

AUDIT & GOVERNANCE COMMITTEE

AGENDA

Meeting to be held on
30 August 2016, at 6:00pm
in the Unley Council Chambers, Civic Centre
181 Unley Road, Unley

MEMBERS:

Mr John Rawson (Presiding Member)
Mr Ed Parker (Independent Member)
Mr Sean Tu (Independent Member)
Councillor Michael Rabbitt
Councillor Rob Sangster

REPORT TO COUNCIL:

26 September 2016

COMMITTEE MEETING - ORDER OF BUSINESS

APOLOGIES

CONFIRMATION OF MINUTES

MOVED:

SECONDED:

That the minutes of the Audit and Governance Committee meeting, held on Tuesday, 24 May 2016, as printed and circulated be taken as read and signed as a correct record.

BUSINESS ADJOURNED

DEPUTATIONS / PRESENTATIONS

REPORTS OF OFFICERS

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PROPOSED AGENDA ITEMS FOR NEXT MEETING

As per Work Plan approved 22/2016

NEXT MEETING DATE

TBC

CONFLICT OF INTEREST

TITLE:	CONFLICT OF INTEREST
ITEM NUMBER:	31
DATE OF MEETING:	30 AUGUST 2016
ATTACHMENT:	1. CONFLICT OF INTEREST DISCLOSURE FORM

Members to advise if they have any material, actual or perceived conflict of interest in any Items in this Agenda.

CONFLICT OF INTEREST DISCLOSURE FORM

I, _____ have received a
[insert name]

copy of the agenda for the (Ordinary / Special) **Council / Committee / Board**
[delete that which is not applicable]

meeting to be held on _____
[insert date]

I consider that I have a ***material** conflict of interest pursuant to section 73 / ***actual** or ***perceived** conflict of interest pursuant to section 74 *[*delete that which is not applicable]* of the *Local Government Act 1999* ("the LG Act") in relation to the following agenda item:

[insert details]

which is to be discussed by the ***Council / *Committee / *Board** at that meeting.
[delete that which is not applicable]

The nature of my **material** conflict of interest is as follows *[ensure sufficient detail is recorded, including the reasons why you (or a person prescribed in section 73(1) of the LG Act) stands to obtain a benefit or suffer a loss depending on the outcome of the consideration of the matter at the meeting of the Council in relation to the agenda item described above].*

OR

The nature of my **actual** conflict of interest is as follows *[ensure sufficient detail is recorded, including the reasons why the conflict between your interests and the public interest might lead to a decision that is contrary to the public interest in relation to the agenda item described above].*

I intend to deal with my **actual** conflict of interest in the follow transparent and accountable way *[ensure sufficient detail is recorded as to the manner in which you intend to deal with the actual conflict of interest in a transparent and accountable way]*

OR

The nature of my **perceived** conflict of interest is as follows *[ensure sufficient detail is recorded, including the reasons why you consider that an impartial fair-minded person could reasonably consider that you have a perceived conflict of interest in the matter]*

I intend to deal with the **perceived** conflict of interest in the following transparent and accountable way *[ensure sufficient detail is recorded as to the manner in which you intend to deal with the perceived conflict of interest in a transparent and accountable way]*

Signature

Date

CORRESPONDENCE

TITLE: CORRESPONDENCE
ITEM NUMBER: 32
DATE OF MEETING: 30 AUGUST 2016
ATTACHMENTS: 1. CENTENNIAL PARK
2. BDO

MOVED
SECONDED

That the correspondence from:

1. Centennial Park
 - a. Audit and Risk Management Committee Minutes – 8 August 2016
2. BDO
 - b. Interim Report on the 2016 External Audit – 12 August 2016

be received.



MINUTES
OF THE MEETING OF
THE AUDIT AND RISK MANAGEMENT COMMITTEE
HELD: MONDAY 8TH AUGUST 2016
BOARD ROOM

1. OPEN MEETING

The meeting opened at 8.00 am.

PRESENT: Lisa Bishop (Independent Member)
Geoff Vogt (Independent Member)
Grant Martinella (Independent)

IN ATTENDANCE: Janet Miller (Chief Executive Officer, Centennial Park)
Eva Salib (Manager Business & Corporate Services)
Amanda Holden (Mitcham Council)
Michael Carey (Unley Council)
Susan Seymour (Executive Assistant - Minute Taker)
Andrew Tickle (BDO – External Auditor)

1.1. APOLOGIES Nil

1.2. CONFIRMATION OF PREVIOUS MINUTES

The minutes of the meeting of the Audit and Risk Management Committee held Monday 9th May 2016 were circulated with the agenda.

MOVED L Bishop, SECONDED G Martinella that the minutes of the meeting of the Audit and Risk Management Committee held Monday 9th May 2016 be taken as a true and correct record.

CARRIED



1.3. MATTERS ARISING

1.3.1. SCHEDULE OF OUTSTANDING ITEMS

It was noted that the development of the IT Policies had been delayed. The committee asked that these be available for the next meeting.

1.4. DECLARATION OF INTEREST

Members of the Audit and Risk Management Committee were invited to detail any interest in any agenda items that may impact on their fair and reasonable deliberations.

None were declared.

2. REVIEW OF INVESTMENTS

2.1. BUSINESS INVESTMENT

MOVED G Martinella, SECONDED L Bishop:

2.1.1. That the report be received.

CARRIED

3. RISK MANAGEMENT

3.1. BUSINESS RISK ASSESSMENT UPDATE.

The Committee was advised that this report had been provided to the Board summarising the risks and focused on risks with an inherent risk rating of High or Extreme. At the request of the Board, it had been further updated to include the residual risk rating for consideration by the Audit & Risk Management Committee.

The residual risk rating of several categories was questioned and the process of rating the risks after the controls had been assessed was explained. It was agreed that a further analysis was to be undertaken prior to being reported to the Board of Management.

The Chair of the Committee requested that an update on the identification of all in-situ vaults at Centennial Park was to be provided to the Board of Management.

MOVED L Bishop, SECONDED G Martinella:

3.1.1. That the report be received.

CARRIED

3.2. PRELIMINARY JUNE 2016 TRADING RESULTS**CONFIDENTIAL ITEM**

The Committee was advised that minor changes had been made to the Preliminary June 2016 Trading Results following the July 2016 Board of Management meeting.

It was noted that a review was currently underway of the process and system relating to interment right extensions (renewals).

MOVED G Martinella, SECONDED L Bishop:

3.2.1. That the report be received; and

3.2.2. That the Board considers that the report of this agenda item should not be made public on the grounds that the information contained is of a commercial nature, the disclosure of which would confer a commercial advantage on a third party.

CARRIED

3.3. REVIEW OF AGED DEBTORS**CONFIDENTIAL ITEM**

MOVED L Bishop, SECONDED G Martinella:

3.3.1. That the report be received; and

3.3.2. That the Committee considers that the attachment of this agenda item should not be made public on the grounds that the information contained is of a commercial nature, the disclosure of which would confer a commercial advantage on a third party.

CARRIED

4. MATTERS FOR DECISION**4.1. DRAFT ANNUAL ACCOUNTS 2015 - 2016**

The Manager Business and Corporate Services distributed amended pages to the Annual Accounts. General discussion took place as the Committee reviewed the Annual Accounts page by page.

The Committee requested that the minor changes be made and that the amended document then be provided to the Board of Management for adoption.

MOVED G Martinella, SECONDED L Bishop:

4.1.1. That the report be received; and

4.1.2. That the Audit and Risk Management Committee recommend that the Board endorses the Annual Accounts 2015 – 2016 subject to minor amendments.

CARRIED

4.2. MEETING DATES FOR 2017

MOVED L Bishop, SECONDED G Martinella:

- 4.2.1. That the Committee adopts the following meeting dates for the calendar year 2017:**

Monday 20th February 2017

Monday 15th May 2017

Monday 21st August 2017

Monday 20th November 2017

CARRIED

5. FOR INFORMATION**5.1. COMPOSITION OF THE AUDIT & RISK MANAGEMENT COMMITTEE**

The composition of the Audit & Risk Management Committee was noted as resolved by the Board of Management.

MOVED G Martinella, SECONDED L Bishop

- 5.1.1. That the report be received.**

CARRIED

6. OTHER BUSINESS**6.1. CORRESPONDENCE**

The correspondence received from Creative Auditing Pty Ltd accepting the offer of extension to Audit Services to Centennial Park to the financial year ending 30th June 2018 was noted.

MOVED L Bishop, SECONDED G Martinella

- 6.1.1. That the report be received.**

CARRIED

7. NEXT MEETING

The next meeting of the Centennial Park Cemetery Authority Audit and Risk Management Committee is set down for 8.30am Monday 14th November 2016 in the Board Room, Centennial Park Cemetery, 760 Goodwood Road, Pasadena, South Australia.

8. CLOSE OF MEETING

There being no further business the meeting closed at 9.00 am.

Mr John Rawson
Presiding Member - Audit & Governance Committee
City of Unley
PO Box 1
UNLEY SA 5061

12 August 2016

Dear John

INTERIM REPORT ON THE 2016 EXTERNAL AUDIT

We are pleased to provide the members of the Audit and Governance Committee an update on the 2016 External Audit.

We have conducted our interim audit visit, in line with our Audit Plan distributed to the Audit and Governance Committee. Our work to date has covered:

- Our annual assessment of risk and potential implications for the audit of the financial report.
- Our annual assessment of risk and potential implication for the audit opinion on internal controls.
- A review of internal controls and determination of those which will be relied upon and tested as part of our audit strategy for the audit of the annual financial statements.
- Interim testing of internal controls for the audit opinion on internal controls
- Interim testing of a sample of transactions in revenue, operating expenditure and payroll functions.
- Review of interim results and analytical review to identify any unusual trends or items which might require additional audit attention.
- Review of interim testing to ensure that there are no underlying deficiencies in internal controls or matters which would require additional attention as part of our audit on the financial report.

We have also updated our knowledge in relation to matters that may be considered as risks, as identified in our Audit Plan:

Risk	Update at 10 August 2016
Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2016	There were no amounts paid in advance in the year ended 30 June 2016 in respect of the financial assistance grant. Council may wish to include additional disclosures in the financial statements surrounding grant funding as two quarters of the current year was paid and recognised in the financial year ended 30 June 2015. We will review and agree any such disclosures.

Risk	Update at 10 August 2015
Accounting for and valuation of any resources received free of charge	Based on our initial discussions with management our understanding is that this is not a significant issue for the City of Unley.
Revaluation and useful lives of Infrastructure, Land and Buildings	<p>Council revalue all material asset classes on a regular basis such that the carrying values are not materially different from fair value. This revaluation is carried on a rotation basis. During the financial year ending 30 June 2016, Council will revalue recycled water assets.</p> <p>Once this has been reviewed and confirmed by management the necessary adjustments will be made in the accounting records, prior to the finalisation of the records for the year ended 30 June 2016.</p>
Accounting treatment and disclosure of amounts relating to Council's interest in Centennial Park Cemetery Authority, including any changes occurring during the year	We will obtain the statutory financial statements for Centennial Park Cemetery Authority for the year ended 30 June 2016 and confirm that City of Unley have correctly accounted for and disclosed their ownership interest.
Brown Hill Keswick Creek Stormwater Project - project status, treatment of associated costs, and whether a regional subsidiary has been established by 30 June 2016	<p>We understand that a regional subsidiary has not been established. We have been in regular discussion with management regarding this project and have assisted them in responding to enquiries from the Auditor-General.</p> <p>We will consider the presentation of project costs and associated assets in the financial statements for the year ended 30 June 2016, in the course of our final audit visit.</p>
Accounting treatment of items captured within Capital WIP	We have also been briefed by management on the progress in relation to Capital WIP in particular the capitalisation and / or expense of items. It is expected that the underlying asset records will be updated as part of year end closing with reconciliations completed before the commencement of the audit on 29 August 2016.
AASB clarification that "residual value" for the purposes of calculating asset valuations and depreciation does not include cost savings from the re-use of parts of that asset by the entity in the future	Based on our initial discussions with management our understanding is that this is not a significant issue for the City of Unley.

Update on audit opinion in relation to internal controls

We have commenced work planning for and testing internal controls for the purpose of providing an audit opinion on Council's internal controls, based on the criteria in the *Better Practice Model - Financial Internal Control for South Australian Councils* as issued by the Local Government Association of South Australia.

At the time of this report we have not completed testing of all the core controls identified in this document because some relate to an annual process and will not occur until year-end, or others are more closely aligned to testing we would normally conduct after year end. We do not currently have any material exceptions that we believe would lead to a qualification to the audit report on internal controls.

Reporting points arising from 2015 audit

We have also reviewed the status of points arising from the 2015 audit

Issue	Recommendation	Status
The system requirement for second authorisation of journals could be disabled.	The ability to disable the functionality for review of journals is removed completely, or at least from users who prepare and post journals to the general ledger.	This was to be addressed by October 2015. Our interim audit did not identify any deficiency in controls surrounding the review of journals. We will review and confirm the ability to disable the functionality for review of journals as part of our year end audit.
Council's current purchasing and procurement policy was not consistently being adhered to over the course of the financial year with respect to the use of purchase orders.	Consideration should be given to the appropriateness of the procurement and procurement policy, and potential revision to reflect the risks associated with purchase ordering. Any changes to the policy should be properly communicated and enforced.	The Procurement Policy and Framework was updated and approved by Council on 28 September 2015. Our interim audit did not identify any deficiencies or exceptions pertaining to purchase ordering. We will review the compliance monitoring framework surrounding procurement as part of our year end audit.
The requirement for the formal monthly review of debtors reconciliation did not occur for a three month period, while the relevant member of staff was absent.	Controls and procedures should be reviewed and updated to ensure they do not rely on one individual, and continues to operate effectively when staff go on leave or move within the organisation.	We did not identify any instances where the monthly review of the debtors reconciliation did not occur during our interim review. Furthermore we did not identify any instances of review of other reconciliations did not occur.

Other reporting matters

Further from the new and emerging development that we have communicated to you in the Annual Audit Plan, the matter below will impact the Council in the next reporting period:

- AASB 124 amendment: This requires that not-for-profit sector entities provide related party disclosures in the same way as their “for-profit” counterparts. That will include details of remuneration of Key Management Personnel, and transaction with other related parties. This standard applies for reporting periods beginning on or after 1 July 2016, although early adoption is permitted. Though management is not seeking to early adopt this standard, we recommend that processes are put in place to collect the necessary data from 1 July 2015, for the purposes of comparative information in the financial statements for the year ending 30 June 2017.

Please contact me if you have any questions or need any further information.

Yours sincerely

BDO Audit (SA) Pty Ltd

Geoff Edwards
Director

INFORMATION REPORT

REPORT TITLE:	INTERNAL AUDIT – ENVIRONMENTAL HEALTH
ITEM NUMBER:	33
DATE OF MEETING:	30 AUGUST 2016
AUTHOR:	REBECCA WILSON
JOB TITLE:	GROUP MANAGER GOVERNANCE

EXECUTIVE SUMMARY

To provide the Audit and Governance Committee with the final internal audit report including observations and recommendations on Environmental Health as undertaken by Bentley's in April 2016.

RECOMMENDATION

MOVED:
SECONDED:

That:

1. The report and attachments be received.
-

RELEVANT CORE STRATEGIES/POLICIES

- O5.3 Good governance and legislative framework

DISCUSSION

As per the Internal Audit Project Plan presented to the Audit and Governance Committee at the meeting of 24 February 2015, one of the areas identified to be reviewed as part of the internal audit was Environmental Health.

The Environmental Health internal audit commenced on 13 April 2016 and concluded on 26 April 2016. The overall objective of the audit was to review the system of internal controls and management processes providing reasonable assurance that adequate management controls exist. These controls mitigate risk and maximise opportunity and ensure that Council complies with the *Local Government Act 1999*, *Food Act 2001*, *South Australia Public Health Act 2011*, *Environmental Protection Act 1993* and Regulations. Further details of the objectives and audit scope and approach are outlined in the attached report.

There were key findings and observations that management has noted and responded to and which are captured in the Agreed Action Plan contained at Appendix 1 of the report. Overall, Bentleys reported there was one high risk rating finding and five improvement opportunities that they recommend Council considers.

Appendix 1

The detailed finding and agreed action plan related to the Environmental Health KPIs not being sufficiently identified and reported resulting in a High Risk Rating.

The risk is that the report of environmental health performance data being provided to management may not be sufficient and by not focusing on the right risk based Council areas, could result in upsetting the community and reputational impact to the Council.

The recommendation was for KPIs to be established with respect to monitoring and identifying opportunities or problems associated with the environmental health processes, as well as the Council's education, encouragement and enforcement objectives. These should also align with Council's strategic priorities.

Management's response was that the recommendation is in line with current work being undertaken regarding KPIs for the team with a spread sheet developed to record inspections. The Bentley report recommended KPIs would be considered as part of the tool.

The improvement opportunities are outlined in Appendix 2, but in summary include the following:

Ref	Improvement Opportunities
1	Information confidentiality
2	EHA contract performance review
3	Conflict of interest
4	Use of 'Mobile Inspector' app
5	Customer request mandate fields for reporting

The Environmental Health internal audit was conducted in a very timely manner and was thorough with no significant interruption to the business. There is no internal audit planned given the recommendation that we commence a Risk Review. This is planned to commence August 2016 for the Audit and Governance Committee representatives and the Executive, which is to be finalised as part of the organisation restructure.

This will be a five step process with the final step developing the risk register and preparing a report and proposed Internal Audit plan.

ATTACHMENTS

1. Environmental Health internal audit report

City of Unley

Environmental Health Internal Audit Report



DRAFT

May 2016

Contact:

David Papa, Director
Bentleys (SA) Pty Ltd
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Level 2, 139 Frome Street
Adelaide, South Australia, 5000

-  Accountants
-  Auditors
-  Advisors

bentleys.com.au





Private & Confidential

**To: Megan Berghuis,
Group Manager Community**

**Copy: Audit Committee
Rebecca Wilson, Group
Manager Governance**

**Internal Audit Report
Environmental Health**

We have completed our review on the sufficiency of Environmental Health for the City of Unley. Please find attached our report containing details of our assessment and recommendations. The report also contains a description of the scope of work and our approach.

An Executive Summary is provided for consideration by the Audit Committee.

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Inherent Limitations

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 this review 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. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Unley management and personnel. We have indicated within this report the sources of the information provided. 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. The 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 Official Order and for City of Unley information, and is not to be used for any other purpose or distributed to any other party without Bentleys (SA) Pty Ltd's prior consent.

This summary report has been prepared at the request of City of Unley management or its delegate. Other than our responsibility to the management of the City of Unley, neither Bentleys (SA) Pty Ltd nor any member or employee of Bentleys (SA) Pty Ltd undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Unley external advisors, on this summary report. Any reliance placed is that party's sole responsibility. Liability limited by a scheme approved under Professional Standards Legislation.

EXECUTIVE SUMMARY

BACKGROUND

The City of Unley (CoU) Council has engaged Bentleys SA Pty Ltd to conduct an internal audit project – Environmental Health review in April 2015.

This report outlines findings and recommendations in respect of the Environmental Health process.

AUDIT OBJECTIVES

The overall objective of the audit was to review the system of internal controls and management processes providing reasonable assurance that adequate management controls exist to mitigate risk and maximise opportunity.

The specific objectives of the audit were to determine:

- Compliance with Local Government Act 1999, Food Act 2001, South Australia Public Health Act 2011, Environment Protection Act 1993 and regulations;
- Compliance with internal policies and procedures; and
- Process improvement against best practice.

Governance objectives, where relevant, were considered and included an assessment of whether governance processes were in place, including:

- Defined roles and responsibilities;
- Segregation of duties;
- Appropriate levels of delegated authority;
- Monitoring and reporting of abnormal activity; and
- Records management and documented audit trails.

AUDIT SCOPE AND APPROACH

The scope included:

- Review and assess the controls over existing processes relating to food safety and public and environmental health;
- How does Environmental Health ensure compliance with policy and legislation;
- Shadowing an inspector to identify if what they do is in line with policy and legislation;
- Test a sample of files for completeness and compliance;
- Analysis of documents including strategies, plans, policies, guidelines and reports;
- Review improvement/expiation notices to ensure they are issued within the relevant guidelines;
- Review of EHC contract management; and
- Review of reporting and performance monitoring.

The approach involved reviewing the process, procedures, policies and documentation; interviewing key staff; observation, walkthrough and substantive testing and where appropriate seeking expert advice.

