level draft ABP 2022-23 and LTFP:

Service Levels – Changes to service delivery prioritised and approved by Council subject to financial capacity will be incorporated into the 2022-23 Budget and Long-Term Financial Plan. Where no other endorsement exists, service delivery levels will be maintained at current levels.

Rate Revenue – Rating models have been developed with average rate increases applied ranging from 1% to 1.7% in 2022-23 moving to a range of 1.3% to 1.7% in 2023-24 of the LTFP with an average rate increase of 1.7% used beyond year 2023-24 for all models. The financial impact of the alternative rating models is shown in table 2 of this report.

Indexation – Operating expenditure for 2022-23 will be based on actual expenditure levels in 2021-22 indexed where appropriate by CPI for 2022-23 – (*Adelaide CPI - Dec 2021 has risen to 3.3%*). Councils currently adopted LTFP had forecast a lower indexation rate of 1.5% for 2022-23 and 2% for 2023-24 moving back to 2.5% for the balance of the LTFP.

During the continued Covid-19 outbreak, the serious disruption to economic activity, the provision of unprecedented stimulus packages, large shifts in demand and disruption to supply chains makes the forecasting task much more challenging leading to a higher than normal degree of uncertainty the further one looks into the future. Aware of the current market conditions being experienced an indexation rate of 2.5% will now be applied for the remainder of the LTFP from the 2022-23 year.

Employee Costs – Will be increased in alignment with Council's Enterprise Agreement provisions. In addition, any costs relating to Council approved staff resources to meet operational requirements or Council endorsed initiatives will be incorporated into the ABP and LTFP. The remaining 4 scheduled annual increases of 0.5% to the Superannuation Guarantee are also incorporated into the LTFP.

It should be noted that in current market conditions the attraction of appropriately skilled resources is proving challenging. With closed borders there has been a high demand for the available skilled resources which has driven market rates up.

In addition, the attraction of Commonwealth and State Government stimulus / election funding may impact on resource requirements to deliver such projects and initiatives and will be carefully considered as we progress the development of the Draft 2022-23 ABP.

Council's indoor Enterprise Agreement is also set to expire at 30 June 2022.

Interest Expenses – are directly related to Council borrowings and cash flows

Interest Revenue - is directly related to Council investments and cash flows and will be carefully monitored in line with interest rate movements

Non-Recurrent Costs – Other adjustments have been made to remove 2021-22 one-off expenditure amounts and to account for any future variations in operating activities or contract renewals. An example is an adjustment to provide for LG election expenses which are set to occur in the 2022-23 year.

Capital Grants, subsidies and monetary contributions - reflect tied monies received in relation to the purchase/construction of new assets and are budgeted in accordance with information known at the time of preparing this report.

Commonwealth and State Government Stimulus / Election funding – Council will continue to seek and optimise the opportunity to leverage any stimulus/election funding provided to the sector. The impact of the attraction of this funding and the resource requirements to deliver identified projects and initiatives will be monitored and considered in the development of the final 2022-23 ABP and LTFP.

With the timeline for both State and Federal elections there may well be some required late changes to the budget prior to final adoption in June to cater for any funds that may be attracted during the election period.

Breakeven or Better Funding (Cash Position) – A positive cash flow is vital to support operating requirements to continually deliver council services in addition to providing cash to fund:

- Renewal of existing assets over time to maintain community service standards
- Scheduled principal loan repayments and
- Provision of funding for future long term asset management objectives

Council will aim to set rates that minimise the impact on our community but also enable the achievement of its long-term strategic objectives while maintaining a break-even or better (cash) position over the LTFP thus ensuring the long-term financial sustainability for the City of Marion.

Following the input from Council Members at the EM forum 16 Nov 2022, the table below highlights three rating options presented for consideration at the EM planning day in January 2022.

TABLE 1 – RATE MODELLING OPTIONS

	Average Rate Increase 2022-23	Average Rate Increase 2023-24	Average Rate Increase 2024-25 Onwards
Option 1	1%	1.3%	1.7%
Option 2	1.3%	1.3%	1.7%
Option 3	1.7%	1.7%	1.7%

Council has the capacity to deliver any of the rating scenarios, with each delivering a financially sustainable position over the 10-year term of the LTFP – Council forecasts sufficient revenue to fund its operations and planned capital projects with a balanced or better (cash) funding position over the 10-year term of the LTFP.

Table 2 below details the net funding impact of each of the scenarios over the 10 years of the LTFP. All options forecast a manageable funding deficit in the first year 2022-23 but return to surplus over the term of the LTFP which supports a financially sustainable position of net funding surpluses ranging from \$6.16m for option 1 to \$15.72m for option 3 over the LTFP.

In considering alternative rate models, it should be note that a 0.1% movement in the average rate increase equates to a difference of \$79,675 in 2022-23.

TABLE 2 – FUNDING IMPACT OF RATE MODELLING OPTIONS

Cash/Funding Impact of Rate Models over the 10 Year LTFP											
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Net 10 Year Funding Position
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Option 1											
Rate increase of 1%, increasing to 1.3%, then increasing to 1.7%											
Rate Increase	1.0%	1.3%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	
Rate Revenue	83,295	85,215	87,512	89,870	92,292	94,779	97,334	99,957	102,650	105,417	
Budget Cash Surplus (Funding Position)	(1,409)	(196)	167	(146)	119	387	896	1,649	2,176	2,518	6,161
Option 2											
Rate increase of 1.3% for two years, then increasing to 1.7%											
Rate Increase	1.3%	1.3%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	
Rate Revenue	83,534	85,460	87,763	90,128	92,557	95,051	97,613	100,244	100,945	105,719	
Budget Cash Surplus (Funding Position)	(1,170)	49	418	112	384	659	1,175	1,936	2,470	2,820	8,853
Option 3											
Rate increase of 1.7% ongoing											
Rate Increase	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	
Rate Revenue	83,853	86,113	88,434	90,817	93,264	95,778	98,359	101,010	103,732	106,528	
Budget Cash Surplus (Funding Position)	(851)	702	1,088	801	1,091	1,385	1,921	2,702	3,257	3,628	15,724

Attachment 1 includes a detailed LTFP funding statement for Option 1. All revenues and costs remain the same in the detailed models for Options 2 and 3, except for the forecast rate revenue and forecast net cash position, which are outlined in the above table.

All options are based on a rates indexation rate below current Adelaide CPI (3.3% year on year to Dec 2021). The key financial indicators for each model also remain within the target bands over the term of the LTFP.

Table 2 above demonstrates that as you move from option 1 to 3 so too does the flexibility of Council to undertake and manage any future aspirational projects currently unfunded in the LTFP or fund infrastructure assets either through use of its cash holdings, subsidies and grants or adequate funding to support future borrowings.

COUNCIL'S CASH RESERVES

Council's currently adopted LTFP and subsequent council resolutions in 2021-22 include several planned Cash Reserve transfers. In addition, there are further proposed reserve fund transfers as outlined in table 3 below which have been incorporated into the Draft 2022-23 ABP and LTFP.

The Draft 2022-23 ABP forecasts an allocation of reserve funds which will reduce Council's Cash Reserves by \$2.183m. Beyond 2022-23 there is a further \$2.653m resolved by council to be quarantined for specific projects leaving an available cash reserve balance for future projects of \$2.678m (excluding the \$2m currently set aside for major infrastructure failure).

TABLE 3 – USE OF COUNCIL'S CASH RESERVES

Council Reserves	Asset Sustainability Reserve						Oaklands Wetland - Water Supply opportunities	Open Space Reserve	Total All Reserves
	Major Infrastructure Failure	General	Energy Efficiency	Walking and Cycling	CFPP	Total ASR			
Balance Forecast - 30 June 2022	2,000,000	2,250,712	40,000	949,420	663,604	5,903,736	1,159,257	2,450,946	9,513,939
Transfers To Reserves - 2022-23	-	-	40,000	200,000	20,867	260,867	15,000	10,400	286,267
Transfers From Reserve - 2022-23	-	(849,494)	-	(860,000)	-	(1,709,494)	0	(759,695)	(2,469,189)
Closing Reserve Balance 30.06.2023	2,000,000	1,401,218	80,000	289,420	684,471	4,455,109	1,174,257	1,701,651	7,331,017
Quarantined Funds	-	(969,036)	-	(89,420)	(435,000)	(1,493,456)	(1,159,257)	-	(2,652,713)
Forecast Available Reserve Balance	2,000,000	432,182	80,000	200,000	249,471	2,961,653	15,000	1,701,651	4,678,304

Key Movements - Cash Reserves

Forecast Transfers from Reserves – 2022-23

The draft 2022-23 ABP includes the impact of several Council Resolutions with planned **transfers from** Reserves for the following projects:

- Coastal Walking Trail \$0.925m
- MCC Plaza Redevelopment \$0.784m
- Open Space Reserve development \$0.760m
- \$2.469m**

Forecast Transfers to Reserves – 2022-23

The draft 2022-23 ABP also includes planned **transfers to** Reserves including:

- Walking & Cycling Trails \$200k
- Energy Efficiency \$ 40k
- Water Supply Opportunities \$ 15k
- Morphettville Sports Telstra Tower \$ 21k
- Open Space Reserve \$ 10k
- \$286k**

Beyond 2022-23 Council has **committed funds** for the following key projects:

- Alternative water supply (subject to grant funding) **\$1.795m**

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

Asset Sustainability Reserve \$ 0.712m (excluding \$2m set aside for major infrastructure failure)
 CFPP \$ 0.249m
 Water Supply Business \$ 0.015m
Total ASR \$ 0.976m

Open Space Reserve \$ 1.702m

\$ 2.678m

CAPITAL WORKS FUNDING

The total capital works program for 2022-23 is currently forecast at \$24.259m. This will be a reduction on 2021-22 year budget of \$30.384m primarily due to the forecast completion in 2021-22 of three multi-year major projects (Mitchell Park Sports and Community Centre, BMX and Southern Soccer Facilities) in addition to the completion of projects funded by stimulus funding in 2021-22.