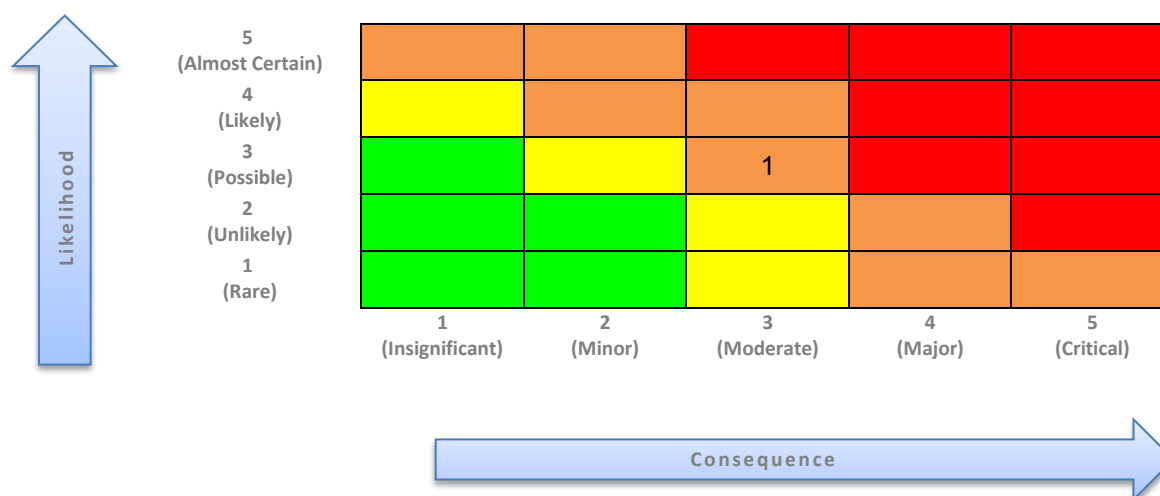
GOOD PRACTICES OBSERVED

Throughout this review we compared the Council processes to our knowledge and understanding of Local Government Association guidance and good business practice. The following good practices were observed during the review:

- The Council's Environmental Health Officers (EHOs) are intimately familiar with each food premises within Council area and have knowledge of when the need for inspection arises. The officers diarise all dates for routine and follow up inspections. Inspections of these premises occur on a routine basis to ensure they are compliant with the Food Act 2001 and regulations
- The Council's EHOs are primarily responsible for exercising the powers and functions of Council under the Act. The officers act reasonably and transparently, demonstrate good customer service, undertake their responsibilities in a proficient manner and use their judgement where necessary to ensure an outcome in line with legal requirements and Council's Enforcement Procedure.

RISK ASSESSMENT

Provided below is an audit assessment of the risk (based on the City of Unley risk framework) in respect of the process reviewed, having regard to the issues identified by the audit.



Key inherent risks (before controls) include:

- Non-compliance with legislation and regulation;
- Non-compliance with policies and procedures;
- Additional time spent on analysing disputes with no basis;
- Errors in recording supporting details of environmental health expiations
- Loss of data integrity and inconsistency in the review of environmental health expiations;
- Inconsistent decision making in the issuing of expiation notices.

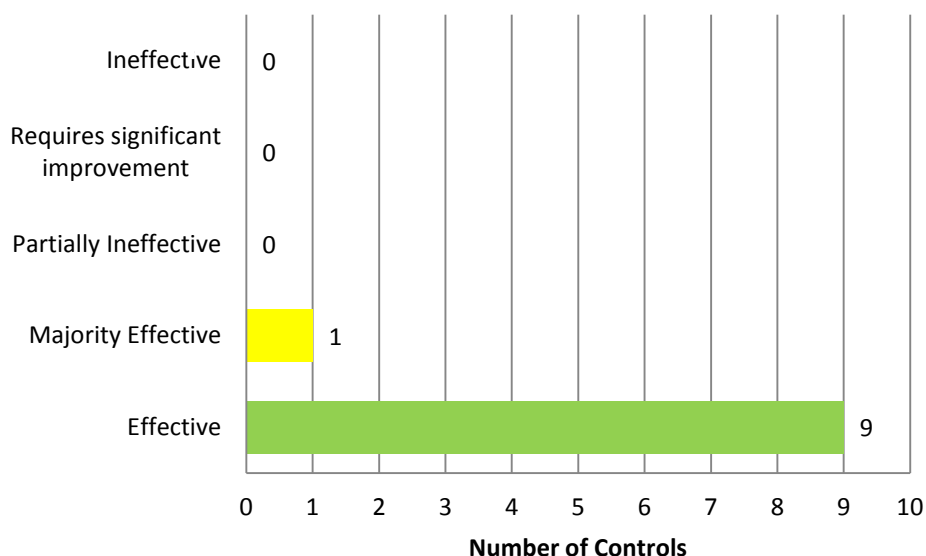
The control effectiveness assessment below is an indicator of the current state of the control environment within business operations and its ability to mitigate against these risk exposures.

Key controls identified during the audit include:

- Defined policies and procedures;
- Defined roles and responsibilities;
- Segregation of duties;
- Delegated Authority;
- Inspections and follow ups;
- Evidence collection and notice issuance;
- Prosecution and enforcement;
- EHA contract management;
- Monitoring and reporting; and
- Records management.

CONTROL EFFECTIVENESS GRAPH

Given City of Unley does not have its control effective ratings in the risk management policy, we adopted the definitions of control effectiveness ratings from the Better Practice Model – Internal Financial Control developed by the South Australian Local Government Financial Management Group Inc (SALGFMG).



Refer to Effectiveness of Controls (Appendix 5) for detailed information.

KEY FINDINGS AND OBSERVATIONS

A summary of the risk rated findings are provided below.

Ref	Description of findings	Risk Rating
1	Environmental Health KPIs not sufficiently identified and reported	High
Ref	Improvement Opportunities	
1	Information confidentiality	
2	EHA contract performance review	
3	Conflict of interest	
4	Use of 'Mobile Inspector' app	
5	Customer request mandate fields for reporting	

Refer to Agreed Action Plan (Appendix 1) and Improvement Opportunities (Appendix 2) for detailed information.

Each key finding is rated based on the impact to the process considered. Refer to Risk Framework (Appendix 4) for detailed information.

ACKNOWLEDGEMENT

We appreciate the assistance and cooperation received from management and staff of City of Unley in completing this review.

APPENDIX 1

DETAILED FINDINGS AND AGREED ACTION PLAN

Finding 1	Environmental Health KPIs not sufficiently identified and reported	Impact:	Moderate
		Likelihood:	Possible
		Risk Rating:	High

Findings:

KPIs give an indication of how well a process or practice is working. In relation to environmental health this provides a measure of how well the barriers or hazard controls related to preventing environmental health issues and the mitigation measures preventing escalation are working.

Our review of the City of Unley Quarterly Corporate Performance Report found that there are currently two environmental health related KPIs, which are the numbers of Total Health Premises Inspections and Food Premises Inspections.

However, these KPIs might not be sufficient for Council to improve performance of Environmental Health section and identify where problem areas are and where improved signage and other forms of awareness may be required.

Risk:

Report of environmental health performance data provided to management may not be sufficient. By not focusing on the right risk based Council areas could result in upsetting the community and have a potential reputational impact to the Council.

Bentleys Recommendation:

We recommend that management establish KPIs with respect to monitoring and identifying opportunities or problems associated with the environmental health processes as well as the Council's education, encouragement and enforcement objectives. These KPIs could be, but not limit to:

- Number of non-conformance with legislation or standards in inspections
- Number of solved environment health non-conformances
- Total of hours in food safety and environment health training

This will enable management to effectively monitor environmental health activities to adapt Council operations to better the Community.

We also recommend that management clearly align the efforts in Environmental Health with Council's strategic priorities.

Management Response:

This recommendation is in line with current work being undertaken regarding KPI's for the Environmental Health Team. The Team Leader and Manager have developed a spreadsheet for recording inspections, the three suggested KPI's will be considered as part of this tool.

Responsible Officer:

Target Date:

APPENDIX 2

IMPROVEMENT OPPORTUNITIES

Improvement Opportunity 1 EHA contract performance review

Findings:

Council has entered into two contracts with Eastern Health Authority for:

- City of Unley - Immunisation Services
- City of Unley - Supported Residential Facility Licencing

Monthly statistical report was received for Immunisation Services and annual report was received for Supported Residential Facility Licencing. However, there is no suppliers' performance being evaluated for these contracts.

Bentleys Recommendation:

We recommend management evaluate suppliers' KPIs on a set of criteria using historical data and buyers' experience and also undertake a cost-benefit analysis to ensure Council is obtaining good value for money by outsourcing these services.

Management Response:

A major action for 2016 is to review these contracts and how these services are delivered. This recommendation will be incorporated into this review.

Responsible Officer:

Target Date:

Improvement Opportunity 2 Information confidentiality

Findings:

Where a person, in the course of official duties, obtains information relating to manufacturing or commercial secrets or working processes, must not disclose that information unless the disclosure is made in the prescribed circumstances outlined under South Australia Food Act 2001 Section 111 Disclosure of certain confidential information subsection (1). Failure to comply with this requirement is an offence. Council's Environmental Health Officers are aware of the confidentiality and disclosure requirements under this section.

Bentleys Recommendation:

Given the information contained within Council's food files has the potential to commercially impact upon business within the Council's area, we recommend that these files relating to public and environmental health issues be clearly labelled 'private and confidential' to ensure they are not readily accessible by other staff and to minimise the risk of inadvertent disclosures of confidential information.

Management Response:

EHOs are aware that their work is confidential in nature and act accordingly. They do not openly discuss confidential information. Documents in DW are marked confidential. The EHO shared drive

folders are only accessible by EHOs which is the same as pathways licencing module. This is not an issue as hardcopy files are not kept. In addition EHO's are bound by ICAC and privacy legislation.

Responsible Officer:

Target Date:

Improvement Opportunity 3 Conflict of interest

Findings:

The Prosecution and Enforcement Procedure requires that where a personal association or relationship with the alleged offender or any other person involved exists, an alternative person will make decisions where possible, and the facts about any conflict/relationship will be recorded in accordance with Council's Records Management protocols. However, there is no control or mechanism for review staff to identify or disclose any conflict.

Bentleys Recommendation:

We recommend that management establish the mechanism for review staff to identify or disclose any conflict in the enforcement process.

Management Response:

We will develop a process for the declaration of conflict for the regulatory Services Team to be completed at the time of being appointed to a role within the team and then annually.

Responsible Officer:

Target Date:

Improvement Opportunity 4 Use of 'Mobile Inspector' app

Findings:

Council's EHOs utilise the application 'Mobile Inspector' to assist routine inspections and evidence recording. EHO recorded notes, findings and evidences into this app during inspection. However, when issuing the report in Pathway, EHO has to manually input the same information into the report. Therefore, the efficiency of this process is compromised.

Bentleys Recommendation:

We recommend that management consider the system integration of this inspection app with Council's Records management system Pathway.

Management Response:

Having Dataworks access in the field would be helpful. It would be more useful to have some technical assistance in setting up the mobile technology to be able to utilise its full capabilities which would create significant efficiencies.

Responsible Officer:

Target Date:

Findings:

EHOs use the Customer Request module in Pathway for logging calls, enquiries and complaints. When a certain enquiry is entered there are mandatory fields in Pathway that need to be entered before it can be saved. However, these mandate fields hasn't been shown how each department reports on this information.

Bentleys Recommendation:

We recommend that management review the mandatory fields in Customer Request so that these fields can be used by teams for reporting. This could also improve the efficiency of EHOs' dealing with enquires and complaints.

Management Response:

We will work on this recommendation with the ITC team.

Responsible Officer:**Target Date:**

APPENDIX 3

DOCUMENTS ACCESSED AND CONSULTATION

Documents provided by City of Unley and accessed include:

- Policy and procedures
- Expiation exemption report
- Offence code list
- EHA Contracts
- Quarterly Corporate Performance Report

We would like to extend our appreciation to the following individuals who participated in, and provided information during this internal audit review.

- Celine Luya, Manager Community Services
- Luke Manuel, Team Leader Regulatory Services
- Kelly Gregory, Senior Environmental Health Officer/Food Safety Auditor

APPENDIX 4

RISK RATINGS

The following framework for Assurance ratings was developed to prioritise findings according to their relative significance depending on their impact to the process.

Likelihood	Consequences				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Critical 5
A (Almost Certain)	High	High	Extreme	Extreme	Extreme
B (Likely)	Moderate	High	High	Extreme	Extreme
C (Possible)	Low	Moderate	High	Extreme	Extreme
D (Unlikely)	Low	Low	Moderate	High	Extreme
E (Rare)	Low	Low	Moderate	High	High

Measures of Likelihood

The likelihood of a risk eventuating must be identified in the context of existing controls using the following as a reference:

Level	Descriptor	Example detail description
A	Almost certain	Is expected to occur in most circumstances (i.e. Risk Occurrence < 1 year)
B	Likely	Will probably occur in most circumstances (i.e. Risk Occurrence between 1 and 2 years)
C	Possible	Might occur at some time (i.e. Risk Occurrence between 2 and 5 years)
D	Unlikely	Could occur at some time (i.e. Risk Occurrence between 5 and 20 years)
E	Rare	May occur only in exceptional circumstances (i.e. Risk Occurrence > 20 years)

Measures of Consequence or Impact

Where a risk has implications across a number of areas of impact, the highest rating should be used to determine the overall level of risk. However each identified risk should be assessed from a mitigation / action.

Rating	Area of Consequence / Impact				
	<i>Political/Social/ Environmental</i>	<i>Economic / Financial</i>	<i>Legal / Regulatory</i>	<i>Organisational Management / Human Factors</i>	<i>Customer Service / Business Continuity</i>
1 Insignificant	Negligible environment, conservation, political or community issue.	No budget impact	Minor encroachment on legislation / standard	• Diversion of staff from normal operations / activities	Inconvenience / alteration to level of service
2 Minor	Minor short-term environment, conservation, political or community issue.	<5% of budget / project.	Minor legal, regulatory or internal policy failure.	• Unexpected/unplanned loss of a staff member. • Minor injury.	Minor interruption to service provision capability
3 Moderate	Environment, conservation, political or community incident requiring City intervention.	5% - 14% of budget / project.	Limited legal, regulatory or internal policy failure.	• Unexpected/unplanned loss of a senior staff member. • Lost time injury.	Limited disruption to service provision capability requiring altered operational arrangements.
4 Major	Medium-term issue with major environment, conservation, political or community impact.	15% - 24% of budget / project.	Major legal, regulatory or internal policy failure.	• Unexpected/unplanned loss of a key manager/ senior staff member considered to be a key dependency. • Significant injury to staff/ dangerous near miss.	Significant impairment of service provision capability.
5 Critical	Long-term issue with major environment, conservation, political or community impact.	>25% of budget / project.	Critical legal, regulatory or internal policy failure.	• Unexpected/unplanned loss of several key managers/ senior staff members. • Death /serious injury to staff.	Total loss of service provision capability.

INFORMATION REPORT

REPORT TITLE:	BENTLEYS INTERNAL AUDIT ANNUAL REPORT
ITEM NUMBER:	34
DATE OF MEETING:	30 AUGUST 2016
AUTHOR:	REBECCA WILSON
JOB TITLE:	GROUP MANAGER GOVERNANCE AND RISK

EXECUTIVE SUMMARY

To provide the Audit and Governance Committee with the Bentleys Internal Audit Annual Report including the status of the internal audit recommendations implementation for the City of Unley.

Internal Audits assists management in delivering the objectives of the Council by assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment.

As part of the Internal Audit function role, Bentleys provide the Internal Audit Annual Report to summarise recent audit activities and the status of the related recommendations for the Audit Committee to determine whether action has been sufficiently taken on Internal Audit recommendations, or that management has understood and assumed the risk of not taking action.

The report documents the outcomes of the review of management action taken in respect of Internal Audit recommendations made in the period July 2015 to June 2016. Of the 22 Internal Audit recommendations made across Council business areas as at 30 June 2016, a total of 19 (86%) were reported by management to have been implemented at the time of the review. Responses by each division are outlined in the attachment.

Outstanding recommendations to be progressed with the appropriate manager of the business areas include Infringements, Rebates of Rates and Environmental Health.

As at 30 June 2016, progress against the 3 year Internal Audit Plan is at 50%. Bentleys make comment for the Audit Committee to review the audit plan for its currency and advise of any required change to reflect known or emerging risks related to the function. The audit plan is currently suspended pending the outcomes of the proposed risk assessment process to be undertaken with the Audit Committee, Executive and sessions facilitated by the Local Government Association Mutual Liability Scheme and Bentleys.

RECOMMENDATION

MOVED:
SECONDED:

That:

1. The report and attachments be received.
-

RELEVANT CORE STRATEGIES/POLICIES

O5.3 Good governance and legislative framework

DISCUSSION

The Eastern Region Alliance went out to public tender for the provision of internal audit services in June 2014. Bentleys (SA) Pty Ltd were awarded the internal audit tender and were appointed the Internal Auditors of the City of Unley for three years to evaluate and improve the effectiveness of risk management, internal financial control and governance processes.

A draft project plan was prepared and circulated to members based on preliminary discussions with a representative from Bentley's, and at the time the General Manager People and Governance, Manager Finance and ICT and the Manager Governance and Risk.

Areas that were identified for internal audit were suggested from observations that had been made state wide within Local Government with the introduction of the *ICAC Act 2012* and recommendations identified as part of the Internal Control Framework Review undertaken by Creative Auditing on the *Deloitte 2012 Better Practice Model – Internal Financial Controls Framework*.

Other areas that were included on the project plan at the time were considered as they aligned with practices, services and/or procedures that the business was or planned in the near future to review, and therefore was an opportune time to perform an internal audit to assist with recommendations and best practice.

The process followed with each planned audit was as follows:

- An initial discussion (one hour) to agree the scope, risk and areas to be focussed on.
- Planning (1-2 days), including data collection, process mapping and walk through.
- Field work (4-5 days), including interviews with key responsible officers, data analysis and a sample test.
- Reporting, including an exit meeting.

Liaison for each project planning occurred between the Manager Governance and Risk (now Group Manager Governance) and Bentleys to ensure independence from areas within the business that were directly involved in the audit. The planning, field work and exit meeting involved the key responsible officers as identified at the planning stage.

To date Bentleys have performed six audits as follows:

1. Financial Delegations and Credit Card
2. Contract Management

3. Infringements
4. Payroll
5. Rebates of Rates
6. Environmental Health

As part of the Internal Audit function role, Bentleys provide the Internal Audit Annual Report to summarise recent audit activities and the status of the related recommendations for the Audit Committee to determine whether action has been sufficiently taken on Internal Audit recommendations, or that management has understood and assumed the risk of not taking action.

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A recommendation was made at the Audit and Governance meeting held 1 March 2016 (Item 25) that:

1. *The reports and attachments (Rebates of Rates) be received.*
2. *A recommendation is made to Council to request that all future Audit Reports contain the following:*
 - 2.1 *Greater context, details and relevance, and*
 - 2.2 *The Risk Framework contained in the reports be more reflective of the City of Unley's Risk focus.*

Bentleys were consulted and it was identified that it would be best that the Internal Audits as per the original Audit Plan be placed on hold until a risk review was undertaken including the Risk Policy and Framework. Bentleys along with the LGRS would be able to assist the City of Unley with this process including a Risk Identification and Assessment workshop with members of the Audit and Governance Committee and Executive.

The Survey and Workshop will commence upon completion of the Risk Policy and Framework, which is currently on hold waiting the final outcome of the Organisation Restructure.

It is anticipated that these independent and facilitated workshops will ensure the City of Unley concentrates on gaining a common understanding of Risk Management with the objective of developing risk management concepts and principles to then develop an updated risk register and related internal audit program.