TABLE 4 – PLANNED CAPITAL WORKS PROGRAM – 2022-23

Classification	2021/22 Budget \$000	2022/23 Budget \$000
Civil		
Road Reseals	3,253	4,351
Kerbs	465	465
Drains	2,680	2,780
Footpaths	2,190	2,156
Kerb Ramps	400	400
Traffic Control Devices	425	554
Streetscapes	5,724	1,190
Other Infrastructure	974	974
Total Civil	16,111	12,870
Open Space		
Open Space Reserves	5,066	1,988
Edwardstown Oval Toilet	-	180
Total Open Space	5,066	2,168
Property & Buildings		
Property & Buildings	2,735	2,278
Sports Courts & Facilities	300	270
Furniture & Fittings	108	208
Total Property & Buildings	3,143	2,756
Other Capital		
Fleet Replacement	1,351	1,215
IT Hardware	270	-
Total Other Capital	1,621	1,215
Subtotal Capital Works Program	25,941	19,009
Major Projects		
Sam Willoughby UCI BMX Track	3,958	-
Southern Soccer Facility	5,529	-
Mitchell Park Sports Club Development	11,000	-
Marion Golf Park	2,000	-
Living Kurna Cultural Centre Coach House	1,500	-
Coastal Walkway	2,441	1,850
Tarnham Road Reserve	2,275	-
Marion Cultural Centre Plaza	-	3,400
Total Major Projects	28,702	5,250
Total Capital Works Budget	54,643	24,259
Classification		
Assets - Renewal	19,783	10,346
Assets - New	34,860	13,913
Total Capital Works Budget	54,643	24,259

Note - Ongoing Impact of Covid on planned capital works

Due to current market conditions including supply chain disruption, contractor availability and volatile pricing in the marketplace. there is a risk that funding in relation a small number of larger capital projects, namely (LKCC Coach House, Tarnham Road Reserve and Marion Golf

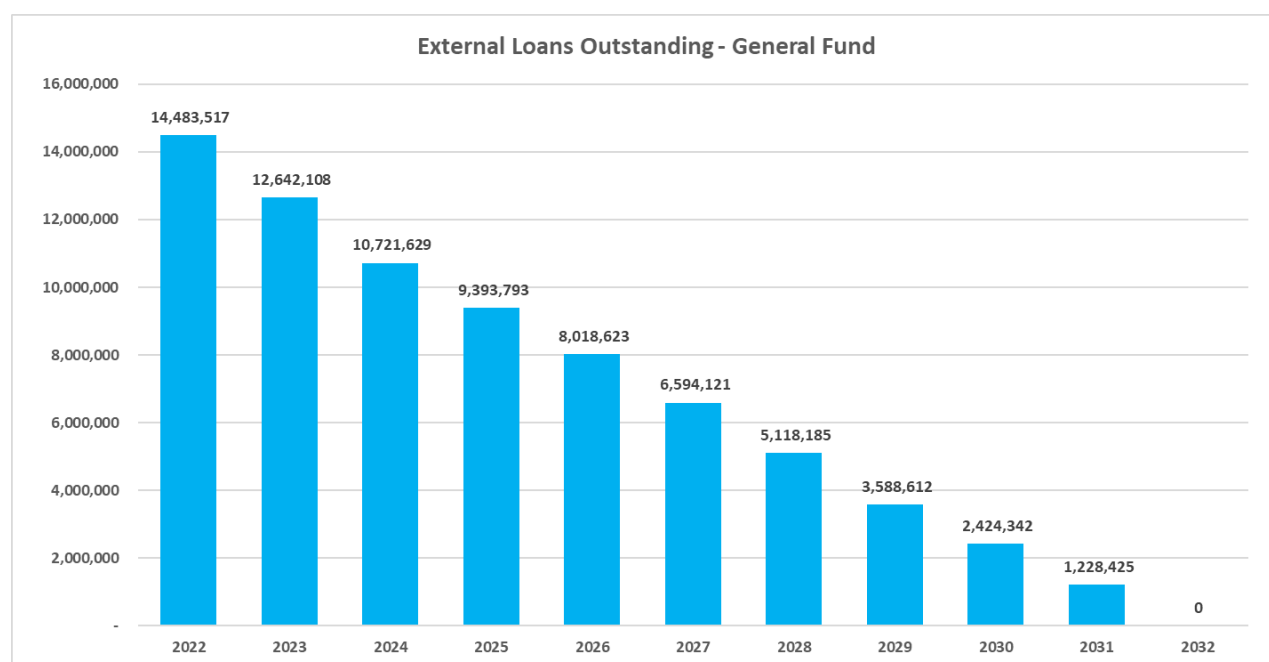
Park,) may be carried over into the 2022-23 year. As we work through tender evaluations and progress through the 2021-22 capital works program further updates will be provided as we develop the 2022-23 ABP and LTFP.

BORROWINGS

Council borrowings are forecast to peak at 30 June 2022 (\$14.483m) with the planned borrowings associated with the redevelopment of the Mitchell Park Sports and Community Centre. Council will apply any funds that are not immediately required to meet approved expenditure to reduce its level of borrowings or defer the drawn down of loan funds where temporary cash holdings are available.

No further borrowing are currently incorporated into the LTFP at this point; however, Council is well placed to utilise borrowings as a long-term cash flow management tool as a means to construct, upgrade or renew community assets with the costs shared by multiple generations of ratepayers who benefit from the services.

TABLE 5 – BORROWINGS



As indicated in table 6 below by Council's Debt Servicing Ratio further capacity exists for Council to increase borrowings should it be necessary to do so. The below ratio is based on Option 1 with a 1% average rate increase in 2022-23 but as the rate rise increases with the other models so does council's ability to increase its levels of borrowings.

TABLE 6 – DEBT SERVICING RATIO

Debt Servicing Ratio										
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Debt Servicing Ratio	2.4%	2.4%	1.6%	1.6%	1.6%	1.5%	1.5%	1.1%	1.1%	1.1%
Targeted Upper Limit	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%

The following factors should be considered in deciding whether borrowings should be utilised by Council, including:

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

Interest on \$1m borrowings Over 10 Years		
Current Indicative rate	3.30%	\$182,212
Sensitivity Adjustment	-0.50%	\$153,463
	0.50%	\$211,363

ABP 2022-23 FURTHER CONSIDERATIONS OF UNFUNDED INITIATIVES

The further development of the 2022-23 ABP will continue to focus on balancing the real cost of service provision and service demand from the community with the financial impact this may have on City of Marion ratepayers' and their capacity to pay.

Any new initiatives or project priorities which are currently unfunded may be further considered in the development of the 2022-23 ABP and LTFP. There are several unfunded initiatives currently being considered by Council in conjunction with the development of the 2022-23 ABP and LTFP.

It should be noted that Council have also committed funds to several other unfunded projects subject to receiving additional funding required to complete the projects from alternative sources of funding such as grant/partnership funding or election commitments. Council's commitments subject to receiving supporting funds are not yet included in any forecast LTFP. In addition to Council's capacity to fund these through the utilisation of available reserve funding or the responsible use of borrowings, thorough consideration will be given to the financial impact on City of Marion ratepayers' and their capacity to pay.

Outside of these there are a number of factors that will also be considered when looking at the potential progression of currently identified unfunded initiatives/ projects such as;

- Existing market conditions - with the current market environment impacted by Covid, we are experiencing challenging market conditions with regard to supply chain disruption, workforce availability and challenging procurement conditions which are impacting on the cost and timeframes in delivering projects
- Cost Pressures on existing projects and programs – as an outcome of the above mentioned conditions we are having some real cost pressures on existing projects (an example – Coastal Walking Trail) – these cost pressures may well continue to impact other current and future planned capital programs and projects
- Upcoming Elections / Grant funding opportunities - the potential to attract or otherwise partnership funding for projects – while Council has had great success in the past this is a factor that we cannot control
- ComPAS Project Outcomes - Council will further consider its strategic priorities in relation to the renewal/upgrade of its facilities and seek to prioritise projects for implementation over the coming 10 years following the outcomes of a strategic body of work currently being undertaken.

Next Steps

The 2022-23 ABP and LTFP will continue to develop as we progress through the coming months taking into consideration community feedback and outcomes from both State and Federal Elections. Table 7 outlines the various points of consideration through to the final adoption of the 2022-23 ABP on 28 June 2022.