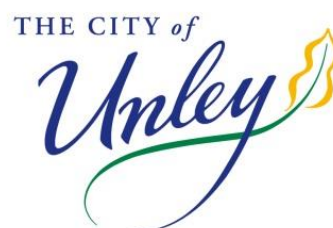
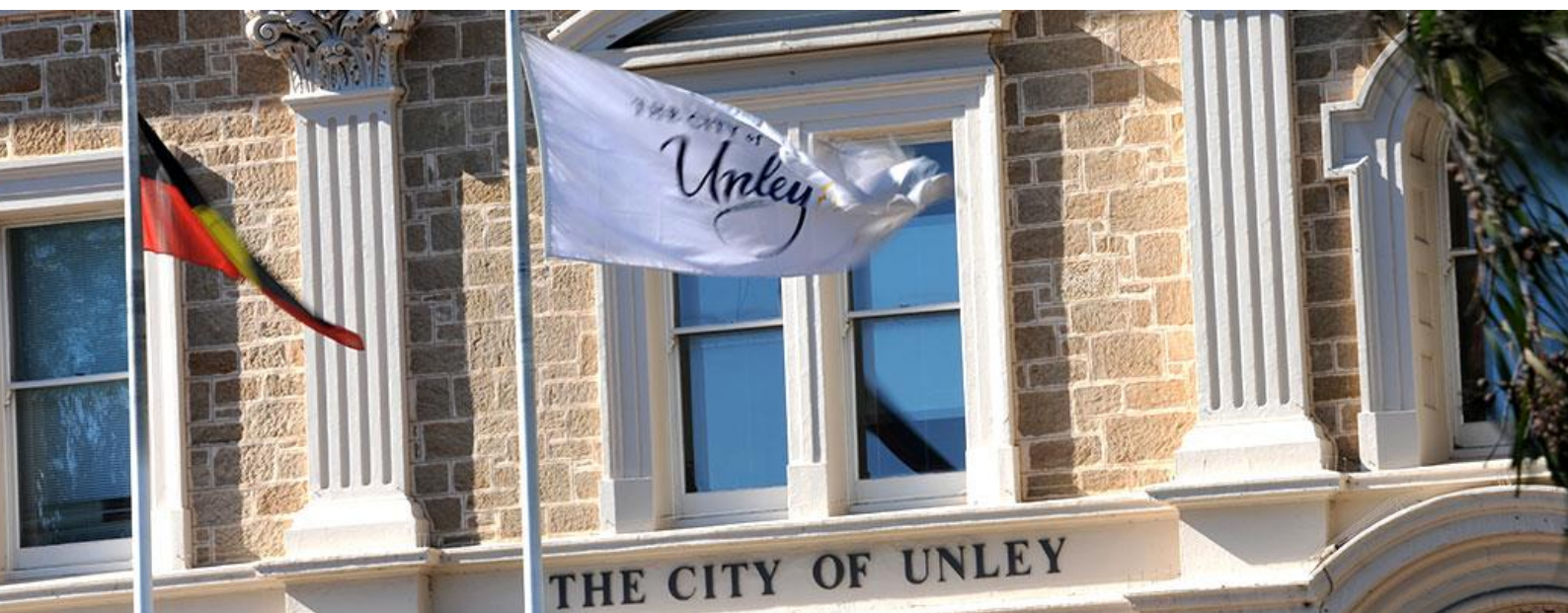
ATTACHMENTS

1. Bentleys Internal Audit Annual Report

City of Unley

Internal Audit Annual Report

August 2016



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24 August 2016

Rebecca Wilson
Group Manager Governance
City of Unley
PO Box 1
UNLEY SA 5061

Dear Rebecca,

Internal Audit Annual Report

Please find attached our report on the status of internal audit recommendations implementation for the City of Unley.

We would like to take this opportunity to thank management and staff for the assistance provided to us during the course of our audit.

If you have any queries please feel free to contact me on 08 8372 7900 at any time.

Yours sincerely,



DAVID PAPA
PARTNER

Enclosure

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Inherent Limitations

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 this review 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. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Unley management and personnel. We have indicated within this report the sources of the information provided. 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. The 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 Official Order and for City of Unley information, and is not to be used for any other purpose or distributed to any other party without Bentleys (SA) Pty Ltd's prior consent.

This summary report has been prepared at the request of City of Unley management or its delegate. Other than our responsibility to the management of the City of Unley, neither Bentleys (SA) Pty Ltd nor any member or employee of Bentleys (SA) Pty Ltd undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Unley external advisors, on this summary report. Any reliance placed is that party's sole responsibility. Liability limited by a scheme approved under Professional Standards Legislation.

EXECUTIVE SUMMARY

INTRODUCTION

Internal Audit assists management in delivering the objectives of the Council by assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment.

It is recommended practice for Internal Audit and the Audit Committee to consider the extent to which management have implemented agreed audit recommendations. It is management and the Audit Committee's responsibility to ensure that proper consideration is given to Internal Audit reports. As part of our role as your Internal Audit function, we have provided this report which summarises recent audit activities and the status of related recommendations for the Audit Committee to determine whether action has been sufficiently taken on Internal Audit recommendations, or that management has understood and assumed the risk of not taking action.





Arrangements should be put in place to monitor the progress on the implementation of recommendations by management. Internal Audit should follow up on management action arising from its assignments. Follow-up action should include a review of the timeliness and effectiveness of the implementation of its recommendations.

BACKGROUND

On completion of each Internal Audit project, a report is drafted for discussion with senior management. Such audit reports include details of the audit work performed, audit findings, implications of these findings, and recommendations for action.

In order to assist management in using our reports:

- We categorise our audit opinion according to our assessment of the controls in place and the level of compliance with these controls:

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
	Substantial Assurance	While there is a basically sound system, there are weaknesses that put some of the system objectives at risk, and / or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
	Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
	Nil Assurance	Control is generally weak, leaving the system open to significant.

- All Internal Audit recommendations have been prioritised in accordance with the following key categories:

H	High Priority	An Extreme or High risk which, if not effectively managed, may be detrimental to the Council's interests, significantly erode internal control, or jeopardise achievement of aims and objectives.
M	Medium Priority	A Moderate risk which, if not effectively managed, could adversely affect the Council's interests, weaken internal control, or undermine achievement of aims and objectives.
L	Low Priority	A Low risk, where adoption of best practice would improve or enhance systems, procedures and risk management for the Council's benefit..

Applying this weighting system to Internal Audit recommendations is designed to assist management in assessing the severity of each recommendation and the associated priority of each action.

Each audit report is discussed with relevant line management, and management responses for each audit recommendation are obtained and recorded on a schedule of recommendations. In addition to recording management's agreed course of action for each recommendation, the schedule also records:

- the officer nominated by management to perform each agreed action;
- the target date for implementation agreed by management.

This schedule is issued to management along with the final audit report, and acts as an action plan / checklist.

Data on implementation of Internal Audit recommendations will be presented to the Audit Committee on an annual basis. This allows the Audit Committee to monitor the Internal Audit recommendations to be implemented by management.







This report documents the outcomes of the review of management action taken in respect of Internal Audit recommendations made in the period July 2015 to June 2016.

LIMITATION

We have not validated if management's implementation of recommendations has addressed the risks identified sufficiently as this is outside the scope of each project and our current engagement.

IMPLEMENTATION STATUS

The current status of the audit activities conducted as at 30 June 2016, including the assurance level and the number of recommendations and improvement opportunities raised is detailed in the table below:

No	Audit Activity	Timing	Assurance	Recommendations			Improvement Opportunities
				H	M	L	
1	Financial Delegations and Credit Card	Q4 2014		1	2	-	1
2	Contract Management	Q1 2015		3	2	-	1
3	Infringements	Q2 2015		2	-	2	3
4	Payroll	Q2 2015		2	2	-	-
	Total 2014/15			8	6	2	5
5	Rebates of Rates	Q4 2015		1	1	3	-
6	Environmental Health	Q2 2016		1	-	-	5
	Total 2015/16			2	1	3	5
	Total			10	7	5	10

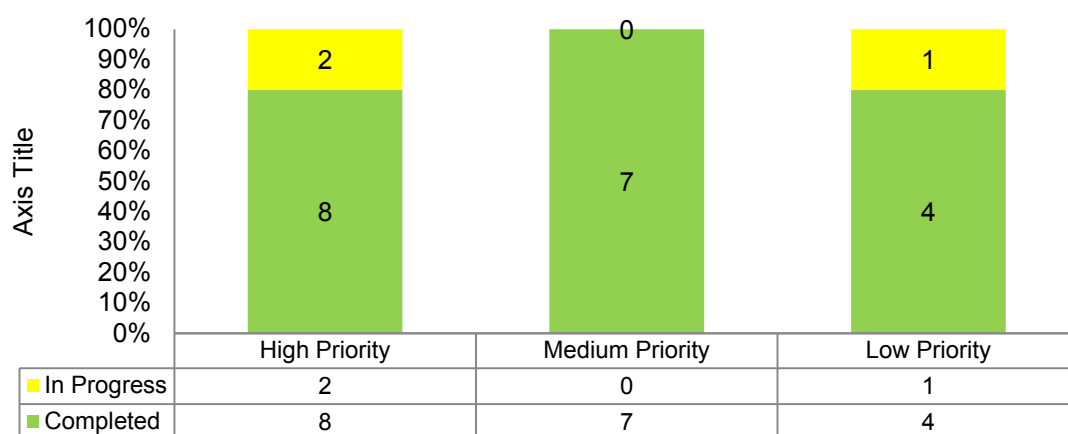
Of the 22 Internal Audit recommendations made across Council business areas as at 30 June 2016, a total of 19 (86%) were reported by management to have been implemented at the time of the review¹. The responses made by each Division are detailed in **Appendix 1**. Business process improvement opportunities are detailed in **Appendix 2**.

Status on Implementation of Agreed Audit Recommendations made as at 30 June 2016 is summarised below:

Implementation Status	High Priority		Medium Priority		Low Priority	
	No.	%	No.	%	No.	%
Completed	8	80%	7	100%	4	80%
In Progress	2	20%	-	-	1	20%
Total	10	100%	7	100%	5	100%

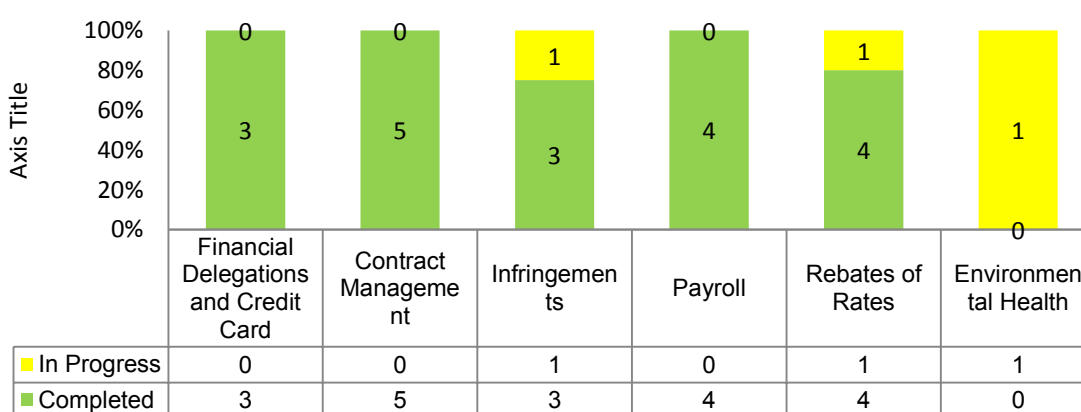
The percentage of completion is summarised below.

Percentage Completion (by Priority)



Note: This chart provides the completion percentage of the implementation by priority.

Percentage Completion (by Project)



Note: This chart provides the completion percentage of the implementation by audit project.

¹ **Limitation:** We have not validated if management's implementation of recommendations has addressed the risks identified sufficiently as this is outside the scope of each project and our current engagement.

The outstanding recommendations relate to:

Infringements

- Develop a template for monthly reporting reviewing number of tickets, type and location, which will be incorporated into the formal monthly meetings and will be completed by the Manager of Community Services each month for discussion and analysis at the meetings.

Rebates of Rates

- Draft rate rebate policy has been prepared and is awaiting internal review prior to presentation to the Audit and Governance Committee for review and feedback and recommendation to Council for adoption.

Environmental Health

- Develop a template for monthly reporting including KPI's for the Environmental Health Team, These KPI's and statistics will be incorporated into the formal monthly meetings and will be completed by the Manager of Community Services each month for discussion and analysis at the meetings.

These will be progressed with the appropriate manager of business areas.

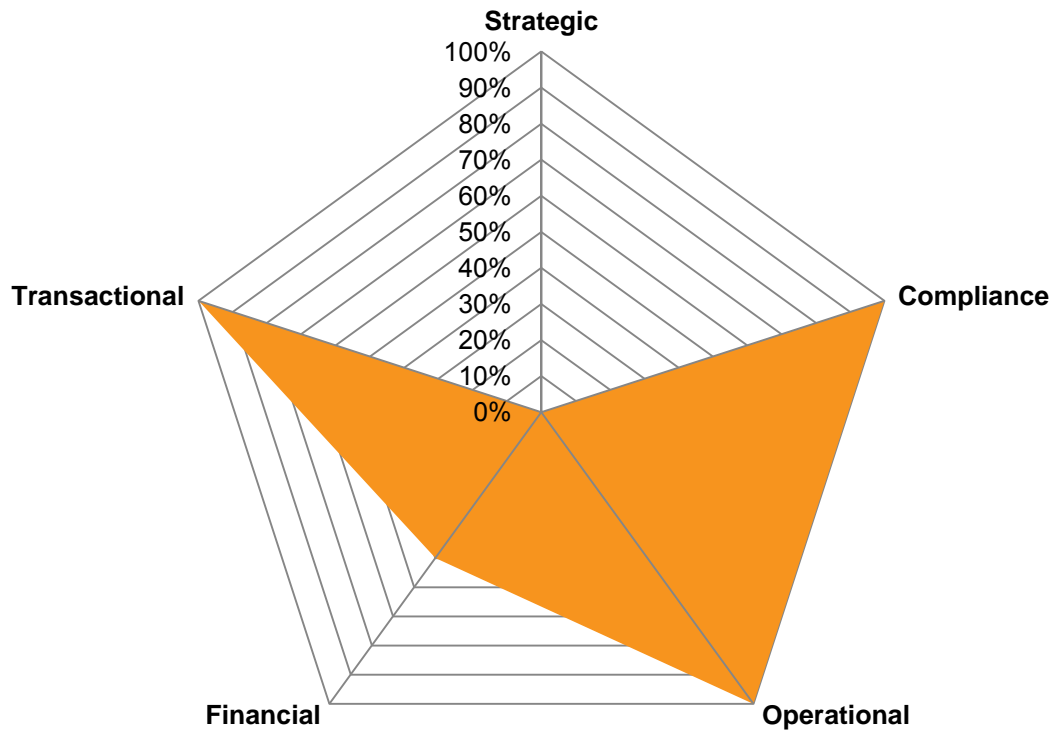
INTERNAL AUDIT PLAN COVERAGE AND FUTURE CONSIDERATION

The areas of coverage for the Council's internal audit activity were set out in the 3 Year Audit Plan (detailed in **Appendix 3**). The plan was designed to support an opinion on the effectiveness of the systems of governance, risk management and internal control across the Council and is informed by the audit strategy, consultation with stakeholders and a dynamic assessment of risks.

As at 30 June 2016, progress against the Internal Audit Plan is as follows:

	Number	Percentage of Plan
Number of audits in plan	4	50%
Number of audits finalised	2	

The assurance radar below depicts the weight of assurance by functional area of the business, ranked across the risk management spectrum - strategic, compliance, operational, financial and transactional. The percentage associated with each function indicates where our attention has been focused and where there is potentially a gap in audit activities.



We encourage the Audit Committee to review the audit plan for its currency and advise of any required change to reflect known or emerging risks related to the function.

ACKNOWLEDGEMENT

We appreciate the assistance and cooperation received from management and staff of City of Unley in completing the internal audit assignments.

APPENDIX 1 CITY OF UNLEY INTERNAL AUDIT AGREED ACTION PLAN AND FOLLOW-UP

Project	Ref	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status
Financial Delegations and Credit Card	1	<ul style="list-style-type: none"> There are no purchase card procedures defined for divisions other than Assets & Infrastructure Division. Corporate Credit Card Policy is in draft and has not been formalised. 	Use of the incomplete policy and procedure as guidance could increase the risk of noncompliance.	High	Complete Purchase Card Procedures for all division and formalise Corporate Credit Card Policy to provide detail and clarity for the current requirement and to reflect the desired practice.	As part of a wider review of procurement the credit card policy will be revised to cover all purchase cards, fuel cards and applicable to all divisions. This will be completed and adopted by the end of March 2015.	31/03/2015	Senior Finance Officer	Complete
	2	<ul style="list-style-type: none"> 5 out of 30 Coles purchases selected were not approved by independent employee (segregation of duties). 1 out of 30 Coles purchases selected contains no approval signature on the invoice. 	Unauthorised purchase card reimbursement could increase the risk of non-business and inappropriate items being purchased.	Moderate	Review the reimbursement procedures and process to ensure the invoice is authorised by independent person who has the purchasing limit.	Will remind the business and Account Payable that all invoices require authorisation by a non-peer employee with sufficient delegation. Reminders to occur by the end of January 2015.	31/01/2015	Senior Finance Officer	Complete
	3	<ul style="list-style-type: none"> 2 out of 6 fuel card invoices (May and August 2014) were not certified by Manager Operational Services. According to BP, when selected, cardholders will be prompted to supply odometer readings to the console operator at time of purchase. The use of odometer readings provides additional tracking measures for the organisation. Motor Vehicle Policy also requires the exact odometer reading is to be given for all fuel and car wash purchases. However, there are 37 out of 90 vehicle odometer readings identified as not been recorded when refuelling. Please refer to Attachment 5 List of Vehicle Odometer not been recorded for the period from May to October 2014. 	Unauthorised fuel card reimbursement could increase the risk of additional costs being incurred on these items.	Moderate	review the reimbursement procedures and process to ensure the invoice is authorised by independent person who has the purchasing limit. Not input odometer readings when refuelling could increase the risk of non-business and inappropriate items being purchased. review the Fuel Card Control Report to check the integration of information being input, in particular to the odometers input.	Will remind Accounts Payable that all invoices require authorisation by the Manager Operational Services. Will remind all employees with fuel cards that odometer readings must be supplied when refuelling. Reminders to occur by the end of January 2015.	31/01/2015	Senior Finance Officer	Complete
Contract Management	4	Procurement Framework is due for review. Local Government Act 1999 requires the Council to have a 'Contract and Procurement Policy' under section 49. The current Procurement Framework requires once a contract has been executed and the supplier has started work, the contract is managed to diligently maximise the commercial outcomes and reduce risk for the CoU. This framework is currently due for review. Management is in the process of reviewing the framework.	Use of the incomplete policy and procedure as guidance could increase the risk of noncompliance.	High	Complete the Procurement Framework. This should provide detail and clarity over contract management, with the objective of maximising opportunity and reducing risk of achieving the desired result for the Council.	The "new Procurement Framework" was being rolled out by Finance. All contract managers have been trained in the new framework. The relevant templates are now available to the relevant contract managers.	31/12/2015	General Manager, Assets and Infrastructure	Complete
	5	There is no corporate level contract management procedure (including third party contract management procedures). Key contract monitoring mechanisms are not specifically documented during contract initiation. A corporate level contract management procedure is required to ensure contract management related risks are considered earlier in the tender management process and appropriately managed.	Lack of procedure as guidance could increase the risk of noncompliance and may not identify new contract risks throughout the contract period.	High	There is now broad recognition that the growing emphasis on agreeing "deals" has not always flowed into consistent and effective management of contracts post appointment. It is recommended management develop a corporate level contract management procedure to define good Contract Management Practice, including: <ul style="list-style-type: none"> Contract management plan Contract management related risk assessment Contract record keeping Contract management roles and responsibilities Performance management Contract reporting Negotiating contract variations Managing contract disputes Contract completion Contract management checklist, which may include: <ul style="list-style-type: none"> Commercial Health & Safety Operational performance Stakeholder relationship 	A Contract Management Procedure (corporate) was developed as part of the new Project Management Framework. The Contract Management framework covers all required templates. The front end of Contract Management mentioned sits in the Procurement Framework.	31/12/2015	General Manager, Assets and Infrastructure	Complete