Table 7 Next Steps - 2022-23 Annual Business Plan and LTFP

Elected Member Forum <ul style="list-style-type: none"> Update on Rating data 2022-23, Rates discussion, 2022-23 Priority projects confirmation Draft Annual Business Plan and Comprehensive Draft Budget 	15 March 2022
<ul style="list-style-type: none"> Set Tentative Rates Set draft priority projects list for consultation 	March-April 2022
Elected Members : Endorse and Adopt - Draft Annual Business Plan for Community Consultation	12 April 2022
Community Consultation period (Min. 21 Days)	15 April 2022 To 6 May 2022
Finance Risk & Audit Committee – Update on Community Consultation Feedback	17 May 2022
Elected Members: Community Consultation Feedback presented to Council	24 May 2022
<ul style="list-style-type: none"> Final rates discussion Final priority projects discussions 	May - June
Elected Members: Endorse - Final Draft Annual Business Plan and LTFP with any final amendments to be brought to Council for Adoption	14 June 2022
Council Adopt - 2022-23 Annual Business Plan and LTFP	28 June 2022

ATTACHMENTS

- Attachment 1 - LTFP 2022-2032 and Key Indicators [7.5.1 - 2 pages]

City of Marion 10 Year Financial Plan for the Years ending 30 June 2032 BUDGET SUMMARY - GENERAL FUND Scenario: LTFF 2022-2032										
	2022/23	2023/24	2024/25	2025/26	Projected Years		2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Indexation	1.00%	1.30%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%
Income										
Rates	83,295	85,215	87,512	89,870	92,292	94,779	97,334	99,957	102,650	105,417
Statutory Charges	2,174	2,229	2,284	2,341	2,400	2,460	2,521	2,584	2,649	2,715
User Charges	2,235	2,291	2,348	2,407	2,467	2,528	2,592	2,656	2,723	2,791
Grants, Subsidies and Contributions	6,569	6,667	6,834	7,005	7,180	7,359	7,543	7,732	7,925	8,123
Investment Income	150	158	165	180	195	207	221	235	243	265
Reimbursements	1,150	1,178	1,208	1,238	1,269	1,301	1,333	1,367	1,401	1,436
Other Income	797	768	772	777	781	786	790	795	800	805
Net gain - equity accounted Council businesses	365	365	365	365	365	365	365	365	365	365
Total Income	96,735	98,871	101,488	104,182	106,949	109,785	112,699	115,691	118,756	121,917
Expenses										
Employee Costs	41,300	42,354	43,222	44,216	45,233	46,273	47,337	48,426	49,540	50,679
Materials, Contracts & Other Expenses	36,019	34,841	35,472	36,463	37,931	38,302	38,989	39,976	40,906	42,158
Depreciation, Amortisation & Impairment	16,651	17,317	18,010	18,730	19,479	20,258	21,069	21,912	22,788	23,700
Finance Costs	493	414	340	293	244	192	139	89	57	25
Total Expenses	94,463	94,925	97,043	99,701	102,887	105,026	107,533	110,402	113,291	116,562
Operating Surplus	2,272	3,946	4,445	4,481	4,062	4,759	5,166	5,288	5,465	5,355
Operating Surplus Ratio	2.35%	3.99%	4.38%	4.30%	3.80%	4.34%	4.58%	4.57%	4.60%	4.39%
Amounts Received Specifically for New or Upgraded Assets	2,116	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit) for the Year	4,388	3,946	4,445	4,481	4,062	4,759	5,166	5,288	5,465	5,355
Capital (Balance Sheet) and Reserve Movements										
Capital Expenditure	(24,259)	(18,887)	(20,209)	(21,331)	(21,247)	(22,404)	(23,058)	(23,736)	(24,230)	(24,657)
Loan Repayments (External)	(1,841)	(1,920)	(1,328)	(1,375)	(1,425)	(1,476)	(1,530)	(1,164)	(1,196)	(1,228)
New Loan Borrowings (External)	-	-	-	-	-	-	-	-	-	-
Net Transfers (to)/from Reserves	4,018	(286)	(386)	(286)	(386)	(386)	(386)	(286)	(286)	(286)
Total Capital (Balance Sheet) and Reserve Movements	(22,082)	(21,093)	(21,923)	(22,992)	(23,057)	(24,266)	(24,974)	(25,186)	(25,712)	(26,171)
Net Result (including Depreciation & Other non-cash items)	(17,695)	(17,148)	(17,478)	(18,511)	(18,995)	(19,507)	(19,808)	(19,898)	(20,247)	(20,817)
Add back Depreciation Expense (non-cash)	16,651	17,317	18,010	18,730	19,479	20,258	21,069	21,912	22,788	23,700
Less Other Income (non-cash)	(365)	(365)	(365)	(365)	(365)	(365)	(365)	(365)	(365)	(365)
Cash Budget Surplus	(1,409)	(196)	167	(146)	119	387	896	1,649	2,176	2,518
Closing Cash Balance	14,717	13,643	14,267	14,548	15,284	16,076	17,436	19,505	22,089	25,075

	Actual	Forecast	Long Term Financial Plan									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Upper Limit	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Debt Servicing Ratio	1.63%	1.10%	2.4%	2.4%	1.6%	1.6%	1.6%	1.5%	1.5%	1.1%	1.1%	1.0%
Lower Limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Upper Limit	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Net Financial Liabilities	(34.0%)	8.23%	20.3%	17.8%	15.5%	13.6%	11.5%	9.2%	6.4%	3.6%	0.4%	(2.9%)
Lower Limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Upper Limit	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%
Asset Renewal Funding Ratio	86%	100.00%	100.0%	100.0%	100.0%	100.0%	100.0%	10.0%	100.0%	100.0%	100.0%	100.0%
Lower Limit	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Upper Limit	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Operating Surplus Ratio	0.3%	(1.8%)	2.3%	4.0%	4.4%	4.3%	3.8%	4.3%	4.6%	4.6%	4.6%	4.4%
Lower Limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

7.6 2nd Budget Review 2021-22

Report Reference	FRAC220222R7.6
Originating Officer	Unit Manager - Finance Partnering & Rates – Heath Harding
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 financial results for the 2nd Budget Review for 2021-22. The budget review is a revised forecast of the original 2021-22 budget and as such any savings identified during the budget reviews will not be confirmed until the financial statements are prepared and audited at the end of the financial year.

EXECUTIVE SUMMARY

The completion of the 2nd Budget Review has identified a favourable cash adjustment of **\$0.065m**. Deducting this from the 1st Budget Review Budget Deficit of \$0.487m leaves a revised full year cash deficit of **\$0.422m**, a favourable movement of \$0.259m against the original adopted budget deficit of \$0.681m.

The 2021-22 2nd Budget Review adjustments can be attributed to the following:

Cash Statement Reconciliation		\$
1st Budget Review Cash Deficit		(487,225)
2nd Budget Review Adjustments		
Favourable		
Drainage works savings	725,000	
Reduction in Building Capital Works requirements including funded from maintenance	530,000	
Road Reseals savings	206,376	
Traffic Devices Capital Works removed from program	141,274	
Marion Outdoor Pool net income	87,074	
Other various net adjustments	94,290	1,784,014
Unfavourable		
Employee Recruitment costs	(195,414)	
Sturt Road Streetscapes	(402,950)	
Hard Rubbish	(69,605)	
Street Lighting Electricity & Contributions	(79,500)	(747,469)
Total 2nd Budget Review adjustments		1,036,545
Revised 2021/22 Cash Surplus/(Deficit) before Council Resolutions		549,320
Less Council Resolutions funded from Rates		
Messines Avenue Streetscapes (GC210914R11.1)	(172,000)	
Funding allocated for confidential resolutions	(680,000)	
MCC Café operations (GC211026F16.1)	(75,000)	
Rainwater Tank Scheme (GC211012R11.1)	(32,500)	
Oaklands Wetlands Education centre (GC211026R10.10)	(11,864)	(971,364)
Total 2nd Budget Review adjustments including Council Resolutions		65,181
Revised 2021/22 Cash Deficit		(422,044)

Further details and analysis, including the revised financial statements, are included in the 2nd Budget Review 2021-22 Report (Appendix 1 to this report).

RECOMMENDATION

That the Finance, Risk and Audit Committee:

- Note the 2nd Budget Review 2021-22 position**

DISCUSSION

The completion of the 2nd Budget Review has identified a favourable net cash adjustment of **\$0.065m**. Adding this to the current forecast cash deficit of (\$0.487m) leaves a revised full year forecast cash deficit of (\$0.422m), a favourable movement of \$0.259m against the original adopted budget deficit of \$0.681m.

Operating Statement

The 2nd Budget Review forecasts an operating deficit of \$4.654m, an unfavourable adjustment of \$2.926m from the 1st Budget Review deficit of \$1.728m.

While the Operating Statement reflects an unfavourable adjustment of \$2.926m from the first budget review surplus, these adjustments are predominantly due to the inclusion of operating Council Resolutions of \$0.269m and non-cash budget adjustments of \$2.487m.

Operating Statement Reconciliation		\$
1st Budget Review Operating Deficit		(1,728,311)
2nd Budget Review Adjustments		
Developer Contributions received - transferred to Open Space Reserve (favourable)	126,844	
Marion Outdoor Pool net income (favourable)	87,074	
Employee Recruitment Costs (unfavourable)	(195,414)	
Hard Rubbish Waste Collections (unfavourable)	(69,605)	
Other various net adjustments (unfavourable)	(117,745)	(168,846)
Non Cash Adjustments		
Reclassification from Capital to Operating (unfavourable) *	(2,372,294)	
Increase in Depreciation (unfavourable) *	(115,000)	(2,487,294)
Total 2nd Budget Review Adjustments		(2,656,140)
Revised 2021/22 Operating Surplus/(Deficit) before Council Resolutions		(4,384,451)
Less Operating Council Resolutions		
Funding allocated through confidential resolutions	(150,000)	
MCC Café Operations (GC211026F16.1)	(75,000)	
Rainwater Tank Scheme (GC211012R11.1)	(32,500)	
Oaklands Wetlands Education Centre (GC211026R10.10)	(11,864)	(269,364)
Revised 2021/22 Operating Deficit		(4,653,815)

**No cash impact. Relates to accounting classification only*

The non-cash reclassification from Capital to Operating expenditure of \$2.372m relates to the accounting classification of the operational element of capital projects, the total project budgets remain unchanged from a cash perspective. This reclassification is predominantly the result of Streetscape works at Alawoona Avenue PLEC project (\$991k), Sturt Road (\$228k), Birch Crescent (\$148k).