Project	Ref	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status
	6	There is no corporate level performance reporting procedure. The current performance reporting method varies from divisions.	Lack of procedure as guidance could increase the risk of noncompliance and Stakeholders not consulted and/or kept informed about contract performance.	High	Establish a corporate level performance reporting procedure to establish a standard method for monitoring and reporting on the performance of contracts managed by the Council.	A Contract Management Procedure (corporate) was developed as part of the new Project Management Framework. The Contract Management framework covers all required templates. The front end of Contract Management mentioned sits in the Procurement Framework.	31/12/2015	General Manager, Assets and Infrastructure	Complete
	7	Major service contracts are not always routinely reviewed to confirm if they are delivering value for money. Routine and accurate reporting on the performance of a contractor during the life of a contract is an essential element of contract management.	By not conducting a routine review of the major service contracts, the CoU is at increased risk of not identifying contractor underperformance, and therefore not maximising value.	Moderate	undertake a routine performance review of major service contractors. This will facilitate the identification of performance areas the service contractor is excelling and areas that may need improvement.	Major service and panel contracts (usually 3-5 year term) are reviewed annually to consider performance, value for money and statutory compliance. Council has introduced acquisition plans, developed as part of the contract renewal/expiry stage to assess service offering, value for money, experience of key staff and expected key deliverables.	30/06/2015	General Manager, Assets and Infrastructure	Complete
	8	2 out of 7 selected works contract have no completion certificate issued after the works practical completion. Inconsistent approach applied to contract completion for works contract. The contract administrator certifies practical completion when all the works described in the contract have been sufficiently carried out.	Inconsistent approach applied to contract completion for works contract could increase the risk of noncompliance and failure to act on contractor underperformance.	Moderate	provide a guide/ training regarding issuing a completion report. It is also important to note the defects liability period, which follows certification of practical completion, is not a chance to correct problems apparent at practical completion. It is the period during which the contractor may be recalled to rectify defects that appear. If there are defects apparent before practical completion, these should be rectified before a certificate of practical completion is issued.	A Contract Management Procedure (corporate) was developed as part of the new Project Management Framework. The Contract Management framework covers all required templates. The front end of Contract Management mentioned sits in the Procurement Framework.	31/12/2015	General Manager, Assets and Infrastructure	Complete
Infringements	9	Our review found that there is no data analysis of monthly, quarterly or annual results by Management. We did note that the outstanding fine balance reports were provided to the Team Leader. However, there is no analysis or reporting to Management of: the number of tickets issued number of tickets disputed and waived reasons for tickets being disputed and waived identification of high risk areas within the Council outstanding fines balance and follow upThis data could be used by the Council to improve performance of the parking infringements process, which can identify where problem areas are and where improved signage may be required. It could also be used to establish KPI's with respect to the Council's education, encouragement and enforcement objectives.	Management is not provided with a regular periodic report of parking infringements data and there is no regular assessment made of revenue collected. Also, by not focusing on the right Council areas could result in upsetting the community and have a potential reputational impact to the Council.	High	We recommend that a regular monthly report, along with appropriate commentary, be sent to management to enable them to more effectively monitor parking and other infringements to adapt Council operations to better the Community. We also recommend that management establish KPI's for the parking and other infringements to monitor and identify opportunities or problems associated with the processes.	Team leader checks infringement data and stats daily, reviewing number of tickets, type and location. There used to be a report on the number of tickets issued and the dollar value in the organisational quarterly report but this information has been requested at a corporate level this year. This can be done again easily as the data is readily accessible. Creating KPI's for expiations can affect team morale and public relations issues, especially if specific expiation targets are set for Parking Inspectors. The General Manager Community is developing a template for monthly reporting, this will be incorporated into the formal monthly meetings and will be completed by the Manager of Community Services each month for discussion and analysis at the meetings.	31/12/2016	Team Leader	Outstanding
	10	Our analysis of the parking infringements data indicated that there were 3 instances out of 687 tickets waived with no description or reason provided in Pathway, the expiation management system. The type of the 3 instances are a voided offence (ticket entry).	Loss of data integrity and inconsistency in the review and waiving of infringements.	Low	Although the 3 instances of tickets waived only have a combined value of only \$160, we suggest that there should always be a valid description provided when the Council Officer has made a decision to waive a ticket. Management should investigate the reason no details were recorded for the 3 tickets. Quantity of waived tickets should form part of monthly reporting.	This finding is a very low error rate. Exemption reports can be easily distributed if required. The three (3) without descriptions are human errors/oversights. This issue has already been addressed through discussions with those officers responsible for waving expiations to ensure comments are always added.	30/06/2015	Team Leader	Complete
	11	The relevant procedures were reviewed by Wallmans Lawyers in June 2013. However, the procedures require management to review annually. The current procedures are due for review.	Lack of reviewed/updated procedures could potentially result in errors when someone unfamiliar with the process is required to prepare the function and increase the risk where there is a change of staff.	Low	Documented procedures provide efficient and accurate guidance to the processing of parking and other infringements. It is recommended management develop a formalised procedure for the infringement process to ensure that staff who may need to perform the function can do so correctly and efficiently.	The procedures are based on legislation which rarely changes. However when a change to legislation is made the Team Leader will review the relevant SOP and make any necessary changes. The administration infringement processes are also documented. All procedures in ECM Dataworks have now been adjusted to reflect a 3 yearly review cycle.	30/06/2015	Team Leader	Complete

Project	Ref	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status
	12	The incoming documents such as collected evidence or review submission are stored in Dataworks, Councils records management system which has version control on documents. However, the documents such as memos, notes, letters stored in Pathway are editable and can be altered with no version control.	Damages or alterations of an official record could result in a breach of the State Records Act 1997.	Extreme	We recommend that management review the application control of the Pathway system for document security, or consider integration with the Council records management system, Dataworks, to ensure the document recorded is meeting the security requirement of the State Records Act 1997.	All team members are now manually registering all outgoing correspondence into ECM Dataworks. This is very time consuming, the lack of integration on a whole remains an issue for the Regulatory Services team.	30/06/2015	Team Leader	Complete
Payroll	13	Our review found that there were 4 (out of 118) instances the 2013 wage hourly rates input in the Chris21 were not agreed to the EBA wage rates: Swimming Centre EBA - 2013 USCAD1 Swim Instruct (0-100) rate 23.97, should be 24.80 Swimming Centre EBA - 2013 USCAD3 Swim Instruct (200+) rate 24.92, should be 25.80 Swimming Centre EBA - 2013 USCAD4 Swim Instruct (200+train) rate 24.92, should be 25.80 Municipal Officers EBA - 2013 MOA Grade 1 Step 1 Jnr 17 yrs casual rate 17.10, should be 17.67 The 2014 and 2015 wage rates were all accurate and in compliance with Council EBA and awards.	Wages are paid at the incorrect rates of pay.	High	We recommend management establish a mechanism for independent review of changes to payroll master files. Changes to master file data such as wage rates should be supported by forms approved by a senior responsible official and independently reviewed.	The rates listed above are not currently relevant to the current rates in use. Any changes to the master file data such as wages rates are independently reviewed before being updated in the payroll system and signed off accordingly.	31/07/2015	Payroll Officer	Complete
	14	Our review found that there were 3 (out of 5) instances where new employee data was input into the payroll system Chris21 but not independently verified and signed off. The industry best practice suggests that all employee profile additions and modifications in the payroll system should be verified against the source document by an independent and authorised approver.	Inaccurate employee information could be entered into the payroll system.	Moderate	All employee profiles on creation and subsequent modification should be independently verified against source documentation by an authorised person before it goes "live" in the payroll system.	All profile additions and modifications in the payroll system are verified against source documents, etc. It is now part of the procedure to have a signature on the documentation accordingly.	31/07/2015	Payroll Officer	Complete
	15	The current practice requires a dual verification and authorisation of EFT payroll payment. The Payroll Officer creates the EFT direct credit report and two accountants verify the payment and sign off. Our review found 1 (out of 10) instance, where only one signature for EFT verification (pay run 761) was obtained indicating only one review of the pay run.	Payroll calculation is inaccurate or incomplete and incorrect payment is made.	Moderate	It is recommended management ensure the EFT direct credit report is reviewed and verified by two persons before payment is made.	EFT payments cannot be made unless there are two persons who 'authorise' the payment through the banking web site. Noted for the future to ensure that both of those 'authorisers' sign the paperwork.	31/07/2015	Senior Finance Officer	Complete
	16	Chris21 user access was not reviewed. It contains users that are no longer employed by CoU, users still employed but in incapable roles and other irrelevant users.	Unauthorised access to payroll master file.	High	We recommend that management review access controls for the payroll system such as passwords, routine verification procedures and authorisation levels review in a timely manner and remove the access for users that were no longer need the function.	Expiry dates on users set up are now being used. User access is now being reviewed on a regular basis.	31/07/2015	Manager Finance	Complete
Rebates of Rates	1	Our review found that the current Rebate of Rates policy only contains discretionary rate rebates and is due for review. In the discretionary rebate of rates policy: • The content of Local Government Act 1999 Section 166 (1)(l) to (1)(o) are not included • Clause 3(a)(ix) should refer to the Aged Care Act 1997 (Cth) instead of the Aged Care Act 1987 (Cth)	Use of the incomplete and inaccurate policy and procedure as guidance could increase the risk of noncompliance with Local Government Act 1999.	Low	We recommend management complete the Rebate of Rates policy by including mandatory rebates of rates, adding the content of Local Government Act 1999 Section 166 (1)(l) to (1)(o) and referring to the correct Aged Care Act 1997 (Cth). This should provide detail and clarity over rates rebate process, with the objective of maximising opportunity and reducing risk of achieving the desired result for the Council.	Council is in the processing of reviewing and updating the Rate Rebate Policy. Consideration will be given to the inclusion of mandatory rate rebates and a more appropriate method of covering off appropriate legislation references to ensure they remain current. Draft rate rebate policy has been prepared and is awaiting internal review prior to presentation to the Audit and Governance Committee for review and feedback and recommendation to Council for adoption.	31/12/2016	Manager Finance	Outstanding
	2	Our review found that the rate rebate application form was not up-to-date as a result of incomplete rates rebate policy. It does not include the content of Local Government Act 1999 Section 166(1)(l) – (1)(o). It should also refer to the Aged Care Act 1997 (Cth) instead of the Aged Care Act 1987 (Cth).	Use of the incomplete and inaccurate application form could increase the risk of noncompliance with Local Government Act 1999.	Low	We recommend management complete the rate rebate application form by including the missing content of the Act and refer to the correct Aged Care Act 1997 (Cth).	Completed. Council has updated the rate rebate application accordingly.	31/12/2015	Manager Finance	Complete

Project	Ref	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status
	3	Our review found that there was no approval form used for the applications submitted prior to 2015/16. Therefore, no authorised approval evidence was kept by the Council. From 2015/16, Council started to use a Rate Rebate Approval Form to check the completeness of supporting document and approve the application under appropriate delegation of authority. All applications in 2015/16 were in progress during our review. As a result of above, we were unable to test whether or not the approval is within appropriate delegation of authority.	Lack of delegated approval to the rates rebate could increase the risk of: <ul style="list-style-type: none"> • noncompliance with Local Government Act 1999 • loss of rates income • fraud or error 	High	We recommend management use Rate Rebate Approval Form to approve and grant the applications, pursuant to Section 44 of the Act.	Currently, the assessment of Council applications is delegated to the General Manager Corporate Service, Manager Finance & ICT or the Senior Rates Coordinator. From this financial year Council has implemented for both approved and declined rate rebates, a form authorised by both the senior rates coordinator and the finance manager.	31/12/2015	Manager Finance	Complete
	4	Our review found that there were a total of 137 individual assessments in 2014/15 with 1 that has a discretionary rebate only and 3 that have both a mandatory and discretionary rebate. One application that has a discretionary rebate was applied in 2009/10. The application form is available but no supporting documentation. The discretionary rebate of rates in 2014/15 was \$1,769. Three applications that have both a mandatory and discretionary rebate were applied before 2003/04. These applications did not contain the application form or the supporting documentation. The total related discretionary rebates of rates in 2014/15 were \$1,710. According to the Act Section 166 – Discretionary rebates of rates (3) and (3a), a rebate of rates or charges under subsection (1)(a), (b) or (k) may be granted for a period exceeding one year, but not exceeding 10 years, a rebate of rates or charges under subsection (1)(l) may be granted for a period exceeding one year, but not exceeding three years. As we were unable to obtain the application form for the three applications applied before 2003/04. These applications could be obsolete under subsection (1)(a), (b), (k) or subsection (1)(l).	No supporting document recorded for discretionary rates rebate applications could increase the risk of: <ul style="list-style-type: none"> • noncompliance with Local Government Act 1999. • failing to capture and store records • loss of rates income 	Moderate	We recommend that management review these four applications and request further supporting document from the applicants to meet the requirement of the Act and any potential loss of rates income.	Completed. Council was aware of these assessments and has written to them earlier this financial year requesting a completion of a new rate rebate application form and all supporting documentation. Under Council's updated procedures all rate rebates will be regularly reviewed with a letter to go to all rate rebates to ensure that they remain eligible.	31/12/2015	Manager Finance	Complete
	5	Council uses Pathway to record rebate data. The system automatically calculates the rebate based on the rate, rebate percentage and land capital value. Our review found that the data was exported at the end of financial year and reclassified in a spreadsheet to calculate the rebates under each category. A journal entry is then created according to the calculation to post into the general ledger. However, we found that the calculation did not take into consideration of the minimum rate and the portion rebate for the land sold during the year. There is also no independent review of this calculation. As a result of above, a total amount of \$6,340.86 was understated for 2014/15 rates rebate.	Not relying on the system control and a lack of independent review increases the risk of: <ul style="list-style-type: none"> • noncompliance with Local Government Act 1999 • misstatement of financial data 	Low	We recommend that management adjust the understated rebate amount for 2014/15 and rely on the system control of the data in Pathway (tested periodically) to create journal entry in the future. Any adjustment to the system data should be independently reviewed.	Financial transaction entries for rate rebates are produced automatically by the Pathway system and interfaced to the general ledger. The process outlined in the findings related to a reallocation of rate rebates to specific rebate accounts to assist in comparison of the various rate rebates in future years.	31/12/2015	Manager Finance	Complete

Project	Ref	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status
Environmental Health	1	KPIs give an indication of how well a process or practice is working. In relation to environmental health this provides a measure of how well the barriers or hazard controls related to preventing environmental health issues and the mitigation measures preventing escalation are working. Our review of the City of Unley Quarterly Corporate Performance Report found that there are currently two environmental health related KPIs, which are the numbers of Total Health Premises Inspections and Food Premises Inspections. However, these KPIs might not be sufficient for Council to improve performance of Environmental Health section and identify where problem areas are and where improved signage and other forms of awareness may be required.	Report of environmental health performance data provided to management may not be sufficient. By not focusing on the right risk based Council areas could result in upsetting the community and have a potential reputational impact to the Council.	High	We recommend that management establish KPIs with respect to monitoring and identifying opportunities or problems associated with the environmental health processes as well as the Council's education, encouragement and enforcement objectives. These KPIs could be, but not limit to: Number of non-conformance with legislation or standards in inspections Number of solved environment health non-conformances Total of hours in food safety and environment health training This will enable management to effectively monitor environmental health activities to adapt Council operations to better the Community. We also recommend that management clearly align the efforts in Environmental Health with Council's strategic priorities.	This recommendation is in line with current work being undertaken regarding KPI's for the Environmental Health Team. The Team Leader and Manager have developed a spreadsheet for recording inspections, the three suggested KPI's will be considered as part of this tool. The General Manager Community is developing a template for monthly reporting, these KPI's and statistics will be incorporated into the formal monthly meetings and will be completed by the Manager of Community Services each month for discussion and analysis at the meetings.	30/09/2016	Manager, Community Services	Outstanding

APPENDIX 2 CITY OF UNLEY BUSINESS PROCESS IMPROVEMENT OPPORTUNITIES

Project	Ref #	Observations	Opportunities
Financial Delegations and Credit Card	1	As part of this review, we requested details of non-purchase card transactions paid via accounts payable from 1 November 2013 to 31 October 2014. A spread sheet was provided 8 December 2014 which was analysed and any credit notes/adjustments (negative amount transactions) excluded. The table below summarises these accounts payable transactions split into seven groups. As can be seen, a significant number of accounts payable transactions are below \$1,000. The percentage of accounts payable transactions less than \$1,000 is almost 76% for the 12 month period with 24% of the total AP transactions being less than \$100.	<p>If 50% of the AP transactions less than \$1,000 (5,238 transactions) could be done by purchase card instead of accounts payable, for every minute saved per transaction by using purchase cards, 87.3 hours per year of resourcing will become available. If 5 minutes per transaction is saved, resource capacity increases by 436.5 hours. On a \$60,000 salary, the benefit is \$13,430, assuming no additional purchasing cards are required by the Council. This can lead to potential staff reductions within accounts payable and/or the ability to redirect staff to more value-added activities.</p> <p>In addition, issuing purchasing cards can help reduce fraud and unauthorised spending by setting credit limits on each card account tailored to the expected payment use of that account.</p>
Contract Management	1	<p>CoU uses ECM Classic Client (Dataworks) as the records management tool. All contract management related electronic documents were first saved in the shared drive and then saved in: Dataworks/Contracting/Contract Name. Hard copies were scanned in batches by Records Management and then saved in Dataworks.</p> <p>During the course of our audit, we noted that contract management related documents are saved in one folder for each contract. There is no logical sub-folder in the Dataworks and there is no reference to differentiate each step of the contract management.</p>	It is recommended management add a reference or create sub-folders to store contract management documents to reflect each step of the contract management. This will support the completeness of the procurement process ensuring documentation is readily available for contract management, maintenance and reporting.
Infringements	1	There is no formal guidance on how and where Inspector's resources and efforts should be focused. The Parking Inspectors and General Inspectors monitor their respective areas on a daily ad-hoc basis, at their own discretion.	Inspectors should be based on strategy for the Community rather than inspector discretion. Management should establish inspection guidelines or a plan to follow.
	2	Our review found that the infringement management system, Pathway, was unable to generate a report showing how many disputed infringements were raised during the review period. Therefore, the disputes volume and grounds for review may be unclear.	We recommend that management review the reporting ability of Pathway and take appropriate corrective action enabling the Council to analyse the number of disputes.

Project	Ref #	Observations	Opportunities
	3	The Prosecution and Enforcement Procedure requires that where a personal association or relationship with the alleged offender or any other person involved exists, an alternative person will make decisions where possible, and the facts about any conflict/relationship will be recorded in accordance with Council's Records Management protocols. However, there is no control or mechanism for review staff to identify or disclosure any conflict.	We recommend that management establish the mechanism for review staff to identify or disclosure any conflict in the enforcement process.
Environmental Health	1	Council has entered into two contracts with Eastern Health Authority for: <ul style="list-style-type: none"> City of Unley - Immunisation Services City of Unley - Supported Residential Facility Licencing Monthly statistical report was received for Immunisation Services and annual report was received for Supported Residential Facility Licencing. However, there is no suppliers' performance being evaluated for these contracts.	We recommend management evaluate suppliers' KPIs on a set of criteria using historical data and buyers' experience and also undertake a cost-benefit analysis to ensure Council is obtaining good value for money by outsourcing these services.
	2	Where a person, in the course of official duties, obtains information relating to manufacturing or commercial secrets or working processes, must not disclose that information unless the disclosure is made in the prescribed circumstances outlined under South Australia Food Act 2001 Section 111 Disclosure of certain confidential information subsection (1). Failure to comply with this requirement is an offence. Council's Environmental Health Officers are aware of the confidentiality and disclosure requirements under this section.	Given the information contained within Council's food files has the potential to commercially impact upon business within the Council's area, we recommend that these files relating to public and environmental health issues be clearly labelled 'private and confidential' to ensure they are not readily accessible by other staff and to minimise the risk of inadvertent disclosures of confidential information.
	3	The Prosecution and Enforcement Procedure requires that where a personal association or relationship with the alleged offender or any other person involved exists, an alternative person will make decisions where possible, and the facts about any conflict/relationship will be recorded in accordance with Council's Records Management protocols. However, there is no control or mechanism for review staff to identify or disclose any conflict.	We recommend that management establish the mechanism for review staff to identify or disclose any conflict in the enforcement process.
	4	Council's EHOs utilise the application 'Mobile Inspector' to assist routine inspections and evidence recording. EHO recorded notes, findings and evidences into this app during inspection. However, when issuing the report in Pathway, EHO has to manually input the same information into the report. Therefore, the efficiency of this process is compromised.	We recommend that management consider the system integration of this inspection app with Council's Records management system Pathway.
	5	EHOs use the Customer Request module in Pathway for logging calls, enquiries and complaints. When a certain enquiry is entered there are mandatory fields in Pathway that need to be entered before it can be saved. However, these mandate fields hasn't been shown how each department reports on this information.	We recommend that management review the mandatory fields in Customer Request so that these fields can be used by teams for reporting. This could also improve the efficiency of EHOs' dealing with enquires and complaints.