Labour Budgets

Labour Budgets remain unchanged at \$39.912m. A further comprehensive review of the labour budgets will be performed during the 3rd Budget Review scheduled for April. Current market conditions for the attraction of appropriately skilled resources is proving challenging. With closed borders there has been a high demand for the available skilled resources which has driven market rates up.

Capital Budgets

The 2nd Budget Review forecasts capital expenditure decreasing by \$6.219m from \$59.554m to \$53.335m (Renewal \$14.775m, New \$38.560m). This decrease is predominantly due to the reclassification from Capital to Operating (\$2.372m) as part of the Capital Works program review and the forecast retiming of sports courts redevelopments to 2022-23 (\$2.240m).

Adjustments to Capital Works Program	\$'000
<u>Reductions</u>	
Reclassification from Capital to Operating expenditure on Capital	(2,372)
Sports Courts Redevelopment retimed to 2022/23	(2,240)
Drainage savings	(725)
Majors Road Footpath retimed to 2022/23	(574)
Building Renewal reduction due to savings & project removal	(530)
Footpath Construction net savings	(302)
Roads & Kerbs net program savings	(206)
Traffic Devices net savings following removal of works from prog	(148)
<u>Additions</u>	
Confidential Council Resolution	530
Sturt Road Streetscapes - Marion to Diagonal Rd Overspend	403
Messines Avenue Streetscape (GC210914R11.1)	172
Other various net adjustments	(227)
	<u>(6,219)</u>

Borrowings

The 2nd Budget review forecasts no change to the original budget level of required loan funding or loan principal repayments.

Council also currently has substantial cash backed reserves and further consideration of the timing of taking out future borrowings will be reviewed as part of the 2022-23 Annual Business Planning process.

Reserves

The 2nd Budget Review reports a decrease in the use of Reserves of \$2.904m mainly as a result of the forecast retiming of sports courts redevelopments and Majors Road Footpath projects being transferred to Grants & Carryovers Reserve to be retimed to 2022-23.

Decrease in use of reserves	\$'000
Sports Courts Redevelopment retimed to 2022/23	2,238,770
Majors Road Footpath retimed to 2022/23	574,000
Developer Contribution transferred to Open Space Reserve	126,844
Other minor Reserve transfers	(35,453)
	2,904,161

Year to Date Actual v Approved Budget

During the original budget preparation, budget owners forecast monthly timing of their income & expenditure budgets. The basis for allocating timing of the budgets is to default to the applicable timing of the income & expenditure incurred from the prior year with adjustments made for expected variations. For new budgets and the capital works budgets, forecasts are provided based on the planned program of works.

At any time during the year timing variances will occur where the income or expenditure does not fall into the predicted month. These timing variances are not expected to impact on the end of year results but do require budget timing adjustments during the budget review process to realign the budgets. During the budget review process all budgets are reviewed to ensure that the current budget for the year is still appropriate.

Where the year to date actual is off track, either favorable or unfavorable, and it is not related to the timing of the monthly budget allocations, budget review adjustments are made that will impact on the end of year variance against the adopted budget.

Appendix 1 of the financial statements contains the Year to Date Actual v Budget Comparison Report.

Carryovers

The current status of programmed capital works budgets carried over from 2020-21 (\$4.257m) as at the 31st January 2022 is provided below:

	Council Funded 2020-21 Capital Budget	Carry Over Budget	Completed	Budget Remaining
Infrastructure	10,003,512	815,260	362,688	452,572
Land & Property	4,971,526	2,054,911	1,062,361	992,550
Open Space Planning	3,201,476	685,712	433,263	252,449
Other	1,095,149	700,958	575,909	125,049
Total	19,271,663	4,256,841	2,434,221	1,822,620

These works are currently in progress and expected to be completed by the 30th June 2022.

ATTACHMENTS

1. FRA C 220222 R - Appendix 1 - 2 nd Budget Review 2021-22 [7.6.1 - 10 pages]
2. FRA C 220222 R - Appendix 2 - 2 nd Budget Review 2021-22 [7.6.2 - 1 page]

APPENDIX 1

CITY OF MARION Budgeted Funding Statement		YTD Actual (31 Jan 2022)	YTD Budget (31 Jan 2022)	YTD Variance	Note	2021/22 1st Review	2021/22 2nd Review	2nd Review Variance
		\$'000	\$'000	\$'000		\$000's	\$000's	\$000's
OPERATING REVENUE								
	Rates	47,630	47,600	30		81,730	81,793	63
	Statutory Charges	1,443	1,463	(20)		2,106	2,109	3
	User Charges	1,708	1,547	161	1	2,786	2,653	(133)
	Operating Grants and Subsidies	4,003	3,804	199	2	9,240	9,714	474
	Investment Income	258	202	56		346	347	1
	Reimbursements	681	625	56		1,073	1,242	169
	Other Revenues	391	363	28		644	878	234
	Share of Profit - Equity Accounted Investments	-	-	-		365	365	-
		56,114	55,604	510		98,290	99,101	811
OPERATING EXPENSES								
	Employee Costs	21,461	22,147	(686)	3	39,912	39,912	-
	Contractual Services	16,868	15,136	1,732	4	28,777	32,467	3,690
	Materials	2,670	3,023	(353)	5	5,660	5,496	(164)
	Finance Charges	123	125	(2)		252	250	(2)
	Depreciation	9,382	9,412	(30)		16,135	16,250	115
	Other	5,397	5,190	207	6	9,282	9,380	98
		55,901	55,033	868		100,018	103,755	3,737
	Operating Surplus/(Deficit) before Capital rev's	213	571	(358)		(1,728)	(4,654)	(2,926)
Add								
(a)	Capital Revenue							
	Capital Grants and Contributions	274	2,053	(1,779)	7	4,609	4,169	(440)
	Physical Resources received free of charge	-	-	-		-	-	-
	Asset disposal and fair value adjustments	(76)	-	(76)		-	-	-
Equals	Net Surplus/(Deficit) resulting from operations	411	2,624	(2,213)		2,881	(485)	(3,366)
Add	Depreciation	9,382	9,412	(30)		16,135	16,250	115
	(Gain)/Loss on disposal of assets	76	-	76		-	-	-
	Share of Profit SRWRA	-	-	-		(365)	(365)	-
Equals	Funding available for Capital Investment exp	9,869	12,036	(2,167)		18,651	15,400	(3,251)
	Capital							
Less	Capital Expenditure - Renewal	3,582	6,838	(3,256)	8	17,747	14,775	(2,972)
Less	Capital Expenditure - New	18,895	26,373	(7,478)	9	41,807	38,560	(3,247)
Less	Capital - contributed assets	-	-	-		-	-	-
Equals	Net Overall funding Surplus/(Deficit)	(12,608)	(21,175)	8,567		(40,904)	(37,935)	2,969
Funding transactions associated with accomodating the above net overall funding deficit (or applying the net overall funding surplus) are as follows:								
	LOANS							
	Loan Principal Receipts (Net)	-	-	-		10,920	10,920	-
	Loan Receipts from Sporting Clubs (Net)	-	-	-		-	-	-
Less	Loan Principal Payments	407	407	-		827	827	-
	Loan funding (Net)	(407)	(407)	-		10,093	10,093	-
	Movement in level of cash & accruals							
(b)	Cash Surplus/(Deficit) funding requirements	17,308	8,741	8,567		(488)	(422)	66
	Reserves Net (transfer to/(transfer from))	(30,323)	(30,323)	-		(30,323)	(27,420)	2,903
	Cash/Investments/Accruals Funding	(13,015)	(21,582)	8,567		(30,811)	(27,842)	2,969
Equals	Funding Transactions	12,608	21,175	(8,567)		40,904	37,935	(2,969)

APPENDIX 1

Year to Date Variance Analysis			
Note	Description	Variance \$	Comments
1	User Charges	161	Favourable variance predominantly relates to timing of the Marion Outdoor Pool income in addition to income tracking higher than expected. Budget has been increase by \$87k in BR2
2	Operating Grants	199	Favourable variance reflects timing of grants received earlier than predicted and small unexpected grants received but not budgeted for
3	Employee Costs	(686)	Favourable variance due to timing lag in agency staff expenditure and savings from temporary vacant positions
4	Contractual Services	1,732	Unfavourable timing variances with regards to Trees (\$292k), Sturt Road Streetscapes (\$223k), prepayment of IT licences (\$195k), Recruitment costs (\$137k) and Alawoona Avenue Streetscape expenditure reclassified from capital to operating
5	Materials	(353)	Favourable timing variance relating to Electricity (\$135k), Gardening & Tree supplies (\$136k)
6	Other Expenses	207	Favourable variance relating to timing of Insurance Premium payments (\$90k), Learning & Development (\$75k)
7	Capital Grants & Contributions	(1,779)	Unfavourable timing variance relating to the Local Roads & Community Infrastructure grant not yet received
8	Capital Expenditure Renewal	3,256	Variance reflects timing of Road Reseal program (\$1,178k), Footpath Construction (\$640k), Alawwona Avenue Streetscape allocated to operating (\$991k) and various other insignificant timing variances
9	Capital Expenditure New	7,478	Reflects timing of progress payments for Mitchell Park Sports and Community Club Redevelopment (\$3,810k) and Southern Soccer Regional Facility (\$1,181k), timing of Capella Drive Reserve (\$800k), Birch Crescent Streetscape (\$483k), Tarnham Road Tennis Court Redevelopment (\$425k), Hugh Johnson Reserve (\$3151k) and a number of other variances which are individually insignificant