APPENDIX 3 CITY OF UNLEY INTERNAL AUDIT PLAN (2014/15-2017/18)

Project	Points to consider	Timing
2014/15		
Contract Management	<p>The ongoing management of contract performance is crucial for the successful implementation of many of COU's strategies.</p> <p>This project may include a review on the adequacy of tender processes and the management and reporting of contract costs in accordance with contractual requirements. The scope of this project will be limited to major or strategic contractual arrangements across the relevant business units and a wide sample selected across all business units.</p> <p>In addition, the review may include:</p> <ul style="list-style-type: none"> ▪ Review of current and planned policies, procedures, guidelines, directives related to procurement and contract management processes. ▪ Review of a sample of project / contract files ▪ Review of financial reporting on contracting activity ▪ Review the maintenance of contract registers ▪ Review the contract between the council and the preferred supplier and determine if a standard contract has been used and the contract includes provisions managing the risks identified. ▪ Review the appropriate levels of delegated authority ▪ Review the invoice verification and authorisation to ensure vendor invoices are paid according to the contract and in accordance with the prescribed process. ▪ Contract variation monitoring ▪ Performance monitoring and reporting ▪ Records management and documented audit trails 	November 2014
Financial Delegations and Credit Card review	<p>The audit may include a review of:</p> <ul style="list-style-type: none"> ▪ Controls that provide reasonable assurance that authority for local procurement functions and various tasks provided by Council and the CEO has been delegated formally and in accordance with relevant regulations and rules. ▪ Review, assess and obtain an understanding of the Credit Card processes, systems and controls. ▪ Assess the level of risk pertaining to those processes, systems and controls. ▪ Adherence to ATO GST and FBT requirements. ▪ Obtaining appropriate approvals for entertainment/hospitality expenses. ▪ Adherence to policy and procedure, including allowable purchases. <p>These controls also include periodic reporting and monitoring of the execution of delegated authority.</p>	February 2015
Parking	Local governments use parking regulations as part of their transport and traffic management strategies to achieve optimal road use, public safety,	April 2015

Project	Points to consider	Timing
Infringements	<p>turnover for traders, accessibility and street amenity. Regulated parking covers on street parking and publicly owned off street parking. The current trend is for more regulated parking areas within larger cities.</p> <p>The compliance framework for parking regulations includes enforcement tools ranging from education and complaints resolution through to infringement notices and prosecution. As the population grows and traffic congestion increases, parking fines are more important in addressing noncompliant behaviour in the public interest.</p> <p>Parking management is a sensitive area: for those who incur penalty infringement notices (PINs), for businesses that rely on customer access and for those inconvenienced by poor or unsafe access due to parking infringements.</p> <p>The Audit may include:</p> <ul style="list-style-type: none"> ▪ interviews with staff managing parking infringements ▪ analysis of documents including strategies, plans, policies, guidelines and reports ▪ data analytics on selected data sets. ▪ Review PINs to ensure it is issued within the relevant guidelines. ▪ Review register of outstanding fines ▪ Performance monitoring 	
Payroll	<p>The Audit may include:</p> <ul style="list-style-type: none"> ▪ Review of current process (Inc. pay runs, time sheeting, adding, editing and terminating employees from payroll system) ▪ Assessing process to best practice ▪ Review of compliance with EBA and awards ▪ Transactional testing (where required) ▪ Application of payroll policy ▪ Leave policy and process review and application ▪ Review and reporting 	June 2015
2015/16		
Application of Discretionary Rebates	<p>The audit may include a review of:</p> <ul style="list-style-type: none"> ▪ Review of current and planned policies, procedures, guidelines, directives related to rebates a ▪ Test rights and authorities to issue rebates ▪ Test a representative sample of transactions for compliance with policies and procedures ▪ Review of reporting mechanisms and exception reporting 	August 2015
Procurement	<p>The Audit may include:</p> <ul style="list-style-type: none"> ▪ Review of procurement documentation – Conditions of Tendering, Specifications and General Conditions of Contract. ▪ Review of Procurement Plan - Evaluation, Handbook, Assessment Criteria and Evaluation briefing Notes, Evaluation Report and Council 	October 2015

Project	Points to consider	Timing
	<p><i>Agenda item.</i></p> <ul style="list-style-type: none"> ▪ <i>Test procurement process for compliance with Local Government (Functions and General) Regulations.</i> ▪ <i>Test contract management through records system and interview with Contract Manager.</i> ▪ <i>Test budget allocations and annual creditor expenditure to check compliance with the tender threshold to highlight possible anti avoidance issues.</i> ▪ <i>Check the current year's gift register against historical data.</i> ▪ <i>Review contract activity to ensure source documentation, reporting, management of transaction and authority of transaction is in accordance with contract authority and financial policy guidelines (financial audit action) and best practice.</i> ▪ <i>Review application of contract rates, processing of variations, certification of completion for works or services, services within defined scope of specification, quantity of activity in accordance with contract estimates, and Council budget.</i> <p><i>Assess risk management issues relating to contract management have been correctly identified and monitored. Review of compliance checklists if included in contract documentation.</i></p>	
Strategic Planning Alignment	<p><i>The Audit may include a review on the following major processes:</i></p> <ol style="list-style-type: none"> 1. <i>Planning the Preparation and Development of Plans</i> <ul style="list-style-type: none"> ▪ <i>Focus on the preparation and development of the strategic plan including assessment against the following criteria:</i> ▪ <i>Identification and mapping of key stakeholders;</i> ▪ <i>Identify organizational mandates;</i> ▪ <i>Clarify organization mission and vision;</i> ▪ <i>Timeframes and Planning Documents for development Strategic Plans in place;</i> ▪ <i>Conduct an environmental assessment (external and internal) including risk assessment;</i> ▪ <i>Determine strategic outcomes and measures;</i> ▪ <i>Determine results and measures; and</i> ▪ <i>Review and adopt strategies.</i> 2. <i>Implementation of Plans</i> <p><i>The effectiveness of the implementation of the strategic plan will be evaluated against the following:</i></p> <ul style="list-style-type: none"> ▪ <i>Develop action plans to implement strategies within the organisation and Business Groups;</i> ▪ <i>Develop budgets to support the action plans;</i> ▪ <i>Allocation of sufficient resources for implementation;</i> ▪ <i>Alignment of various organisational strategic plans with the Corporate Plan and Business Plans</i> 3. <i>Monitoring of Plans</i> 	February 2016

Project	Points to consider	Timing
	<p>The effectiveness of the Monitoring of the strategic plan will be evaluated against the following:</p> <ul style="list-style-type: none"> Methods used to measure results including the establishment of key indicators for efficiency, effectiveness and impact; Processes to ensure accountability and continuous improvement linked performance targets; Systems to monitor progress including the collection of information relating to these indicators; Performance data indicating progress and achievement against the Strategic Plan priorities, Corporate Business Plan and Budget. Use the defined method of assessment contained within these plans to build the systems to capture the required data. Processes for Analysing the information; Monitor against planned measures and key performance indicators (KPI's); Process to keep plans on track; and Reassess strategies and the strategic planning process. <p>4. Reporting on Progress of Plans</p> <p>The effectiveness of the Reporting Processes of the strategic plan will be evaluated against the following</p> <ul style="list-style-type: none"> Roles and Responsibilities within Business Groups for reporting progress on the plan; Mapping of key stakeholders and information requirements; Review and Reporting Cycles defined for key planning documents; and Using the information to inform day-to-day management. 	
Rating Procedure	<p>The Audit may include a review on the adequacy of the rating practices by COU including the assessment of whether COU had:</p> <ul style="list-style-type: none"> developed and applied a sound strategic framework for making rating decisions adequately informed councillors and ratepayers about rate change proposals taken sufficient account of ratepayer feedback on their proposals before finalising rates been provided with sufficient guidance to understand how to apply legislated objectives and measure performance. 	April 2016
2016/17		
IT Health Check (including IT access and Permission levels)	<p>The audit may include a review of:</p> <ul style="list-style-type: none"> ICT environment based on the COBIT (Control Objectives for Information and Related Technology) framework, which is a leading framework for IT governance. Governing, managing and protecting ICT assets and data; Defining and assigning ICT roles, responsibilities and reporting lines; Supporting ICT strategic planning, monitoring, reporting and continuous improvement; and Managing ICT security, risk assessment and vulnerability testing. Review of rights and access levels Identify incompatible duties/access 	July 2016

Project	Points to consider	Timing
BCP/DRP	<p><i>The Audit may include a review on the adequacy and effectiveness of controls established in COU for:</i></p> <ul style="list-style-type: none"> ▪ <i>Governing, managing and protecting ICT assets and data;</i> ▪ <i>Defining and assigning ICT roles, responsibilities and reporting lines;</i> ▪ <i>Managing disaster recovery and business continuity operations;</i> ▪ <i>Supporting ICT strategic planning, monitoring, reporting and continuous improvement; and</i> ▪ <i>Managing ICT security, risk assessment and vulnerability testing.</i> 	November 2016
Capital Works Program	<p><i>The Audit may include a review of a number of different areas including:</i></p> <ul style="list-style-type: none"> ▪ <i>Business Case development, review and approval processes</i> ▪ <i>Processes to perform scoping studies, pre-feasibility and feasibility analysis</i> ▪ <i>Processes for setting budgets and identifying risks</i> ▪ <i>Capital Expenditure approval process</i> ▪ <i>Processes for managing resources</i> ▪ <i>Competitive bid process</i> ▪ <i>Cash flow monitoring controls</i> ▪ <i>Status reporting and forecasting methodologies</i> ▪ <i>Vendor selection process</i> ▪ <i>Contract management process</i> ▪ <i>Scope of Capital Works – how developed, reviewed and monitored</i> ▪ <i>Change Management and Variations</i> ▪ <i>Quality Management</i> ▪ <i>Completion Process</i> ▪ <i>Compliance with relevant legislation and Council policies and procedures</i> 	February 2017
Conflict of Interest and Gifts and Benefits	<p><i>Elected Members may make inappropriate expenditure or gifts, resulting in adverse media coverage and reputation damage.</i></p> <p><i>This review will focus on the reasonableness of such expenditure and gifts from a COU's business perspective and the appropriateness of related supporting documentation and approval processes.</i></p>	April 2017

INFORMATION REPORT

REPORT TITLE: LOCAL GOVERNMENT ASSOCIATION MUTUAL LIABILITY SCHEME RISK PROFILE – REVIEW DATA REPORT

ITEM NUMBER: 35

DATE OF MEETING: 30 AUGUST 2016

AUTHOR: REBECCA WILSON

JOB TITLE: GROUP MANAGER GOVERNANCE

EXECUTIVE SUMMARY

The purpose of this report is to provide the Audit and Governance Committee with the findings of the Local Government Association Mutual Liability Scheme ('**LGAMLS**') Risk Profile – Review for 2016 including benchmarking.

The annual Risk Profile – Review has been completed by the Group Manager Governance and the LGAMLS which is designed to monitor Council's risk profile and measure on-going business improvement. It also provides a gauge to compare Councils within the Region and sector. The Review for 2016 was represented in the following 10 functions:

Governance/Finance/People

Reputation & Integrity
Strategic Risk & Governance
Procurement, Contract Management Systems
Volunteers/Vulnerable Groups/Committees
Workers Health & Safety

Operations/Services/Functions

Environment/Vegetation/Trees
Emergency Management
Community Land Recreation/Leisure Services
Road and Footpath Management
Use by other parties – facilities/land

The City of Unley rated above the Metro average for functions in the areas of Environment/Vegetation/Trees, Emergency Management, Community Land Recreation/Leisure Services and Use by other parties/facilities/land.

City of Unley ratings were in line with the Metro ratings for functions in the areas of Procurement, Contract Management Systems and Volunteers/Vulnerable Groups/Committees, however rated below the Metro Average for the functions related to Reputation and Integrity, Strategic Risk and Governance, People and Road and Footpath Management. A summary of the scoring results are outlined in the report.

The Group Manager Governance has met with the scheme to discuss and address the Action Plans for 2016/17, and the present view is that the priority objectives should be the review of the Risk Policy, Risk Framework (both tailored to the City of Unley) the Operational Risks and the Risk Register.

This will then assist in addressing the Actions required outlined in the Action Plan attached.

The LGAMLS will be assisting Council with the Policy and Framework once the organisation restructure is finalised and then Bentleys will assist with a risk assessment process which will include sessions with Executive and the Audit and Governance Committee to identify and discuss risks, undergo a detailed risk assessment to then redevelop the risk register and internal audit plan.

RECOMMENDATION

MOVED:

SECONDED:

That:

1. The report and attachments be received.
-

RELEVANT CORE STRATEGIES/POLICIES

- O5.3 Good governance and legislative framework

DISCUSSION

Background

The establishment of the LGAMLS in 1989 provided Local Government in South Australia with an efficient means of managing risk exposures via effective (sector based) risk management programmes. Through the LGAMLS, Councils in South Australia have been afforded unlimited civil liability cover, access to experienced civil liability claims management, liability risk management services and legal advice.

Local Government in South Australia operates in an established risk management culture. The framework for developing this risk based culture is via participation in industry based initiatives established by the Local Government Association (LGA), such as the LGA Workers Compensation Scheme, the LGA Mutual Liability Scheme and the LGA Asset Mutual Fund. All of Council participation in these funds allows for the evolving risk profile of local government to be continually assessed, measured and monitored.

Every Council in South Australia has a statutory duty to 'insure' against the financial impact of potential civil liability risks. In seeking indemnity from the LGAMLS to manage a potential civil liability claim, a Council is bound by the Rules relating to Claims and Risk Management.

The purpose of the LGAMLS is mainly to provide members with a specialised claims management facility, design and deliver tailored risk management advice which is created through the identification and analysis of pooled claims and risk data, provide industry tailored civil liability protection that is cost effective and monitor and manage Local Government's risk profile.

Annually the LGAMLS undertake a Risk Profile Review which is completed with Council's Risk Officer (in this instance Group Manager Governance) and an LGAMLS representative. The review is designed to monitor Council's risk profile and measure on-going business improvement, as well as providing a gauge to compare other Councils within the Region and sector. The review for 2016 was represented in the following 10 functions:

Governance/Finance/People

Reputation & Integrity
Strategic Risk & Governance
Procurement, Contract Management Systems
Volunteers/Vulnerable Groups/Committees
Workers Health & Safety

Operations/Services/Functions

Environment/Vegetation/Trees
Emergency Management
Community Land Recreation/Leisure
Services
Road and Footpath Management
Use by other parties – facilities/land

2016 results

In recognising the increasing statutory obligations for Local Government to show good governance via the application of risk management, the method by which Council is assessed or scored was refined to better reflect the successful application of our Risk Policy and accompanying framework.

The revised scoring now provides a more accurate method of assessing Council's maturing risk profile and categories more aligned to Council's Strategic Plan and Goals. This allows the Council and the Audit and Governance Committee to consider and apply the level of risk tolerance Council is prepared to accept, or identify areas that require a more focussed risk management approach to prevent/mitigate potential civil liability claims.

These changes however have resulted in a significant effect on the scoring process for 2016 and therefore cannot be compared to previous years. When reviewing the scores, 50% should be considered as the overall benchmark figure that has been assessed in all categories which with Council's claims performance over a seven year window provides the overall profile and bonus allocation. The report notes that Council was not scored in 2015 due to the change in methodology.

This enables Council to view improvements compared to results in the Review and claims data, noting the Review process is dynamic and questions/actions are reviewed and updated each year to reflect the evolving nature of risk management and the maturing of Council.

A summary of the results for 2016 are as follows:

Section	City of Unley	Metro Average	Regional Average	LG Average
Reputation & Integrity	3.0	7.0	5.0	5.4
Strategic Risk & Governance	5.0	7.1	4.9	5.4
Procurement, Contract Management Systems	7.5	7.9	6.6	6.9
Volunteers/ Vulnerable Groups/ Committees	8.5	8.8	6.1	6.7
People	4.5	7.0	5.0	5.4
Environment/ Vegetation/ Trees	9.0	8.1	5.5	6.1
Emergency Management	9.0	7.5	5.8	6.2
Community Land Recreation/ Leisure Services	8.5	8.1	6.2	6.7
Road & Footpath Management	6.5	7.8	6.4	6.7
Use by other parties – facilities/ land	9.0	8.3	6.5	7.0
Total	70.5	77.6	59.2	63.5

The contribution/bonus history for 2015/16 in comparison to 2014/15 reflects an increase in the special distribution (MLS).

	2014/15	2015/16
Spec Distribution (MLS)	\$27,846	\$54,604

The Performance Bonus System for Contributions has been in place since 1990. As a result of an appraisal of the system, the new assessment now provides a fairer, more complete Performance Bonus System comprising of the two clear elements relating to Claims Experience and the other being Risk Management. It provides an opportunity for Council to be recognised as a good participating member of the LGAMLS. The bonus is recognised as a discount on the next year's membership contribution.

This results in a NET contribution for 2016/17 of \$193,621 compared to \$197,493 for 2015/16.

ATTACHMENTS

1. LGA Mutual Liability Scheme Risk Profile – Review Data Report.
2. LGA Mutual Liability Scheme Action Plan.

2016 LGA MUTUAL LIABILITY SCHEME

UNLEY CITY COUNCIL

RISK PROFILE – REVIEW DATA REPORT

MONDAY, 04 JULY 2016

LOCAL GOVERNMENT ASSOCIATION MUTUAL LIABILITY SCHEME

The establishment of the LGAMLS in 1989 provided Local Government in South Australia with an efficient means of managing risk exposures via effective (sector based) risk management programmes. Through the LGAMLS, Councils in South Australia have been afforded unlimited civil liability cover, access to experienced civil liability claims management, liability risk management services and legal advice.

Local Government in South Australia operates in an established risk management culture. The framework for developing this risk based culture is via participation in industry based initiatives (established by the LGA), such as the LGA Workers' Compensation Scheme, the LGA Mutual Liability Scheme and the LGA Asset Mutual Fund. All of Council participation in these funds allows for the evolving risk profile of local government to be continually assessed, measured and monitored.

Pursuant to Schedule 1, Pt. 1, 2 *Local Government Indemnity Schemes*, of the *Local Government Act 1999*, “...**the LGA will conduct and manage the Local Government Association Mutual Liability Scheme.**” The purpose of these funds is simply to transfer the risk (including financial) that attaches to a Council undertaking its statutory powers, functions and duties.

Every Council in South Australia has a statutory duty to “insure” against the financial impact of potential civil liability risks. S142 of the Local Government Act 1999 sets out:

S142—Duty to insure against liability

- (1) A Council must take out and maintain insurance to cover its civil liabilities at least to the extent prescribed by the regulations.
- (2) A regulation cannot be made for the purposes of this section except after consultation with the LGA.
- (3) [Membership](#) of the *Local Government Association Mutual Liability Scheme* constitutes insurance for the purposes of this section.

In seeking indemnity from the LGAMLS to manage a potential civil liability claim, a Council is bound by the **Rules** relating to Claims and Risk Management.

The purpose of the LGAMLS is -

- To provide Members with a specialised claims management facility, which at the same time allows the Member to have input in the direction of the claim;
- Design and deliver tailored risk management advice which is created through the identification and analysis of pooled claims and risk data
- Provide Industry tailored civil liability protection that is unique while at the same time remains cost effective
- Monitor and manage Local Government's risk profile thereby providing Councils the ability to control the financial success of the fund and to avoid the effect from external influences.

AUDIT COMMITTEE

An Audit Committee provides an important independent role between a Council, its management and between a Council and its community. One of the primary roles of these Committees is to provide suggestions and recommendations to Councils and/or management, about actions to be taken to enhance financial governance, considered to be in the best interests of local communities.

An Audit Committee plays a critical role in the financial reporting framework of a Council, by overseeing and monitoring the participation of management and external auditors in the financial reporting process. An Audit Committee also addresses issues such as the approach being adopted by Councils and management to address business risks, corporate and financial governance responsibilities and legal compliance. Councils will also refer issues of a strategic nature to their Audit Committees.

S126 of the Local government Act 1999 require a Council to have an Audit committee. The role of an Audit Committee is an essential step in a Council's approach to achieving best practice risk management governance and financial sustainability.

In particular, the Audit Committee shall:

- Keep under review the effectiveness of the Council's internal controls and **risk management systems**; and
- review and recommend the approval, where appropriate, of any material to be included in the annual report concerning internal controls and **risk management**.

It is therefore important that the Audit Committee understands the business risk profile of the Council to appreciate the risks it manages on a daily basis, and to ensure that there are appropriate management plans to manage and mitigate those risks. This will include details of Scheme Membership and insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance.

This can be facilitated by discussions and presentations by Executive management on how business risks are identified, managed, measured and monitored. The LGAMLS Review process provides essential information and data to assist with this process.

2016 AUDIT COMMITTEE / EXECUTIVE REPORTS

Explained further in this report is the new scoring methodology that the Review has undertaken this year. Audit Committees and/or Executive Leadership Teams (ELT) will need to recognise the different approach taken to scoring as it won't compare to previous years. This new method will provide more accurate method of assessing a Council's, and ultimately the sector's, maturing risk profile.

These changes have made a significant effect on most Councils total score outcomes. If Councils score has decreased considerably; this is not reflective of a downturn in Risk Management functions; as it must be understood that the scores cannot be compared to previous years. A score and bonus history can be found in this report which illustrates how the new scoring methodology has not significantly decreased bonuses as the bonus methodology has changed to reflect the new process.

The details in this Data Report are based on your completed Risk Profile – Review 2016 completed with your LGAMLS representative.

CLAIMS

The LGAMLS provides a comprehensive Claims Management service for civil liability claims made against a Council by a third party for property loss, personal injury and/or financial loss. The Claims Management service encourages Councils to have input into the management and outcome of the claim.