APPENDIX 1

Financial Indicators

To assist Council in meeting its objective of financial sustainability a series of financial indicators endorsed by the Local Government Association are provided. The following table provides a matrix of indicators of the 2nd Budget Review 2021/2022 and compares the forecast results against the target rate:

Key Ratios	Target	2021-22 Forecast
Operating Surplus Ratio	0 - 10%	-4.70%
<i>This ratio expresses the operating surplus as a percentage of total operating revenue</i>		
Target :	Average between 0-10% over each consecutive 5-year period	
Comment :	Positive ratio indicates that Council has sufficient operating revenue to cover operational expenses The average Operating Surplus over the past five years is 6%. Ratio has been impacted by the Digital Transformation Project in 2021-22	
Net Financial Liabilities Ratio	0 - 50%	5.13%
<i>This ratio indicates the extent to which net financial liabilities can be met by total operating revenue</i>		
Comment :	This result indicates Council's Financial Liabilities are forecast to exceed its Financial Assets. This ratio falls within the target range. Council's capacity to meet its financial obligations remains strong	
Debt Servicing Ratio	0 - 5%	1.08%
<i>This ratio identifies Council's ability to service its debt obligations (principal & interest) from operating revenues</i>		
Comment :	This ratio falls within the target range and indicates Council has a low debt holding and is well positioned for future borrowings outlined in the Long Term Financial Plan	
Asset Renewal Funding Ratio	90 - 110%	100%
<i>This ratio indicates whether Council is renewing or replacing existing assets at the rate of consumption</i>		
Comment :	The ratio can vary from year to year dependant on the renewal capital expenditure. Council's Long Term Financial Plan is set to achieve an average Asset Renewal Funding Ratio of 100% over the next three years	
Asset Consumption Ratio	80 - 100%	74%
<i>This ratio shows the consumption of the asset stock at a point in time and indicates the assets remaining useful life</i>		
Comment :	This ratio indicates that while falling under the target range Council's overall asset base has on average a relatively high remaining useful life	

APPENDIX 1

Attachments to Appendix 1

- Attachment 1 – Budgeted Income Statement
- Attachment 2 – Budgeted Statement of Financial Position
- Attachment 3 – Budgeted Statement of Changes in Equity
- Attachment 4 – Budgeted Statement of Cash Flows
- Attachment 5 – Consultants

APPENDIX 1

ATTACHMENT 1

CITY OF MARION		
Budgeted Income Statement		
	Actual	2nd
	2021	Review
	\$000's	2022
		\$000's
OPERATING REVENUE		
Rates		
General	78,184	79,710
Other	1,995	2,083
Statutory Charges	2,175	2,109
User Charges	2,701	2,653
Operating Grants and Subsidies	9,819	9,714
Investment Income	503	347
Reimbursements	872	1,242
Other Revenue	902	878
Net Gain - Equity Accounted Council Businesses	173	365
TOTAL OPERATING REVENUE	97,324	99,101
OPERATING EXPENSES		
Employee Costs	38,238	39,912
Contractual Services	26,927	32,467
Materials	5,276	5,496
Finance Charges	335	250
Depreciation	15,963	16,250
Other Expenses	10,329	9,380
Net Loss - Equity Accounted Council Business	-	-
TOTAL OPERATING EXPENSES	97,068	103,755
Operating Surplus/(Deficit) before Capital Revenues	256	(4,654)
CAPITAL REVENUES		
Capital Grants, Subsidies and Monetary Contributions	9,542	4,169
Physical resources received free of charge	2,001	-
Asset disposal and fair value adjustments	(2,102)	-
Net Surplus/(Deficit) resulting from Operations	9,697	(485)

APPENDIX 1

ATTACHMENT 2

CITY OF MARION		
Budgeted Statement of Financial Position		
	Actual 2021 \$000's	2nd Review 2022 \$000's
<u>CURRENT ASSETS</u>		
Cash & Cash Equivalents	54,012	26,170
Receivables	8,110	8,110
Inventory	311	311
TOTAL CURRENT ASSETS	62,433	34,591
<u>CURRENT LIABILITIES</u>		
Trade & Other Payables	17,721	17,721
Provisions	6,430	6,430
Borrowings	827	1,961
Lease Liabilities	15	15
TOTAL CURRENT LIABILITIES	24,993	26,127
Net Current Assets/(Liabilities)	37,440	8,464
<u>NON-CURRENT ASSETS</u>		
Investment in SRWRA & Council Solutions	6,627	6,992
Infrastructure, Property, Plant & Equipment	1,129,486	1,166,571
Other Non-Current Assets	10,328	10,328
TOTAL NON-CURRENT ASSETS	1,146,441	1,183,891
<u>NON-CURRENT LIABILITIES</u>		
Provisions	702	702
Borrowings	3,564	12,523
Lease Liabilities	11	11
TOTAL NON-CURRENT LIABILITIES	4,277	13,236
NET ASSETS	1,179,604	1,179,119
<u>EQUITY</u>		
Accumulated surplus	403,189	430,124
Asset Revaluation Reserves	732,120	732,120
Other Reserves	44,295	16,875
TOTAL EQUITY	1,179,604	1,179,119

APPENDIX 1

ATTACHMENT 3

CITY OF MARION		
Budgeted Statement of Changes in Equity		
	Actual	2nd
	2021	Review
	\$000's	2022
		\$000's
ACCUMULATED SURPLUS		
Balance at beginning of period	396,604	403,189
Net Surplus/(Deficit)	9,697	(485)
Adjustments	-	-
Transfers from Reserves	(3,112)	28,121
Transfers to Reserves	-	(701)
Balance at end of period	403,189	430,124
ASSET REVALUATION RESERVE		
Balance at beginning of period	753,528	732,120
Net change this year	(21,408)	-
Balance at end of period	732,120	732,120
OTHER RESERVES		
Balance at beginning of period	41,183	44,295
Net change this year	3,112	(27,420)
Balance at end of period	44,295	16,875
Total Reserves	776,415	748,995
TOTAL EQUITY	1,179,604	1,179,119

APPENDIX 1

ATTACHMENT 4

CITY OF MARION Budgeted Statement of Cash Flows		
	Actual 2021 \$000's	2nd Review 2022 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Receipts</i>	103,808	98,736
<i>Payments</i>	(85,579)	(87,505)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,229	11,231
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Receipts</i>		
Loans Received	-	10,920
Proceeds from Bonds & Deposits	-	-
<i>Payments</i>		
Principal	(1,244)	(827)
Repayment of Finance Lease Liabilities	(143)	-
Repayment of Bonds & Deposits	-	-
NET CASH (USED IN) FINANCING ACTIVITIES	(1,387)	10,093
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Receipts</i>		
Capital Grants/Subsidies & Contributions/Investments	5,983	4,169
Sale of surplus assets	416	-
Sale of replaced assets	385	-
Distributions from Equity Accounted Investments	-	-
<i>Payments</i>		
Purchase of IPP&E	(23,845)	(53,335)
NET CASH (USED IN) INVESTING ACTIVITIES	(17,061)	(49,166)
NET INCREASE/(DECREASE) IN CASH HELD	(219)	(27,842)
CASH AT BEGINNING OF REPORTING PERIOD	54,231	54,012
CASH AT END OF REPORTING PERIOD	54,012	26,170

APPENDIX 1

ATTACHMENT 5

CONSULTANTS

Consultants are defined as an expert called on to provide professional or technical advice not currently available within the organisation. An analysis of Council's accounts reveals the following information of actual year to date (to 28th January 2022) expenditure versus full year actuals for 2020/21 relating to expenditure on Consultants of an operating nature:

Legal Consultants <i>(As at 28th January 2nd Budget Review)</i>	Full Year Actual 2020-21	Actual YTD 2021-22
People & Culture (<i>Employment advice</i>)	92,698	19,076
Environmental Health	440	1,722
General Inspection (<i>Dog/Cat & Parking Control</i>)	33,813	11,158
Governance	9,402	3,908
Financial Services	641	100
City Activation	9,241	2,975
Asset & Property Management	41,668	34,875
Development Assessment	97,415	61,218
Civil Services	1,368	2,448
Open Space Services	140	1,319
Community Development	7,817	390
Urban Renewal	0	9,080
Infra Mgt (Engineering)	0	2,870
Total Legal Consultants Expenditure	294,643	151,139
Full Year Budget		232,838

APPENDIX 1

Other Consultants (excluding legal) (As at 28th January 2nd Budget Review)		Full Year Actual 2020-21		Actual YTD 2021-22
Development Assessment	(a)	66,235	(a)	24,881
Open Space Services		88,379		38,525
Process Improvement		36,059		0
Asset & Property Management		25,761		31,349
Community Facilities Development	(b)	127,789	(b)	63,586
City Activation		23,730		1,027
Civil Services		25,424		0
Contracts & Purchasing		4,484		0
Customer Experience		0		52,200
Governance		20,655		4,080
People & Culture		74,523		14,795
Information Mgt & Technology	(c)	488,580	(c)	227,565
Infrastructure Management (Engineering)		36,745		52,473
Libraries		73		0
Strategic Development		8,666		32,900
Strategy, Performance & Innovation		23,020		3,000
Urban Renewal		75,194		2,375
Recruitment		241,563		187,208
Total Consultants Expenditure		1,366,880		735,964
Full Year Consultants Budgets				2,027,804
CAP Meetings	(a)	24,450	(a)	16,545
Other Projects		41,785		8,336
		66,235		24,881
Marino Hall Feasibility Study	(b)	55,110	(b)	0
Cove Sports Club Feasibility Study		37,394		58,032
City of Marion Museum Feasibility Study		27,925		0
Other Projects		7,360		5,554
		127,789		63,586
Digital Transformation Project	(c)	473,594	(c)	227,565
Other Projects		14,986		0
		488,580		227,565

APPENDIX 2

2nd Budget Review 2021-22 - Capital Works removed from Budget	
Job	Details
Roadworks at The Cove Road, Hallett Cove	The surface condition of the road was inspected and no intervention is required for reseal yet. Water main has recently burst on Cove Road and currently undertaking surveys to ensure movement has settled before resealing. Load restriction is currently in place with a lower risk of further deterioration. To defer and reassess in the 2022/23 road reseal program
Roadworks at Railway Court, Sheidow Park	SA Water works and trenching along the entire length of the court. Will consider these works in the 2022/23 road reseal program
Roadworks at William Webb Drive, Sheidow Park	SA Water works and trenching along the entire length of the court. Will consider these works in the 2022/23 road reseal program
Roadworks at Tarrana Avenue, Plympton Park	Minor works no longer deemed required for this section of the road reseal
Roadworks at High Street, Seacliff Park	Inspection of the surface revealed only crack sealing was required rather than a full road reseal
Roadworks at Rosedale Avenue, Morphetville	Minor works no longer deemed required for this section of the road reseal
Parking Bays at River Parade, Hallett Cove	Informal consultation undertaken with residents on the street identified potential issues with the proposed installation of the parking bays including visual amenity of the street, potential anti social behaviour and issues extending parking bay on western side due to coastal revegetation areas and slope drop off. Works removed from this years program with a view to look at alternative options in future years programs
Parking Bays at Collins Avenue, Edwardstown	Collins Street was part of the Street Tree Planting schedule last year which saw trees planted on or near some locations that were noted for indented parking. Upon further review it was recommended to review current parking restrictions in the street (currently 1 and 2 hour parking) to provide greater benefit to train commuters. Previous consultation to alter restrictions only received 25% response so will look for further input from the community before committing works
Parking Bays at Park Terrace, Morphetville	The Morphetville Racecourse Redevelopment (SAJC) is likely to modify or alter the function of Park Terrace so these works will be deferred until further information is known on their project

8 Reports for Noting

8.1 Service Review Program and recommendations progress update

Report Reference	FRAC220222R8.1
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, Risk 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 28 January 2022.

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 42 services (25 service reviews). The program has had several changes over time to both the leadership and delivery approach. With the appointment of our 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, Risk and Audit Committee notes:

1. **That a Cross Council Improvement Lead has commenced and will lead collaborative improvement initiatives across the three councils, the program is still in 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 August meeting of the Finance, Risk 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. The CoM's Executive Leadership Team (ELT) discussed a future approach to the program at its planning session on 24 September 2021.

At the last meeting of the Finance, Risk and Audit Committee (FRAC211214) it was reported that an update will be provided to the Committee once developments progress and the Elected Member planning day has occurred (January 2022).

DISCUSSION

Service Review Program

Anthony James the new Cross Council Improvement Lead has commenced and will lead collaborative improvement initiatives across the three councils (Marion, Charles Sturt, and Port Adelaide Enfield), the program is still in development.

Implementation of recommendations from service reviews

There are currently six reviews with open recommendations (and actions), key highlights of actions implemented in this period (as of 28 January 2022) include:

- As part of the Public Litter review implementation, the Land & Property team have confirmed standard council lease agreement now leave accountability for waste management with those leasing council properties. As current leases expire, they are being replaced with the revised council lease agreements.
- To support better and faster sharing of relevant information, a new TV has been installed at Coinda Neighbourhood Centre (NC), with another to be installed at Mitchell Park NC as part of the new build, this recommendation has now been closed.

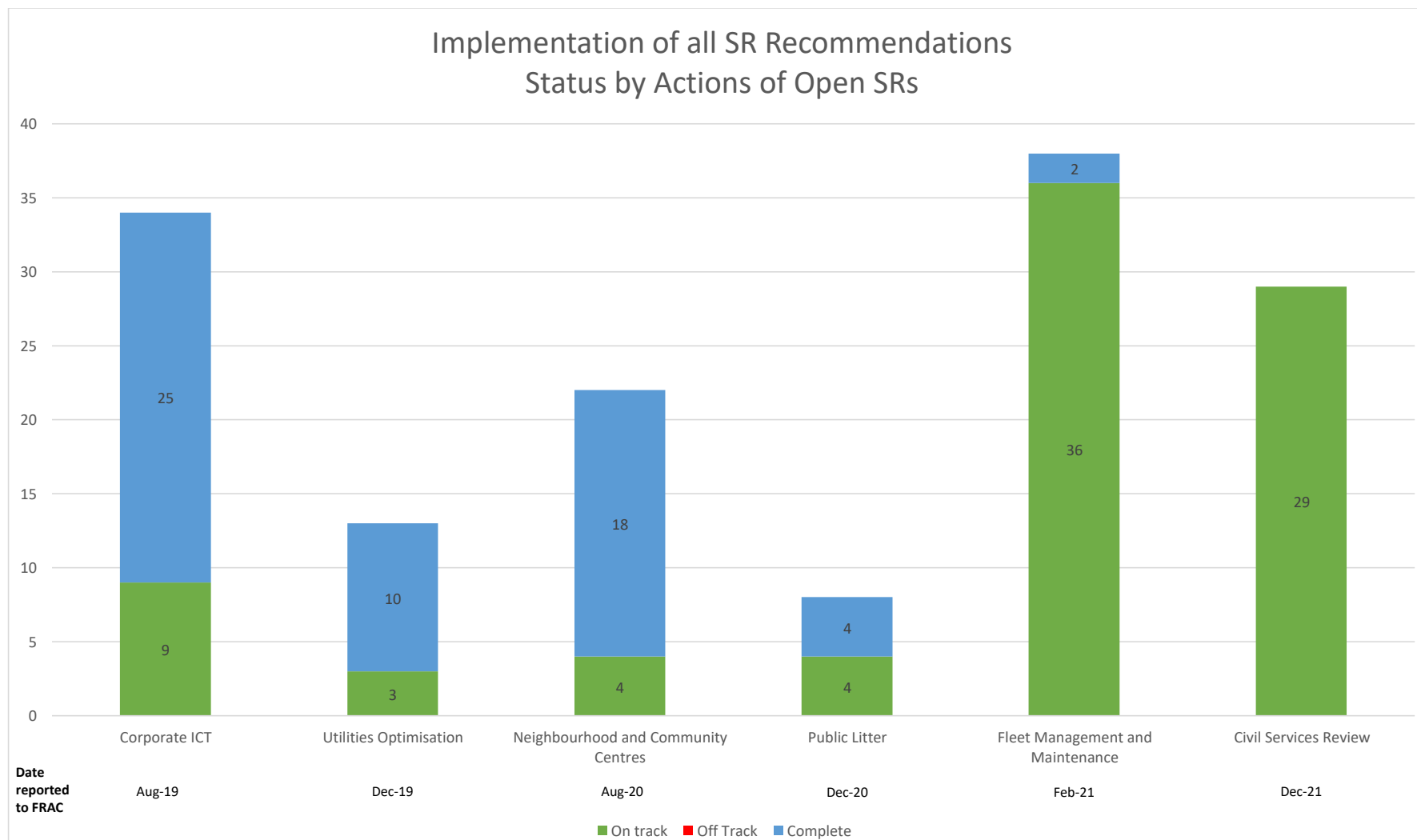
Refer Appendix 1 for more detail.