Part 12 of the **Scheme Rules** set out Claim Procedure and include:

***12.1 Notice:** includes notice of any circumstance or occurrence which is likely to give rise to a claim*

***12.2 Not Admit Liability:** A Member shall not admit liability for, compromise, settle or make/promise payment in respect of a claim subject of indemnity*

***12.5 Continued Support:** During the course of a claim, the Member shall provide whatever information and support (including technical and professional support) a is requested to enable the resolution of the claim*

A claim for indemnity is subject to the standard excess of \$3,750 – unless agreed otherwise. The Claims Management service extends to include advice and support from the Risk Management Department by way of reactive risk management services and will be, from time to time, complemented by legal advice (in-house and external Legal Panel) use of external Investigators (Loss Adjustors), Assessors and other sector specialists for the purpose of collecting and compiling relevant details and information necessary for an effective and efficient claim outcome.

An independent Legal Panel including access to In-house legal support, is established by a selective tender process every 3 years, to provide relevant sector based legal advice and support for the day to day management of claims, to manage litigation and other legal proceedings and to provide legal support to Councils to (risk) manage their business risks and liabilities to avoid civil liability claims.

As part of annual Client Servicing programme, the LGAMLS Claims Team will provide claim statistics, information and analysis reports to assist in the financial management of each Member's individual claim portfolio in conjunction with the annual Risk Profile Review process. A claims profile is also available to all Members on the [LGRS Members Centre](#). The LGAMLS are happy to review the LGRS Members Centre and provide an overview of its use.

RISK MANAGEMENT AWARDS HISTORY

MUTUAL LIABILITY SCHEME

MLS	2010	2011	2012	2013	2014	2015
Major RM Award \$20,000	Light Regional	Tea Tree Gully	Mid Murray	Gawler	Onkaparinga	Charles Sturt
Minor RM Award \$10,000	Adelaide	Alexandrina	Campbelltown	Kangaroo Island	Mount Gambier	Yorke Peninsula

WORKERS COMPENSATION SCHEME

WCS	2010	2011	2012	2013	2014	2015
Major Metro Award \$15,000	Charles Sturt	Centennial Park Cemetery Authority	Salisbury	Charles Sturt	West Torrens	City of Mitcham
Major Regional Award \$15,000	Mount Gambier	Kingston	Coorong	Berri Barmera	Yorke Peninsula	Wattle Range
Major Return to Work Award \$15,000	n/a	n/a	n/a	n/a	n/a	Campbelltown

A NEW LOOK - 2016

The annual Risk Profile - Review ("Review") is completed by your Risk Officer and your LGAMLS representative. The Review is designed to monitor Council's risk profile and measure ongoing business improvement, as well as providing a gauge to compare other Councils within the Region and sector. The Review for 2016 was represented in the following 10 functions:

Governance/Finance/People

- 1. Reputation & Integrity
- 2. Strategic Risk & Governance
- 3. Procurement, Contract Management Systems
- 4. Volunteers/Vulnerable Groups/Committees
- 5. People

Operations/Services/Functions

- 6. Environment/Vegetation/Trees
- 7. Emergency Management
- 8. Community Land Recreation/Leisure Services
- 9. Road & Footpath Management
- 10. Use by other parties - facilities/land

In recognising the increasing statutory obligations for Local Government to show good governance via the application of risk management, the method by which a Council is assessed or scored has been refined to better reflect the successful application of your Risk Policy and accompanying framework.

In 2016 we have altered the method by which we calculate the score against different categories. This will provide a more accurate method of assessing a Council's, and ultimately the sector's, maturing risk profile. In accordance with the revised method of assessment, the categories are more aligned to a Council's Strategic Plan and Goals. The revised Review in 2016 aims to recognise all functions of Council's business, as any function / operation of a Council can attract a level of civil liability risk / opportunity. The business profile when measured against Council's **Strategic Plan** allows the Council and or the Audit committee to consider and apply the level of risk tolerance (or "appetite") a Council is prepared to accept (opportunity) or identify areas that require a more focussed risk management approach to prevent/mitigate potential civil liability claims (risks).

These changes will have a significant effect on the scoring process and therefore cannot be compared to previous years. These changes in methodology need to be understood so there is no false perception that Councils Risk Management has taken a serious downturn. We understand that the Review score is reported to the Council / Audit committee / ELT, so it must be understood that the change in scoring methodology cannot be likened to previous years.

With the new scoring methodology in 2016, Council should consider **50%** as the overall benchmark figure that has been assessed against in all categories. This figure, with Councils claims performance over a **7 year window**, will provide the overall profile and bonus allocation. This scoring system will allow Councils to view their improvements compared to the results in the Review and claims data. It should be noted that the Review process is dynamic, and questions/actions are reviewed and updated each year to reflect the evolving nature of risk management and the maturing of a growing Council.

UNLEY CITY COUNCIL

CONTRIBUTION/ BONUS HISTORY

	2011/12	2012/13	2013/14	2014/15	2015/16
Contribution gross	\$224,940	\$234,837	\$241,412	\$246,723	\$252,398
Bonus	\$41,188	\$51,085	\$52,515	\$53,671	\$54,905
Contribution net	\$183,752	\$183,752	\$188,897	\$193,052	\$197,493
Spec Distribution (MLS)	\$37,122	\$27,835	\$27,846	\$27,846	\$54,604*
Total (inc discount)	\$146,630	\$155,917	\$161,051	\$165,206	\$142,889

**2015/16 special distribution yet to be distributed to CEO's*

RISK PROFILE REVIEW SCORE HISTORY

	2010	2011	2012	2013	2014
Unley City Council	87.0%	92.9%	93.3%	90.5%	90.5%
Metro Average	94.2%	92.5%	92.6%	93.0%	93.0%
Regional Average	83.5%	80.5%	81.4%	80.8%	80.8%
LG Average	86.2%	83.5%	84.2%	83.9%	83.9%

**not all Councils were scored in 2015 due to the change in methodology in 2016*

2016/17 MEMBERSHIP YEAR

REVISED LGAMLS PERFORMANCE BONUS SYSTEM

A Performance Bonus System for Contributions has been in place since 1990. Following an appraisal of this system the criteria base for assessing the allocation of bonuses was amended to include a Risk Management component in 2003/04. As a result we are now able to prove a fairer, more complete Performance Bonus System comprising of two clear elements, one relating to Claims Experience and the other to Risk Management.

The bonus process provides an opportunity for a Council to be recognised as a good participating member of the LGAMLS. The bonus is recognised as a discount on the next year's membership contribution (i.e. a Council will pay a net contribution as opposed to a gross contribution).

As the Risk Culture of Councils matures and evolves the bonus structure will continue to be reviewed to provide a fair and equitable return. The focus on the Risk Management structures and methods that councils are implementing has resulted in a shifting of the bonus weighting in favour of the Risk Management Component of the Review. This weighting reduces the impact of the Council Loss Ratio on the amount of bonus they receive, effective Risk Management performance will by its nature result in a reduction in avoidable loss.

The Claims Loss Ratio for each Council over a 7 year window (date reported to the LGAMLS) will continue to be calculated. Claim costs incurred over the window period will be divided by the Contributions paid by the Council during that window.



Local Government Association
Mutual Liability Scheme

2016/17 CONTRIBUTION

Council: Unley City Council

GROSS Contribution: \$ 256,689

7 Years Contributions for Period: \$ 690,747

7 Years Total Claim Costs for Period : \$ 119,114

Loss Ratio: 17%

Performance Bonus TOTAL: \$ 63,068

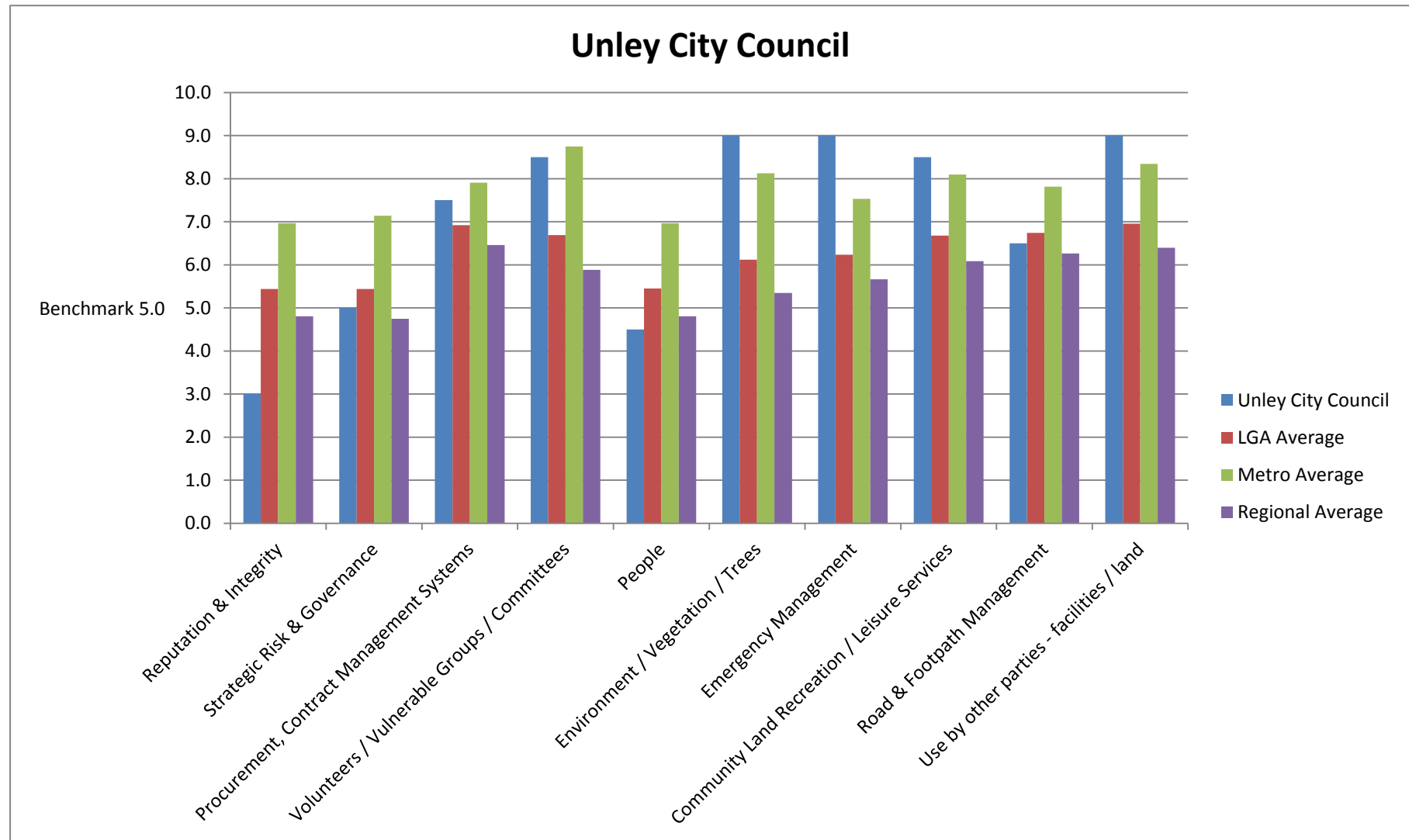
NET Contribution: \$ 193,621

(Gross less Performance
Bonus & excl GST)

2016 RISK PROFILE – REVIEW

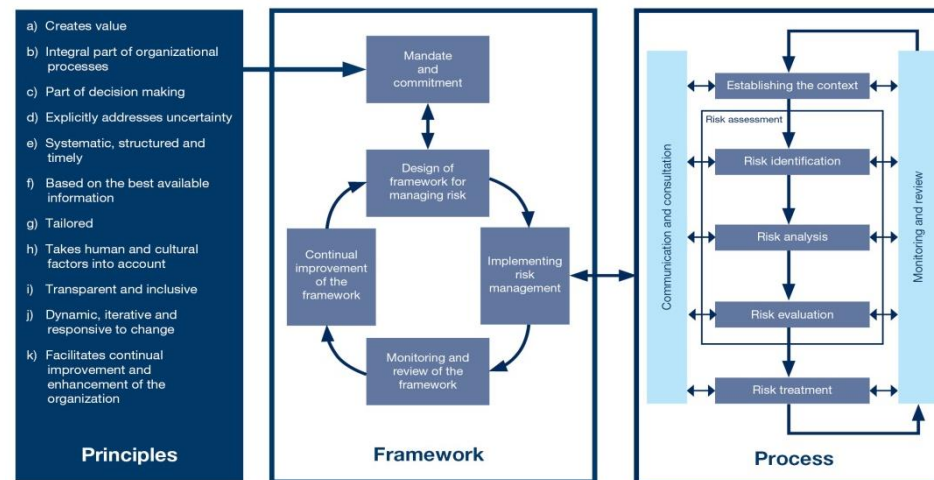
Section	Unley City Council	Metro Average	Regional Average	LG Average
Reputation & Integrity	3.0	7.0	5.0	5.4
Strategic Risk & Governance	5.0	7.1	4.9	5.4
Procurement, Contract Management Systems	7.5	7.9	6.6	6.9
Volunteers/ Vulnerable Groups/ Committees	8.5	8.8	6.1	6.7
People	4.5	7.0	5.0	5.4
Environment/ Vegetation/ Trees	9.0	8.1	5.5	6.1
Emergency Management	9.0	7.5	5.8	6.2
Community Land Recreation/ Leisure Services	8.5	8.1	6.2	6.7
Road & Footpath Management	6.5	7.8	6.4	6.7
Use by other parties – facilities/ land	9.0	8.3	6.5	7.0
Total	70.5	77.6	59.2	63.5

BENCHMARKING



ACTION PLANS

During the Review process this year, all participants were asked about their 2016/2017 goals and initiatives so that the LGAMLS could support the sector through emerging trends and areas of interest. Previously Councils have been supplied with an Action Plan list which highlights actions and / or tasks against each question asked during the Review based against the Risk Management Principles, Framework and Processes (as per below). The Actions Plans for 2016/2017 will be discussed and addressed with each individual Council in July / August; to be tailored and structured in a way to suit individual wants and needs.



AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines



ACTION PLAN

CITY OF UNLEY RISK MANAGEMENT OBJECTIVES

Priority Objectives	Responsible Person	Due Date
Update Risk Policy		
Update Risk Management Framework		
Identify Operational Risks		
Create Risk Register		



Governance/ Finance/ People

1. Reputation and Integrity

Question	Comments	Action Required	Responsible Person	Due Date
1.1 Has your Council completed a Risk Assessment process, identifying Strategic Risks, in your Strategic Management Plan?		a) Review Strategic Management Plan objectives – identifying risks to opportunities/ objectives b) Review strategic management plans in line with risk management policy/framework to identify: <ul style="list-style-type: none"> • Risks and opportunities associated with strategic priorities • Treatment plans • Resource requirements c) Develop strategic risk register d) Implement process of monitoring and review of strategic risk register by executive leadership team		
1.2 As the Risk Management Framework ensures a consistent approach to Risk Management practices across Council – have your Elected Members been introduced to the Framework, if so how, and was this successful?		a) Include awareness of Council's risk management framework on Elected Member's training needs analysis		



2. Strategic Risk and Governance

Question	Comments	Action Required	Responsible Person	Due Date
<p>2.1 How would you rate the value of your Risk Management Framework in underpinning Council's operations?</p> <p>Is the framework successfully utilised across all functions and activities of Council.</p>		<ul style="list-style-type: none"> a) Update Risk Management framework b) Identify Council employees who require an understanding of the risk management framework and include on training needs analysis c) Arrange training in risk management principles and application of Council's risk management framework 		
<p>2.2 A Strategic Risk Management plan that aligns with the Operational Risk plan is an essential tool for Council decision-making. Do the Council agenda reports insist on a risk assessment process to inform decision makers of opportunity vs risk?</p>		<ul style="list-style-type: none"> a) Include links to Risk Matrix into Council Reports in order for a consistent risk assessment process – as per electronica agenda and minute software b) Incorporate risk management into strategic decision making process, (e.g. inclusion of risk management considerations in all reports to Council), including alignment of activities to Council's strategic plan(s) 		



3. Procurement and Contract Management Systems

Question	Comments	Action Required	Responsible Person	Due Date
3.1 On the premise that Council does have a Procurement Framework; has this been affectively implemented across all aspects of Council?		a) Audit completed on 2015 – actions as per Procurement Action Plan		
3.2 Describe Council's process and ongoing maintenance, ensuring compliance with S48 of the Local Government Act – Prudential Requirements for defined/certain activities.		<p>a) Develop prudential policies, practices and procedures, (refer to LGA 'Financial Sustainability' Information Paper No. 27: Prudential Management) – Policy due for review June 2016</p> <p>b) Define triggers for prudential reviews/due diligence reports, (other than those defined in the Local Government Act) and how reports will be considered by Council</p>		



4. Volunteers, Vulnerable Groups, Committees

Question	Comments	Action Required	Responsible Person	Due Date
<p>4.1 Local Government relies heavily on the support of Volunteers. The ongoing success of a Volunteer programme is reliant on effective risk management – which must be supported by a Volunteer policy and attaching Volunteer Register. How effective is your Volunteer programme and is it managed within the parameters of your Policy and Register.</p> <p>Are all volunteers of Council managed consistently across the Council business – i.e. is there one central co-ordination source to ensure consistent management and monitoring of the volunteer programme.</p>		<p>a) Identify volunteer training needs, (in line with risks associated with each volunteer programme/activity) and record in training needs analysis</p> <p>b) Define organisational responsibility for management/oversight of volunteer programmes and communicate to all relevant business units</p>		



Question	Comments	Action Required	Responsible Person	Due Date
<p>4.2 For compliance purposes, a Council must have a Volunteer Policy, Register and attaching protocols and procedures.</p> <p>Are you satisfied that all registered Volunteers have access to and/or have undertaken the induction process and attend/are aware of essential awareness/information sessions relevant to their own and public safety programmes?</p>		<ul style="list-style-type: none">a) Develop and implement a Volunteerb) Adopt a Volunteer Code of Conduct and include in the volunteer induction process (LGA)c) Define minimum criteria for ongoing participation in volunteer programmes, (e.g. attendance at training/awareness sessions); for example Refresher Inductionsd) Develop if there is a need for volunteer refresher induction/ training on specific to each individuals needs		



5. People

Question	Comments	Action Required	Responsible Person	Due Date
<p>5.1 What processes does your Council have in place to identify Operational Risks and how is this process incorporated into your day to day business.</p> <p>Who is responsible for this process? How have Senior Management been engaged with the Operational Risk Register?</p>		<ul style="list-style-type: none"> a) Update and identify operational risks in line with Councils Organisational Structure and departmental managers (risk owners) b) Update operational risk register in consultation with executive leadership team and other key stakeholders c) Implement process of monitoring and review of operational risk register by executive leadership team 		
<p>5.2 The Risk Management Framework is a tool that can be used throughout the Council to support the development of a risk culture.</p> <p>How is the Risk Management Framework promoted to employees, volunteers and contractors?</p> <p>How is implementation monitored and measured?</p>		<ul style="list-style-type: none"> a) Update Risk Management Framework tailored to Council b) Review Council's processes for employees, volunteers and contractors to include awareness of Council's risk management principles; where applicable 		



OPERATIONS/SERVICES/FUNCTIONS

6. Environment / Vegetation / Trees

Question	Comments	Action Required	Responsible Person	Due Date
6.1 In accord with your Tree/Vegetation Management Policy or Strategy does your Council have established procedures and processes attaching the various enquires relating to trees/vegetation, such as a claim, notification of a safety issue, non-compliance issue and/or request for managing a tree (including removal).		<ul style="list-style-type: none"> a) Develop and implement (or review) planning policies in relation to existing vegetation and planting of new trees in developed areas b) Key stakeholders to attend/ participate in SA Power Networks Vegetation Management information session/workshop c) Develop (or adapt) tree planting guide to identify trees most suited to local conditions 		
6.2 There has been a noticeable increase in tree/vegetation related incidents/claims likely as the result of Climate Variation. Has your Council reviewed its Tree/Vegetation Management Policy in accord with its Climate Adaptation report to incorporate Climate Change?		<ul style="list-style-type: none"> a) Review Climate Adaptation Report to identify issues relating to management of trees b) Incorporate recommendations from Climate Adaptation into Tree Strategy c) Review recent incidents and/or relating to trees to identify issues/ trends that may be attributable to climate variation and develop treatment plans to prevent recurrence 		



7. Emergency Management

Question	Comments	Action Required	Responsible Person	Due Date
7.1 How has Council planned for major community disruption as the result of an “emergency” utilising a Business Continuity Plan (BCP) or similar. How effective/ responsive was the BCP in supporting both the Council internally and the community.		a) Review Business Continuity to ensure that it meets the requirements of AS 5050:2010 – as per maintenance program b) Schedule testing of BCP c) Schedule regular reviews/ updates of BCP to ensure currency and relevance d)		

8. Community Land / Recreation / Leisure Services

Question	Comments	Action Required	Responsible Person	Due Date
8.1 How frequently does Council inspect/ maintain their playgrounds – how is this determined and has this been documented?		a) Develop (or review) playground b) Develop playground renewal and replacement plan/program, based on risk (priority, location, use etc). c) Identify training requirements for persons undertaking playground inspections/maintenance and include on training needs analysis		



9. Road and Footpath Management

Question	Comments	Action Required	Responsible Person	Due Date
9.1 Council has responsibilities regarding permitting any alterations of road (s221) which involves identifying risks associated with the request. How does Council incorporate Risk Management into this process?		<ul style="list-style-type: none"> a) Develop and implement (or review) policy or procedure relating to alterations of roads/footpaths to incorporate risk management into assessment of applications, (e.g. impact on other users, existing infrastructure or road safety, WZTM) b) Establish (or review) permit system for Authorisation to Alter a Public Road to make sure it meets the requirements of Section 221 of the LG Act and includes indemnity/ insurance provisions, (template available via Member Centre) c) Document decision making process – reviewing the request in line with Risk Management principles (formal risk assessment process) 		
9.2 Council must have an Asset Management Plan/ Program that incorporates the management/ maintenance in relation to roads and footpaths. How is Risk Management principles incorporated into this process?		<ul style="list-style-type: none"> a) Develop (or review) Asset Management Plan(s) to demonstrate that risk management principles have been incorporated into the process, (e.g.. priority is based on risk) b) Review priority order for inspection/maintenance utilising the Risk Management Framework 		



10. Use by Other Parties – Facilities / Land

Question	Comments	Action Required	Responsible Person	Due Date
10.1 Event Management incorporates a number of significant risks and opportunities to Council. What resources do Council use to effectively manage Event Management? What tools are used?		<ul style="list-style-type: none">a) Identify Council events, (e.g. Christmas pageants, tourism and cultural events) that may require risk managementb) Formalise a 'fit for purpose' decision making process		
10.2 Has Council recently managed a Special Event Permit, if so how did this process go – can you give an example?		<ul style="list-style-type: none">a) Develop and implement (or review) a process for notification of persons responsible for management of Council land or facility of the proposed event and checking that it is fit for purpose prior to permitting accessb) Formalise a 'fit for purpose' decision making process		

INFORMATION REPORT

REPORT TITLE:	PROCUREMENT SAVINGS IDENTIFIED
ITEM NUMBER:	36
DATE OF MEETING:	30 AUGUST 2016
AUTHOR:	MIKE CAREY
JOB TITLE:	MANAGER FINANCE

EXECUTIVE SUMMARY

To inform the Audit and Governance Committee of contracts and tenders which have savings of more than \$10k and relate to quarter four of the 2015-16 financial year.