ATTACHMENTS

1. FRA C 220222 for Noting - Service Review Program and Recommendations Progress Update
- Appendix 1 [8.1.1 - 4 pages]

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

(Status as at 28/1/2022 based on tracking against original completion dates)



Open Service Reviews - Recommendations - Progress Update

(Status as at 28/1/2022 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	4	-	18	82%	<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. The proposed new structure (an outcome of the workforce plan) has been endorsed by the Executive Budget Committee and has been adopted. The new Team Leader has started and recruitment is continuing for the other vacant positions.</p> <p>The operations of the centres have moved to a more centralised approach which has been working well. Data, systems and analysis continue to be a focus to ensure that good decision making and reporting is consistent across the Neighbourhood Centres and their programs.</p> <p>ICT has installed a new TV at Cooida and on additional review Glandore and Trott Park will not be replaced due to layout out of buildings, amount of foot traffic etc. The cost of the devices outweighs the benefit at these locations. Mitchell Park will be implemented in March 2022 as part of the new build.</p>
	Operations	Civil Services Review	Dec-21	Jan-23	24	29	29	-	-	-	Progress is tracking very well, week commencing 31/1/22 time and motion process mapping on site with crews has started.
				Division Total	46	51	33	-	18	35%	

Open Service Reviews - Recommendations - Progress Update

(Status as at 28/1/2022 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
Corporate Services	Information Services	Corporate ICT (cross council)	Aug-19	June-21	14	34	9	-	25	74%	Senior DTP IT Manager position currently vacant, replacement being recruited for.
	Strategic Procurement	Utilities Optimisation (cross council)	Dec-19	Feb-23	10	13	3	-	10	77%	Remaining recommendations to be actioned closer to their due dates: - May 2022 and 2023 (annual review of the performance of the team) - February 2023 (the team are recruited on three-year contracts and the value of the function to the community is tested prior to contract renewal)
		Public Litter	Dec-20	Dec-22	6	8	4	-	4	50%	Several actions have been closed off during Jan 2022, with remaining actions requiring further work by respective dues dates.
		Fleet Management & Maintenance	Feb-21	Jul-22	10	38	36	-	2	5%	The initial focus of the Collaborative Fleet Manager has been on the tendering and delivery elements of the program to date, given the supply chain issues. Work has commenced to address recommendations, with this to be finalised by 31 March 2022.
	Division Total				40	93	52	-	41	44%	

***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 28/1/2022 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

8.2 DTP Update

Report Reference	FRAC220222R8.2
Originating Officer	General Manager Corporate Services – Sorana Dinmore
Corporate Manager	- N/A
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT HISTORY

Report Reference	Report Title
FAC211012R7.5	Digital Transformation Program Update

REPORT OBJECTIVE

The purpose of the report is to update the committee members on the progress of the Digital Transformation Program (DTP).

EXECUTIVE SUMMARY

The program delivery is continuing, and satisfactory progress is being made, despite delivery challenges and significant human resourcing constraints. It is difficult to recruit resources due to the market offering, level of expected salaries and strong competition for talent as identified last quarter, and significant activity has occurred to mitigate this issue.

RECOMMENDATION

That the Finance, Risk and Audit Committee:

1. Note the update on the Digital Transformation Program.

DISCUSSION

The City of Marion Digital Transformation Program (DTP) is supporting a wholesale change in approach for CoM, putting the community at the centre of our service delivery and responding to the strategic plan imperatives set by Council, through replacing and renewing major technology systems across twelve projects. It is an ambitious program expected to deliver among others, a new finance system, an asset management system, a customer relationship system and cloud-based collaboration tools like Microsoft 365 and GIS ESRI. All projects are underpinned by a digital literacy and cybersecurity awareness project, aimed at our staff, our elected members and our community. The Digital literacy and cybersecurity awareness (DLCA) project is an ongoing program of works which will be delivered collaboratively between IT, People and Culture, Libraries and other teams. The program commenced delivery in April 2020 and is expected to be nearing completion of stage one by December 2022. Stage two, consisting of continuous improvement activities will commence in 2023 with post implementation reviews and ongoing maintenance.

Resourcing

We continue to have turnover in the program and amongst key stakeholders, including recruitment challenges, which are delaying the progress of some projects. A remuneration review of existing resources is being undertaken as well as considerable recruitment.

Governance reviews and audits

EQI consulting have commenced their second review in late January, with the report expected in February. As discussed at the last meeting, the internal auditors KPMG will also review the program as part of their IT audit in the latter part of 2022. The results will be brought to the committee for information as they become available.

FEBRUARY 2022 UPDATE

CoM 1: DLCA (Digital Literacy and Cybersecurity Awareness)

This project has been delayed due to lack of project manager. While we have recruited a Project Manager in January, their focus is on HRIS and CRM during their first two months and DLCA will ramp up shortly.

CoM 2: HRIS (Human Resources Information System including Payroll project)

While the Payroll system is in post implementation review stage, the HRIS system (also contracted to be delivered by Aurion) has been planned out and ready for sign off and moving into the implementation stage.

CoM 3: CRM (Customer Relationship Management)

The CRM system in Salesforce went live at the end of November and indications are that it has been well received by staff and is supporting more efficient service delivery. Dashboard reports are available 'out of the box' and the project team are refining them before launching to the management team.

CoM 4: Asset management System

is well underway with Assetic, the chosen partner and datasets are being imported into the system.

CoM 5: Finance system

FinancialForce build and configuration continues and is within schedule.

CoM 6: Microsoft 365

Considerable works have been undertaken in relation to the upgrading of internal servers' capabilities to enable the finalisation of the Microsoft365 project. Continued efforts are required for successful completion.

CoM 7 and 8: The SharePoint project and GIS have transferred into ongoing maintenance, post completion.

CoM 9: Data and analytics project

was going to be a joint undertaking with CCS and PAE, which has been delayed due to the lack of a cross council resource. Progress has been made internally due to the CRM team producing analytics dashboards for users, management and executive, as well discussions held with Gartner informing the development of an inhouse CoM strategy and an environmental scan. Data Analyst attrition has set back the project again in February.

CoM 10: The Unified communications project

Has also been challenged by the lack of an internal resource to progress work, following the withdrawal from the joint tender with CCS. Separating out Contact Centre and general staff requirements and utilising our new Microsoft licenses level should yield great functionality. Again, discussions with Gartner analysts are supporting a model which management are hoping to progress once the PM is on the ground.

CoM 11: The Devices Fleet Management project

Has seen some progress through good business analytics work despite the lack of project manager - devices requirements have been finalised and the project has moved to the procurement step –

this is another significant milestone in our journey towards digital literacy by providing greater choice in the devices we use.

CoM 12: AV Access in meeting rooms

Another project which has been slowed due to the lack of project manager is the AV access in meeting rooms – while we have enabled most rooms with Meeting Owl Pros and TVs, the staff education is still lacking and the chamber solution is not finalised. The program status update and the roadmap provide some further information on progress.

ATTACHMENTS

1. Program Status - February 2022 ELT [**8.2.1** - 2 pages]
2. 4. Program Road Map Timeline [**8.2.2** - 2 pages]

Digital Transformation Update: 28th January (for February ELT)											
Digital Transformation Program	Orig. End date	F/cast 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	Oct-22	Amber	Amber	Green	Green	Amber	Red	Red	Refer to project issues below. Two projects (Property Management System & Booking System) requested to be in scope, but BAs haven't been assigned yet due to other priorities Change Manager gap needs to be resolved - impacts multiple projects	Address the Project reds and ambers below Part Time external Senior Change Manager will oversee and complete critical Program and Project activities from January 2022. We will still need the Change Manager role replaced. Decision on PMS & Booking System request post preliminary BA assessment
Dig. literacy & cyber sec. awareness	May-20	Aug-21	Red	Red	Green	Green	red	Red	Red	Scope: awaiting review and sign off Schedule: Overall schedule not fully developed. High level schedule in the scope doc	Scope: awaiting review and sign off Schedule: finalise full schedule Resources: need to assign PM
Payroll +HRIS	Jan-22	Jan-22	Red	Red	Green	Amber	Amber	Red	Red	Scope: Learning Management System (Kineo's) currently not included in budget + schedule Schedule: Program Schedule had HRIS to be implemented in by Dec 2021 - Aurion have provided new HRIS schedule Resource: BA on HRIS is un-allocated. Benefits: internal resources are spending more manual effort checking Aurion's output than originally anticipated.	Scope: To be addressed in later phase of COM 2 Schedule: Review new schedule, request Steering committees endorse Resource: Review the resource pool. Benefits: Kevin and Jackie scoping the issues / enhancements and putting together a proposal
CRM system	Jul-22	Jul-22	Green	Amber	Green	Green	Amber	Amber	Amber	Resourcing: Senior PM (SLT) role vacant Schedule: New PM is reviewing Schedule. Phase two and three need more detail. Phase one has some gaps to address.	Resourcing: address gap Schedule: Refresh schedules, gain approval and assign resources
AMIS	Jul-22	Jan-23	Green	Green	Green	Green	Green	Green	Green		
Financial transformation	Oct-22	Feb-23	Green	Green	Red	Green	Green	Amber	Amber	Cost: Property and Rating module build quote exceeds budget significantly Risk: Property and Rating module build not locked in for time/cost. More complex than originally thought. May impact Finance implementation	Cost: working with ELT on options and funding Risk: Explore options and contingency. Significant progress made in December and January, still some work to be done before we can announce an outcome.
Microsoft365	Oct-22	Oct-22	Green	Amber	Green	Green	Green	green	green		Schedule: waiting on Sharepoint project outcomes
SharePoint transfer-intelligent intranet	Apr-21	Aug-21	Green	Amber	Green	Green	Green	Green	Green	Schedule: A new issue with Bluepoint archive was identified.	Schedule: Should be finalised by 18/11/21
GIS – ESRI transition	May-21	Jul-21	Green	Green	Green	Green	Green	Green	Green		
Data analytics	Apr-22	Apr-22	Green	Red	Red	Amber	Red	Red	Red	Schedule: overdue since June Cost: we aren't spending the allocated budget and the draft strategy exceeds budget. Benefit: High level summary in scope doc. Resource: CDO resigned 3/8. Cross Council partners would like an external strategy to be developed	Schedule: schedule to be created based on Strategy signed off in Dec21 Resource: work with cross council on solution for CDO. Approval to hire second data analytics person (already budgets). This person will run the project

Digital Transformation Update: 28th January (for February ELT)

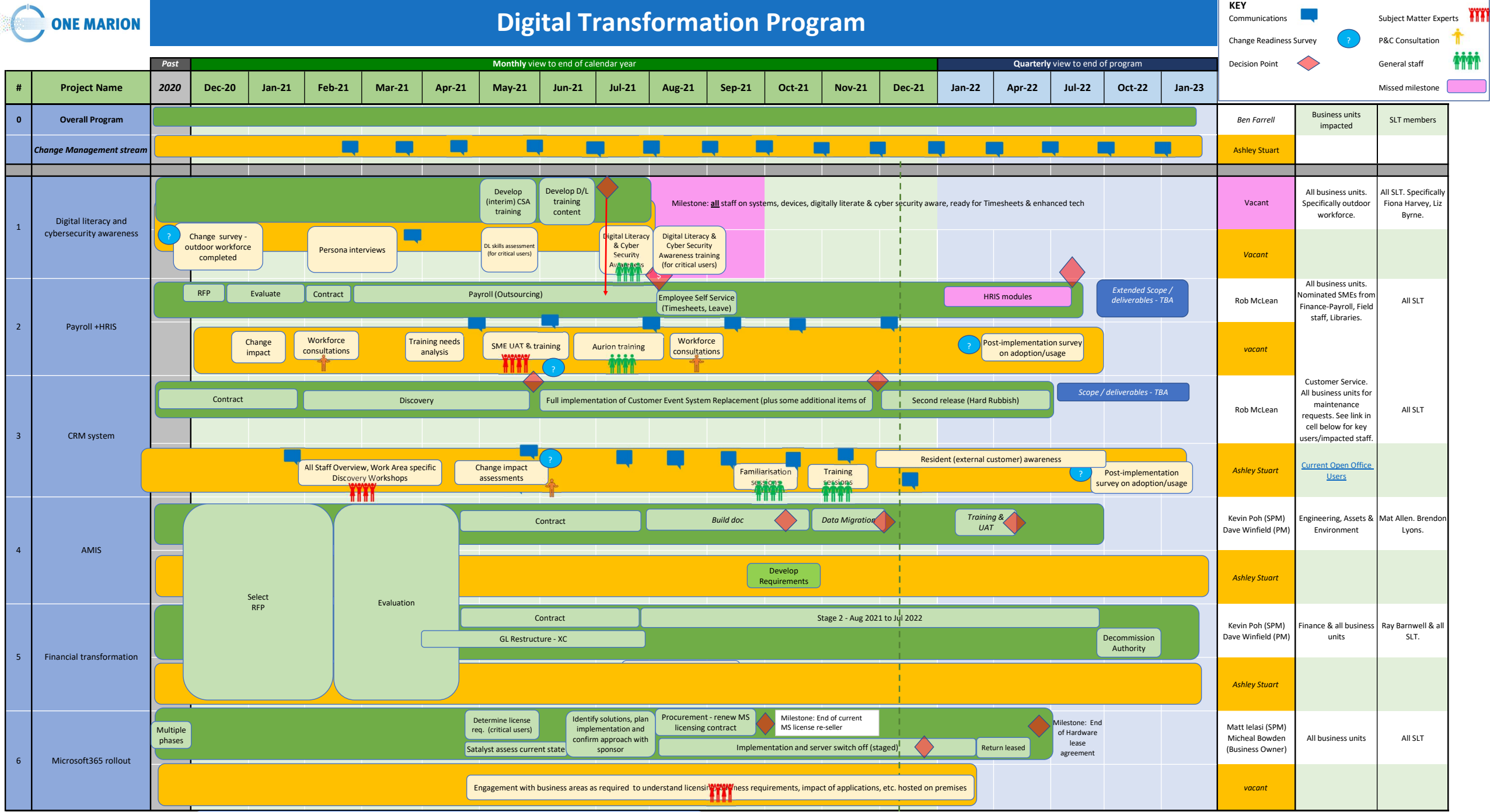
Unified comms	Jun-21	Feb-22	Red	Red	Red	Green	Green	Red	Red	Cost: Tender responses for the joint procurement with CCS were outside budget and deemed too expensive. Schedule: Unable to meet the January implementation timeline	Cost: We'll go back to market as a single organisation (CoM) without CCS. Received verbal advice from Gartner, awaiting written advice. Schedule: To be discussed with ELT. January is not possible, however Gartner advice might help us truncate the process
Devices Fleet management	Jan-21	Dec-21	Green	Red	Amber	Green	Amber	Amber	Amber	Schedule: Not drafted Cost: Not planned / quoted / estimated in detail Resource: SPM Tony Tyler resigned end of October Risk: Fleet device availability unknown due to supply chain issues world wide.	Schedule: Prashant to review the high level schedule of milestones in the Project Delivery Plan, and reverse engineer from the due date of the device replacement target date Cost: Estimate cost should be available by 12/11. Resource: Prashant and Kathryn interim support. Hiring a new SPM. Risk: Procurement processes expedited
AV access in meeting rooms	Dec-20	Dec-21	Red	Red	red	Green	Green	Red	Red	Scope: Document not signed off Schedule: Original timeframes missed. Cost: Chamber screens not in budget	Schedule: Scope and Schedule still have gaps to be worked through.

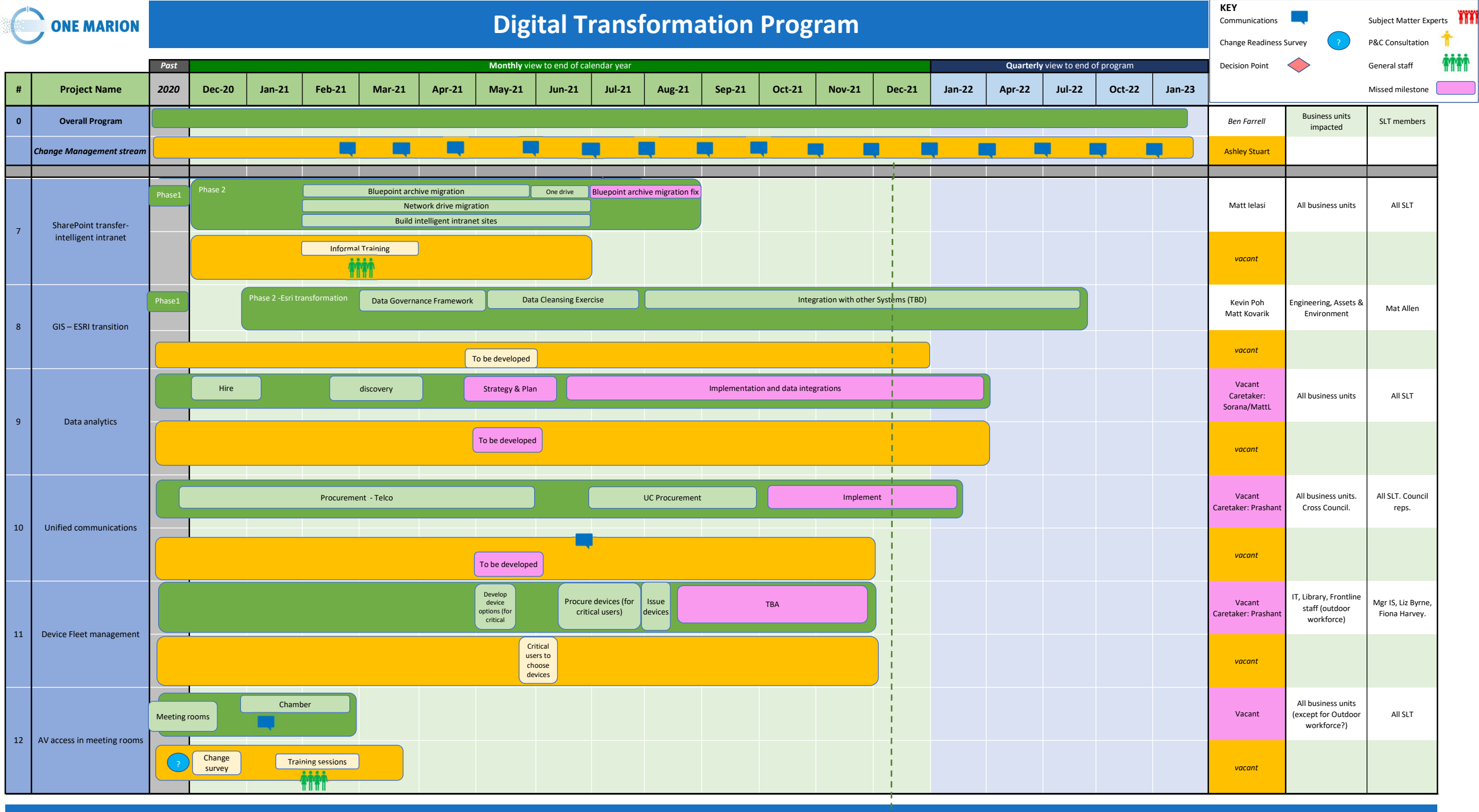
Digital Transformation Program Status Update Discussion areas

Key Program Achievements this Period	Key Program Focus areas for next period
Ruchir (Business Analyst) joins on the 17th January AMIS - group 2 Plant and Fleet data readiness completed	Refer to comments to address Ambers and Reds at Program and Project Level

Program Decisions Required and outcomes	Key Program Actions
Financial Transformation: P&R decision required. Fines and Infringements solution required - paper to be presented	Refer to comments to address Ambers and Reds at Program and Project Level







9 Workshop / Presentation Items**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.