RECOMMENDATION

MOVED:
SECONDED:

That:

1. The report be received.
-

DISCUSSION

The Audit and Governance Committee requested that information on tenders and contract savings be reported to the Committee on a quarterly basis

Favourable Contract Variations for Quarter 4 2015-16

Only one major contract was completed which was for the construction of the Kenilworth Road Stormwater Project. Tender prices for this project were in line with budget expectations.

In addition, the following tenders and contracts are currently underway but have not been finalised:

- Telecommunications (continuing)
- Supply and Laying of Pavers (continuing)
- Supply, Laying and Profiling of Asphalt (continuing).
- Goodwood Road Streetscape - Construction

Once concluded, those contracts with savings > \$10k will be reported as part of a future Savings Report to this Committee.

CONCLUSION

In accord with Council's decision, on-going contracts are being reviewed and where identified savings occur, these will be reported to the Audit and Governance Committee and be considered for debt reduction.

Savings have been realised a number of major procurements undertaken during the 2015-16 financial year.

COMMITTEE DECISION REPORT

REPORT TITLE:	PRUDENTIAL MANAGEMENT POLICY REVIEW
ITEM NUMBER:	37
DATE OF MEETING:	30 AUGUST 2016
AUTHOR:	MIKE CAREY
JOB TITLE:	MANAGER FINANCE

EXECUTIVE SUMMARY

The Local Government Act 1999, Section 48 requires Council to develop and maintain prudential management policies, practices and procedures for the assessment of projects.

The purpose of this report is to present the updated Prudential Management Policy to the Audit and Governance Committee for their review and feedback and recommendation to Council for adoption.

The policy (Attachment 1 to report 37/16) has been updated in accordance with Council's new policy template.

In addition, the updated policy now includes more specific references to required due diligence assessment processes throughout a project lifecycle based on risk. These changes are in line with sector wide governance practices as detailed in the LGA Information Paper on Prudential Management.

It is considered that the changes to Council's Prudential Management Policy will improve Council's ability to mitigate risks and improve Council's project management practices to ensure that Council:

- Acts with due care, diligence and foresight
- Identifies and manages risks associated with a project
- Makes informed decisions, and
- Is accountable for the use of council and other public resources.

RECOMMENDATION

MOVED:
SECONDED:

That:

1. The report be received.
 2. The Audit and Governance Committee recommends the Prudential Management Policy be provided to Council for adoption.
-

RELEVANT CORE STRATEGIES/POLICIES

- O5.3 Good governance and legislative framework
- O5.5 A financially sustainable approach to business and planning activity

DISCUSSION

The Local Government Act 1999, Section 48 requires Council to develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure accountability, manage risk and inform decision making.

These “policies, practices and procedures” are intended to ensure that the council:

- (a) Acts with due care, diligence and foresight
- (b) Identifies and manages risks associated with a project
- (c) Makes informed decisions, and
- (d) Is accountable for the use of council and other public resources.

A project requiring a full prudential report, being the highest level of prudential management and associated due diligence, is triggered under Section 48:

- (a) Where the expected expenditure of the Council over the ensuing five years is likely to exceed 20% of the Council's average annual operating expenses over the previous five financial years (as shown in the Council's financial statements), or
- (b) Where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed), or
- (c) Where the Council considers that it is necessary or appropriate.

After obtaining a prudential report, the Council must consider the report before making a decision whether or not to approve the project.

The Council cannot delegate the duty to consider a prudential report that has been obtained for the purposes of Section 48. However, Council could seek and consider comment from its Audit & Governance Committee (or another Committee of Council) as part of its deliberations.

The previous policy is now due for revision. As part of this review consideration was given to the LGA Information Paper 27, Prudential Management, issued in February 2015, subsequent to the original policy being adopted and a number of other SA Council's Prudential Management Policies.

The review indicated that the policy could be improved by providing greater clarity of the required project due diligence assessment processes both prior to commencement and throughout the project life cycle. This has resulted in the following aspects being added to the policy:

- Adoption of core due diligence principles

- Requirement that all defined projects be assessed as to the level of due diligence that is required
- Increased clarity on the link between the financial and organisational risks consequence and likelihood of a project with the level of due diligence assessment required for a project
- More specific direction on what is included in the due diligence assessment
- Due diligence requirements during a project, and
- Due Diligence requirement after a project has been completed.

Council's proposed changes to the policy and associated procedures now allow for the level of information and effort to complete the due diligence assessment to vary depending upon the level of risk to which Council may be exposed in undertaking the project.

The proposed updated Prudential Management Policy is shown as Attachment 1 with a marked up version highlighting the revisions, additions and deletions from the current policy as Attachment 2.

Attachment 1
Attachment 2

There have been minor changes to Section 48 of the Local Government Act in March 2016. However, it is not considered that these changes impact on Council's Policy. For completeness the updated legislation is shown as Attachment 3.

Attachment 3

ANALYSIS OF OPTIONS

Option 1 – The Prudential Management Policy be recommended to Council for adoption as per attachment 1 (37/16)

This policy is required under Section 48 of the Local Government Act 1999.

Council's current Prudential Policy requires revision to align with best practice, Councils' project management practices and updated policy template.

As well as meeting its legislative policy requirements, it is considered that Councils revised Prudential Management Policy will improve Council's ability to mitigate risks and will be instrumental in ensuring that Council:

- Acts with due care, diligence and foresight
- Identifies and manages risks associated with a project
- Makes informed decisions, and
- Is accountable for the use of council and other public resources.

Option 2 – The Prudential Management Policy be recommended to Council with minor amendments for adoption as per attachment 1 (37/16)

This option allows the Audit and Governance Committee to amend parts of the Policy as it sees fit.

RECOMMENDED OPTION

Option 1 is the recommended option.

POLICY IMPLICATIONS

Local Government Act 1999 requires Council to adopt such a policy.

REPORT CONSULTATION

The Group Manager Governance as well as the General Manager Economic Development and Planning and the General Manager Assets and Environment have been consulted on the Prudential Management Policy changes.

ATTACHMENTS

1. Prudential Management Policy.
2. Prudential Management Policy marked up for Changes.
3. Local Government Act 1999, Section 48

REPORT AUTHORISERS

<u>Name</u>	<u>Title</u>
Nicola Tinning	Group Manager Business Support and Improvement
Peter Tsokas	Chief Executive Officer



PRUDENTIAL MANAGEMENT POLICY

Policy Type:	Council Policy
Reference Number:	
Responsible Budget Program:	Finance
Responsible Officer:	Manager Finance
Related Policies and Procedures	Risk & Opportunity Management Policy Risk & Opportunity Management Framework Procurement Policy and Framework Project Management Framework
Council Resolution:	
Date Adopted:	
Review Date:	September 2019 (or on significant change to legislation pertaining to Section 48 of the Local Government Act).

1. POLICY STATEMENT

The Local Government Act 1999 (LGA), Section 48 (aa1) prescribes that:

“A Council must develop and maintain prudential policies, practices and procedures for the assessment of projects to ensure that the Council:

- a) acts with due care, diligence and foresight, and
- b) identifies and manages risks associated with a project; and
- c) makes informed decisions; and
- d) is accountable for the use of council and other public resources

This policy seeks to enhance Council’s existing policies and procedures that govern Council’s prudential management and due diligence of projects.

2. COMMUNITY GOAL

O5.3 Good governance and legislative framework

O5.5 A financially sustainable approach to business and planning activity

3. POLICY OBJECTIVES

Council's objectives of this Policy are to ensure that each Council project:

- is undertaken only after an appropriate level of due diligence is applied to the proposed project;
- is managed appropriately during the project and evaluated after the project in terms of the use of council and other public resources to achieve identified public benefits or needs; and to minimise financial risks;
- meets the prudential report requirements when consideration is being given to a project that falls within the requirements of Section 48 (1) (b) of the LGA.

4. PRINCIPLES

Council is committed to a pro-active risk management approach in accordance with its Risk & Opportunity Management Framework, when undertaking all projects.

Council will make open, transparent and informed decisions in regard to projects based on reliable, accurate and timely information.

Council's core Due Diligence principles are as follows:

- efficient and cost effective use of public funds;
- accountability, integrity and due process;
- compliance;
- identification of benefits or needs; and
- identification of financial and organisational risks

5. POLICY

5.1 PROJECTS

For City of Unley defined projects will be required to follow the Project Management Framework covering a project evaluation including a due diligence assessment, approval, monitoring and reporting.

This will require all defined projects to be assessed as to the level of due diligence that is required. The level of Due Diligence Assessment (DDA) is based on the Financial and Organisational Risk Consequence and the Risk Likelihood of the Project.

5.2. DUE DILIGENCE DURING A PROJECT

After a decision has been made to commence a project, it will be managed using the applicable project management methodology of Council to ensure that the principles of due diligence are met.

The Council will take action to manage the project so that:

- the project remains focussed upon the expected public benefits or needs that have been identified in the DDA; and
- financial risks identified in the DDA are managed appropriately.

5.3 DUE DILIGENCE AFTER A PROJECT

Once a project has been completed, it will be evaluated by using the applicable project management methodology of Council, according to the principles of due diligence, to determine the extent to which the project:

- has achieved the public benefits or needs identified in the DDA that it was intended to achieve or satisfy; and
- has avoided or mitigated the financial risks identified in the DDA

5.4 FULL PRUDENTIAL REPORT

For a defined Prudential Project under Section 48(1) of the Act, there is a requirement that a full prudential report be prepared for Council. A report under Section 48 will be regarded as the highest-level, most thorough type of DDA for the purposes of this Policy.

A full prudential report may also be commissioned under Section 48, for “any other project for which the Council considers that it is necessary or appropriate”.

5.5 FULL PRUDENTIAL REPORT AUTHOR

For a Full Prudential Report, the author will be an independent person who is skilled in the assessment of prudential issues relevant to the proposed project. This may be an employee of Council; however in such instance the person must not have an interest in the proposed project.

Section 48(4) states the qualifications that a person must have in order to prepare a Prudential Report. However, Council’s external auditor cannot be engaged to provide a Section 48 Prudential Report.

5.6 CONSIDERATION OF THE FULL PRUDENTIAL REPORT

The engaged author will prepare a Prudential Report in accordance with this policy and the legislation for consideration of Council prior to the project commencement.

Under Section 48 (4b) a council must give reasonable consideration to a Prudential Report (and must not delegate the requirement to do so under this subsection). This prevents the Council from delegating formal consideration of the report to the Audit Committee or any other group or person.

However, Council could seek and consider comment from its Audit & Governance Committee (or another Committee of Council) as part of its deliberations.

5.7 PUBLIC ACCESS OF THE PRUDENTIAL REPORT

The Prudential Report will form part of the Council Agenda papers and will be a public document unless it been determined otherwise by the Council in accordance with Section 90 of the Local Government Act 1999.

6. DEFINITIONS

Due Diligence is defined as the conduct of a systematic review of a transaction, prior to entering the transaction. Effective due diligence for a project requires the following to be considered:

- compliance with procedures and structures to regulate how projects are assessed;

- benefits or needs in terms of:
 - identification, articulation and (where possible) quantification of measures of public benefits or needs that are intended to be achieved or satisfied by the project;
 - supervision of the project to ensure that it remains focussed on the expected public benefits or needs; and
 - at completion, evaluation of the project on the extent to which it has achieved the public benefits or needs that it was intended to achieve or satisfy.
- project costs including expected whole-of-life costs and revenue impacts;
- risks in terms of:
 - the identification, in a systematic and transparent manner, of both the risks and the benefits of the project to both the Council and its community;
 - quantification of the level of risk involved with the project;
 - the development of measures to reduce or mitigate risks to an acceptable level or if practical elimination;
 - ensuring that those measures are adhered to during implementation; and
 - supervision of the project to ensure that risks continue to be monitored.

For the City of Unley this will be achieved by complying with the Project Management Framework and completion of the Project Brief and Project Management Plan (where relevant) as defined under that framework.

Due Diligence Assessment (DDA)

Depending on a Project's financial and organisation risk consequence and risk likelihood, a DDA of greater or lesser detail will be prepared. This DDA will include, in relation to the proposed project:

- an analysis of the need or demand;
- identification and quantification of the expected financial and other benefits;
- identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs;
- assessment of the associated financial risks, (including the financial risks of not proceeding or delaying the proposed project) and consideration of ways they can be managed and/or mitigated;
- an evaluation that weighs up all of the factors above

Under Council's Project Management Framework, larger projects are likely to consist of a number of stages such as Concept, Feasibility/Planning Study, Design and Implementation. In these circumstances, the DDA should be updated at each stage and address both the overall project as well as the next proposed stage of delivery.

The City of Unley DDA categories are as follows, noting that each level requires an increasing level of detail:

Level 1 Assessment	Basic DDA
Level 2 Assessment	Project Feasibility Study
Level 3 Assessment	Business Case
Level 4 Assessment	Prudential Project.

Financial Risk (FR)

Exposure of Council to financial loss or under or over budgeting

Organisational Risk

Includes, but is not limited to, work, health and safety, public and product liability, reputational and political impacts and is separate but may be linked to financial risk.

A **Project** is defined as a new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset. This may include Operating Projects, Capital Works Program (new & replacement), relevant key actions from the Annual Business Plan and Supporting Initiatives from the 4 Year Plan.

Project Management Framework is the approved project management tool to cover project evaluation and due diligence assessment, approval, monitoring and reporting from initial concept through to project close out/ hand over to operations.

A **Prudential Project** is a Project that meets the following:

- (a) where the expected expenditure of the Council over the ensuing five years is likely to exceed 20% of the Council's average annual operating expenses over the previous five financial years (as shown in the Council's financial statements); or
- (b) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed); or
- (c) where the Council considers that it is necessary or appropriate.

In accordance with Section 48 (3) of the Local Government Act, the definition of a prudential project does not apply to road construction or maintenance; or drainage works.

A **Prudential Report** is the formal report with specific due diligence and format requirements in accordance with Section 48 (2) of the LGA. This report needs to be obtained and considered by Council for Prudential Projects.

A Prudential Report will be regarded as the highest level of prudential management and associated due diligence.

Whole-of-life costs/costing

An assessment of all costs associated with any Project from inception, implementation, maintenance and decommissioning of assets and or services arising from a Project and includes all cash, depreciation and financing considerations

7. LEGISLATION/REFERENCES

This is a mandatory policy as required under the Local Government Act 1999 Section 48 (aa1) which prescribes that:

"A Council must develop and maintain prudential policies, practices and procedures for the assessment of projects to ensure that the Council:

- (a) acts with due care, diligence and foresight, and
- (b) identifies and manages risks associated with a project; and
- (c) makes informed decisions; and
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Related Policies

- Risk & Opportunity Management Policy
- Risk & Opportunity Management Framework
- Procurement Policy
- Project Management Framework

LGA Financial Sustainability Information Papers

Information Paper 27 Prudential Management - February 2015

8. POLICY DELEGATIONS

Refer to Delegations Register for the Section 48 Delegation

Under Section 48 (4b) a council must give reasonable consideration to a Prudential Report (and must not delegate the requirement to do so under this subsection). This prevents the Council from delegating formal consideration of the report to the Audit Committee or any other group or person.

9. ROLES/RESPONSIBILITIES

- Manager Finance

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11. DOCUMENT HISTORY

Date:	Council/Committee/Internal	Comment:
23 September 2013	Adopted by Council Resolution 893/13	
	Council item / year	



CHANGES TO POLICY LEGEND

~~Removed from old Policy~~

Added to New Policy

Moved within Document

Unchanged

~~PROJECTS~~ PRUDENTIAL MANAGEMENT ~~REPORTING~~ POLICY

Policy Type:	Council Policy
Reference Number:	
Responsible Budget Program:	Finance
Responsible Officer:	Manager Finance
Related Policies and Procedures	Risk & Opportunity Management Policy Risk & Opportunity Management Framework Procurement Policy and Framework Project Management Framework
Council Resolution:	893/13
Date Adopted:	23 September 2013
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- (b) identifies and manages risks associated with a project; and
- (c) makes informed decisions; and

(d) is accountable for the use of council and other public resources.

- Risk & Opportunity Management Policy
- Risk & Opportunity Management Framework
- Procurement Policy
- Project Management Framework

LGA Financial Sustainability Information Papers

Information Paper 27 Prudential Management - February 2015

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11. DOCUMENT HISTORY

Date:	Council/Committee/Internal	Comment:
23 September 2013	Adopted by Council Resolution 893/13	
	Council item / year	

Part 3—Prudential requirements for certain activities

48—Prudential requirements for certain activities

- (aa1) A council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council—
- (a) acts with due care, diligence and foresight; and
 - (b) identifies and manages risks associated with a project; and
 - (c) makes informed decisions; and
 - (d) is accountable for the use of council and other public resources.
- (a1) The prudential management policies, practices and procedures developed by the council for the purposes of subsection (aa1) must be consistent with any regulations made for the purposes of this section.
- (1) Without limiting subsection (aa1), a council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
- (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
 - (i) where the expected operating [expenses calculated on an accrual basis](#) of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
 - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or
 - (iii) where the council considers that it is necessary or appropriate.
- (2) The following are prudential issues for the purposes of subsection (1):
- (a) the relationship between the project and relevant strategic management plans;
 - (b) the objectives of the Development Plan in the area where the project is to occur;
 - (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
 - (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
 - (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
 - (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;

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- (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;
 - (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
 - (i) the most appropriate mechanisms or arrangements for carrying out the project;
 - (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the *Land Valuers Act 1994*.
 - (2a) The fact that a project is to be undertaken in stages does not limit the operation of subsection (1)(b) in relation to the project as a whole.
 - (3) A report is not required under subsection (1) in relation to—
 - (a) road construction or maintenance; or
 - (b) drainage works.
 - (4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).
 - (4a) A report under subsection (1) must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the council).
 - (4b) A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection).
 - (5) A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
 - (6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).
 - (6a) For the purposes of subsection (4a), a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the project were to proceed.
 - (6b) A person is closely associated with another person (the *relevant person*)—
 - (a) if that person is a body corporate of which the relevant person is a director or a member of the governing body; or
 - (b) if that person is a proprietary company in which the relevant person is a shareholder; or
 - (c) if that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or
 - (d) if that person is a partner of the relevant person; or
 - (e) if that person is the employer or an employee of the relevant person; or

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- (f) if that person is a person from whom the relevant person has received or might reasonably be expected to receive a fee, commission or other reward for providing professional or other services; or
 - (g) if that person is a relative of the relevant person.
 - (6c) However, a person, or a person closely associated with another person, will not be regarded as having an interest in a matter—
 - (a) by virtue only of the fact that the person—
 - (i) is a ratepayer, elector or resident in the area of the council; or
 - (ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisation; or
 - (b) in a prescribed circumstance.
 - (6d) In this section, \$4 000 000 (indexed) means that that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.
 - (6e) In this section—
 - employee** of a council includes a person working for the council on a temporary basis;
 - non-profit association** means a body (whether corporate or unincorporate)—
 - (a) that does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and
 - (b) that is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.
 - (7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.

COMMITTEE DECISION REPORT

REPORT TITLE:	TREASURY MANAGEMENT POLICY REVIEW
ITEM NUMBER:	38
DATE OF MEETING:	30 AUGUST 2016
AUTHOR:	MIKE CAREY
JOB TITLE:	MANAGER FINANCE

EXECUTIVE SUMMARY

The purpose of this report is to present the updated Treasury Management Policy to the Audit and Governance Committee for their review and feedback and recommendation to Council for adoption.

The policy (Attachment 1 to report 38/16) has been updated in accordance with Council's new policy template.

In addition, the updated policy now includes reference to intergenerational equity, borrowing redemption and risk minimisation, reference to hedging and other financial arrangements and reporting.

Further, the definitions page has been extended and the section on Borrowing Principles expanded to indicate the types of expenditure where it is appropriate to borrow.

It is considered this updated Treasury Management Policy underpins Council's decision making in the funding of its operations in the context of cash flow, budgeting, borrowings and investments.

RECOMMENDATION

MOVED:
SECONDED:

That:

1. The report be received.
 2. The Audit and Governance Committee recommends the Treasury Management Policy be provided to Council for adoption.
-

RELEVANT CORE STRATEGIES/POLICIES

O5.3 Good governance and legislative framework

O5.5 A financial sustainability approach to business and planning activity

DISCUSSION

The Treasury Management Policy underpins Council's decision making in the funding of Council's operations in the context of cash flow, budgeting, borrowings and investments. It is an important guidance tool in the funding of Council's expenditure.

The intention of the policy is to manage the finances of the Council holistically in a manner that ensures its continued financial sustainability and supports its strategic management plans. This means Council should:

- maintain a target rate for its Net Financial Liabilities ratio
- generally only borrow funds to support cash flow
- only retain or quarantine money for a particular future purpose when required by legislation or part of an agreement
- apply where cost effective, any funds that are not immediately required to meet approved expenditure, to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

The previous adopted policy is now due for revision. As part of this review, consideration was given to the LGA Information Paper 15, Treasury Management, revised in February 2015 and a number of other SA Council's Treasury Management Policies.

This has resulted in the following aspects being added to the policy to provide greater clarity and direction in terms of treasury management operations:

- borrowing principles to indicate the types of expenditure where it is appropriate to borrow
- reference to intergenerational equity to ensure Council considers equity between generations of ratepayers in funding and financing decisions
- ensuring that any repayment of borrowings give due regard to minimising the overall cost to Council
- reference to when to use hedging and other financial arrangements, and
- specific reporting requirements on treasury management performance via the Audit and Governance Committee.

Council's current policy also requires revision to align to Council's updated policy template. In addition, there has been an expansion of the definitions page of this policy.

The Proposed Treasury Management Policy is shown as Attachment 1 with a marked up version highlighting the revisions, additions and deletions as Attachment 2.

Attachment 1
Attachment 2

ANALYSIS OF OPTIONS

Option 1 – The Treasury Management Policy be recommended to Council for adoption as per attachment 1 (xxx/16)

Council's current Treasury Management Policy requires revision to align with best practice, updates to LGA Information Papers and Council's updated policy template.

The policy has been updated to provide clear accountability, consistency and transparency for treasury management operations across Council.

Option 2 – The Treasury Management Policy be recommended to Council with amendments for adoption as per attachment 1 (xxx/16)

The policy, with amendments, has been developed to provide clear accountability, consistency and transparency for treasury management operations.

RECOMMENDED OPTION

Option 1 is the recommended option.

POLICY IMPLICATIONS

The primary legislative provisions in the Local Government Act relating to council borrowings are:

- Section 44 – a council must approve all borrowings and the legislation clearly states that the power to borrow cannot be delegated
- Section 122 – a council's strategic management plans must include an assessment of a council's proposals with respect to debt levels
- Section 134 – empowers a council to borrow and requires a council to consider expert advice before entering into financial arrangements for the purpose of managing, hedging or protecting against interest rate movements and other risks associated with borrowing money
- Regulations 5 and 5B of the Financial Management Regulations under the Act – require the preparation of Cash Flow Statements (including financing transactions) covering council's Long-term Financial Plans and Budgets.

In addition, the Act provides the following with respect to investments:

- Section 47 – prohibits a council from directly acquiring shares in a company
- Section 139 – empowers a council to invest and requires that the power of investment be exercised with care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons. Section 139 also requires a council to avoid investments that are speculative or hazardous in nature
- Section 140 – requires that a council review the performance of its investments at least annually.

REPORT CONSULTATION

The Group Manager Governance has been consulted in the preparation of this report and policy.

ATTACHMENTS

1. Treasury Management Policy.
2. Treasury Management Policy marked up for Changes.

REPORT AUTHORISERS

<u>Name</u>	<u>Title</u>
Nicola Tinning	Group Manager Business Support and Improvement
Peter Tsokas	Chief Executive Officer



TREASURY MANAGEMENT POLICY

Policy Type:	Council Policy
Responsible Department:	Finance
Responsible Officer:	Manager Finance
Related Policies and Procedures	Procurement Policy Delegations Framework
Council Resolution:	Audit Committee 25 November 2008;18/08 Council 15 December 2008; C386/08
Last Council review:	XXX 2016
Next review date:	December 2019
ECM Doc Set ID:	Governance staff to add number assigned from ECM for future reference

1. POLICY STATEMENT

The Treasury Management Policy underpins Council's decision making regarding the financing of its operations as documented in its Long Term Financial Plan and Annual Business Plan & Budget together with associated projected and actual cash flow receipts and expenditure.

2. COMMUNITY GOAL

O5.3 Good governance and legislative framework

O5.5 A financially sustainable approach to business and planning activity

3. POLICY OBJECTIVES

The policy in which the treasury functions will operate will ensure that:

- Funds are available as required to support strategic objectives and approved expenditure;
- Interest rate and other risks e.g. liquidity and investment credit risks are acknowledged and responsibly managed;
- The net interest costs associated with borrowing and investing are reasonably minimised on average over the longer term;
- Medium to longer term objectives of the Long Term Financial Plan are not compromised;
- Where possible, that the structure of the borrowing is appropriate for the nature of the assets being funded; and
- Council's funding activities are in accordance with its legislative and common law responsibilities.

4. PRINCIPLES

The intention of the policy is to enable Council to manage its treasury functions – borrowings, investments and associated cash flow management **holistically** in a manner that ensures its financial sustainability and supports its strategic management plans.

This means Council will:

- Maintain a target range for its Net Financial Liabilities ratio;
- Generally only borrow funds to support cash flow;
- Only retain or quarantine money for a particular future purposes when required by legislation or part of an agreement;
- Apply where cost effective any funds that are not immediately required to meet approved expenditure, to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.
- **Not** borrow for funding annual operational expenditure

With reference to Borrowings, subject to meeting Net Financial Liabilities Ratio targets:

- Council aims to borrow 'long for long' and 'short for short', i.e. where possible, the structure of the borrowing is appropriate for the nature of the assets being funded. However, any borrowing arrangement still needs to meet the overall treasury objective of minimising the costs of borrowings in the medium term by also considering future capital receipts and outlays.
- it is appropriate to borrow for financing of strategic land purchases and to fund capital upgrading/new assets particularly if used for revenue generating purposes.
- Significant spikes in asset renewal expenditure can be considered for borrowing.

5. POLICY

5.1 TREASURY MANAGEMENT STRATEGY

Council's operating and capital expenditure decisions are made on the basis of:

- identified community need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery; and
- affordability of proposals having regard to Council's long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council's Net Financial liabilities ratio).

5.2 INTER-GENERATIONAL EQUITY FUNDING

Council shall strive to achieve equity between generations of ratepayers (inter-generational equity) whereby the mechanisms to fund specific capital expenditure and operations take into account the ratepayers who benefit from the expenditure and therefore on a user pay basis, who should pay for the costs associated with such expenditure.

5.3 LONG-TERM SUSTAINABILITY OF COUNCIL

The level of borrowings shall be within the adopted Net Financial liabilities ratio to ensure the long-term sustainability of Council.

5.4. BORROWING

All borrowings will be considered in the context of Council's strategic priorities and borrowing levels in line with Council's Long Term Financial Plan and adopted targets.

5.4.1 Short Term Cash Flow Management

Short term cash advance may be used to sustain the cash flows of Council having regard to anticipated receipts and expenditures and the annual cash flow budget. For this purpose Council may operate an overdraft on its bank account and/ or a cash advance facility from a financial institution.

5.4.2 Interest Rate Risk Exposures

For Council to minimise net interest costs on average over the longer term, and at the same time, manage interest rate movement risks within acceptable limits, both fixed and variable interest rate borrowings should be considered.

Management shall not speculate on interest rate movements.

5.4.3 Fixed and Variable Interest Borrowings

In order to ensure that there is an appropriate mix of interest rate exposure, as old borrowings mature and new borrowings are raised, Council will endeavour to restructure its portfolio of borrowings in order to progressively achieve and strive to maintain a mixture of fixed and variable interest rate borrowings.

In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity spectrum.

Fixed and variable borrowing activities will comply with Council's Procurement Policy

5.4.4 Risk Minimisation

To reduce the level of risk:

- Council approval is required for all new loans
- Loans are to be provided by institutions with long term credit ratings of "AA-" or better
- All new loans are to be tendered to at least three lending institutions.

5.4.5 Borrowing Redemption

When surplus funds exist, the decision to repay borrowings shall be made based on the facts available at the time giving due regard to minimising the overall cost to Council.

5.5 INVESTMENTS

Council funds that are not immediately required for operations and that cannot be applied to either reduce existing borrowings or avoid the arising of new borrowings, will be invested. The balance of funds held in any operating bank account that does not provide investment returns at least consistent with 'at call' market rates, shall be kept at a level that is no greater than is required to meet immediate working capital requirements.

All investments will be considered in the context of Council's strategic priorities to ensure Council maximises the return on surplus funds.

To manage the level of risk Council will limit its investments to secure organisations. In addition, Council is prohibited from directly acquiring shares in a company. Therefore, without Council approval, investments are limited to:

- Deposits with the Local Government Finance Authority;
- Bank interest bearing deposits
- Bank accepted/ endorsed bank bills
- Bank negotiable Certificate Deposits, and
- State / Commonwealth Government Bonds.

This policy does not insist that the highest interest rate should be accepted, but that the investment which delivers the best value to Council should be selected.

5.6 HEDGING & OTHER FINANCIAL ARRANGEMENTS

Council may consider the use of hedging and other financial arrangements but **only** as a mechanism to **reduce interest rate risk exposure** and not for speculative trading.

5.7 REPORTING

At least once a year Council via the Audit & Governance Committee shall receive a specific report regarding treasury management performance relative to this policy document.

This report shall highlight:

- For each Council borrowing and investment- the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report
- The portion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period, and
- Full details and explanation of any instances of deviation from this policy during the year.

6. DEFINITIONS

Annual Business Plan

In accordance with s123 of the Local Government Act 1999 Council must have for each financial year a plan and budget that outlines annual and long term objectives, annual activities and measures of performance.

Financial Sustainability

A Council's long term financial performance and position is sustainable where planned long term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

LGFA – Local Government Financing Authority.

A Government guaranteed statutory authority established to develop and implement borrowing and investment programs for the benefit of Councils and prescribed local government bodies within the State.

Long Term Financial Plan

In accordance with s122 of the Local Government Act 1999 Council must develop and adopt a long term financial plan for a period of at least 10 years.

Net Financial Liabilities (NFL)

NFL equals total liabilities less financial assets, where financial assets for this purpose include cash, investments, receivables and prepayments, but exclude equity held in a Council subsidiary, inventories and assets held for sale. The Net Financial Liabilities Ratio is calculated by expressing net financial liabilities at the end of the year as a percentage of total operating revenue for the year.

Surplus Funds

Funds over and above a level which is required to meet Council's immediate working capital requirements

Treasury Management

Refers to those activities which are related to the funding of Council operations. This includes funds management, cash flow budgeting, investment of surplus funds and borrowings

7. LEGISLATION/REFERENCES

Local Government Act 1999

Chapter 8 Section 122 and 123, provides that a council should have strategic plans and an annual budget.

Borrowings

Chapter 9 Section 133 and 134 provides that a council can:

- Obtain funds from a range of sources, including taxation and borrowing appropriate to the Council carrying out its functions
- Borrow funds and enter into arrangements to protect against
- adverse interest rate movements on borrowings, and
- Invest Council funds.

Section 44 Part 1c of the Act provides that a council must approve all loans and clearly states that the power to borrow money cannot be delegated from the Council itself.

Investments

Chapter 9 Section 139 and 140 provides that a council:

- Empowers councils to invest money
- Council must exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons
- Avoid investments that are speculative or hazardous in nature, and
- A council must review the performance of its investments at least annually.

Section 44 enables a council to delegate this function.

Section 47 prohibits a council from directly acquiring shares in a company.

Local Government (Financial Management) Regulations 1999

Regulation 5 requires the preparation of a Budgeted Cash flow Statement covering Council's Long Term Financial Plans and Budgets as part of the Council's annual budget papers.

LGA Financial Sustainability Information Papers

Information Paper 9 Financial Indicators - Revised May 2015

Information Paper 10 Debt - Revised February 2015

Information Paper 15 Treasury Management - **Revised February 2015.**

8. POLICY DELEGATIONS

Section 44 Part 1c of the Act provides that a council must approve all loans and clearly states that the power to borrow money cannot be delegated from the Council itself.

In terms of Investments, there is no restriction upon the delegation of the powers at Section 139 or the duty at Section 140 of the Act.

Investment/Loan Transactions within new facilities which must be within the debt levels approved by Council have been delegated to the following:

- CEO
- All General Managers
- Manager Finance

Or two of

- Manager Finance
- Senior Accountant
- Management Accountant

Investment/Loan Transactions within existing approved facilities are delegated to:

- CEO
- All General Managers
- Manager Finance
- Senior Accountant
- Management Accountant

9. ROLES/RESPONSIBILITIES

- Manager Finance

10. AVAILABILITY

The policy is available for public inspection during normal office hours from;

Civic Centre
181 Unley Road
Unley SA 5061

A copy may be purchased for a fee as determined annually by Council.

It is also available for viewing, download and printing free of charge from the Council's website, www.unley.sa.gov.au

11. DOCUMENT HISTORY

Date:	Council/Committee/Internal	Comment:
25 Nov 2008	Audit Committee; 18/08	
15 Dec 2008	Council; C386/08	
19 July 2010	CSP Committee; 341/10	
26 July 2010	Council; C701/10	
3 May 2011	Audit Committee; 19/11	
23 May 2011	Council; C133/11	
14 May 2012	CSP Committee; 108/12	
28 May 2012	Council; C420/12	
..... 2016	Audit & Gov Committee	Was Policy no.CO15



CHANGES TO POLICY LEGEND

~~Removed from old Policy~~

Added to New Policy

Moved within Document

Unchanged

TREASURY MANAGEMENT POLICY

Policy Type:	Council Policy
Responsible Department:	Finance
Responsible Officer:	Manager Finance
Related Policies and Procedures	Procurement Policy Delegations Framework
Council Resolution:	Audit Committee November 2008 – adopted by Council 15 December 2008
Last Council review:	XXX 2016
Next review date:	December 2019
ECM Doc Set ID:	Governance staff to add number assigned from ECM for future reference

1. POLICY STATEMENT

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O5.3 Good governance and legislative framework

O5.5 A financially sustainable approach to business and planning activity

3. POLICY OBJECTIVES

The policy in which the treasury functions will operate will ensure that:

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- Interest rate and other risks e.g. liquidity and investment credit risks are acknowledged and responsibly managed;
- The net interest costs associated with borrowing and investing are reasonably minimised on average over the longer term;
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- Where possible, that the structure of the borrowing is appropriate for the nature of the assets being funded; and
- Council's funding activities are in accordance with its legislative and common law responsibilities.

4. PRINCIPLES

The intention of the policy is to [enable Council to manage its treasury functions – borrowings, investments and associated cash flow management](#) ~~manage the finances of Council~~ **holistically** [in a manner that ensures its financial sustainability and supports its strategic management plans](#) ~~in accordance with the overall financial sustainability strategies and targets.~~

This means Council will:

- Maintain a target range for its Net Financial Liabilities ratio;
- Generally only borrow funds [to support cash flow](#) ~~when it needs cash and not specifically for particular projects;~~
- [Only](#) ~~Not~~ retain or quarantine money for a particular future purposes [when](#) ~~unless~~ required by legislation or [part of an](#) agreement ~~with other parties;~~
- Apply where cost effective any funds that are not immediately required to meet approved expenditure, to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.
- [Not borrow for funding annual operational expenditure.](#)

[With reference to Borrowings, subject to meeting Net Financial Liabilities Ratio targets:](#)

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- [it is appropriate to borrow for financing of strategic land purchases and to fund capital upgrading/new assets particularly if used for revenue generating purposes.](#)
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5. **POLICY PROCEDURES**

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Council's operating and capital expenditure decisions are made on the basis of:

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- affordability of proposals having regard to Council's long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council's Net Financial liabilities **and interest cover ratios**).

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- Bank negotiable Certificate Deposits; and
- State / Commonwealth Government Bonds.

This policy does not insist that the highest interest rate should be accepted, but that the investment which delivers the best value to Council should be selected.

~~Other considerations may include:~~

- ~~Transaction costs;~~
- ~~Ability to make transactions and swap funds;~~
- ~~Level of service offered by institution;~~
- ~~Bonuses paid to Council;~~
- ~~Reduced costs of other services; and~~
- ~~Financial risk of capital.~~

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LGA Financial Sustainability Information Papers

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[Information Paper 10 Debt - Revised February 2015](#)

Information Paper 15 Treasury Management - **Revised February 2015**

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8. **POLICY DELEGATIONS**

[Section 44 Part 1c of the Act provides that a council must approve all loans and clearly states that the power to borrow money cannot be delegated from the Council itself.](#)

[In terms of Investments, there is no restriction upon the delegation of the powers at Section 139 or the duty at Section 140 of the Act.](#)

Investment/Loan Transactions within new facilities which must be within the debt levels approved by Council have been delegated to the following:

- [CEO](#)
- [All General Managers](#)
- [Manager Finance](#)

Or 2 of

- [Manager Finance](#)
- [Senior Accountant](#)
- [Management Accountant](#)

Investment/Loan Transactions within existing approved facilities are delegated to:

- [CEO](#)
- [All General Managers](#)
- [Manager Finance](#)
- [Senior Accountant](#)
- [Management Accountant](#)

9. ROLES/RESPONSIBILITIES

- [Manager Finance](#)

10. AVAILABILITY

The policy is available for public inspection during normal office hours from:

[Civic Centre](#)
[181 Unley Road](#)
[Unley SA 5061](#)

A copy may be purchased for a fee as determined annually by Council.

It is also available for viewing, download and printing free of charge from the Council's website, www.unley.sa.gov.au

11. DOCUMENT HISTORY

Date:	Council/Committee/Internal	Comment:
25 Nov 2008	Audit Committee; 18/08	
15 Dec 2008	Council; C386/08	
19 July 2010	CSP Committee; 341/10	
26 July 2010	Council; C701/10	
3 May 2011	Audit Committee; 19/11	
23 May 2011	Council; C133/11	
14 May 2012	CSP Committee; 108/12	
28 May 2012	Council; C420/12	
..... 2016	Audit & Gov Committee	Was Policy no.COUI5