



AGENDA

FOR AUDIT COMMITTEE MEETING TO BE HELD ON

12 APRIL 2016 AT 6:00 PM

IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY

MEMBERS

Mr P Brass (Chairman)
Ms K Briggs
Mr C Johnson (Deputy Chairman)
Cr G Caruso
Cr G Reynolds

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
General Manager City Infrastructure, Mr M van der Pennen
General Manager Community Development, Ms J Trotter
Manager Governance, Ms T Norman
Manager Financial Services, Ms K George
Business Analyst - Internal Audit & Risk, Mr G Kendall

APOLOGIES

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Audit Committee Meeting held on 09 February 2016.

Presentation of the Minutes of the Confidential Audit Committee Meeting held on 09 February 2016.

PRESENTATION

Risk presentation by General Manager Community Development.

REPORTS

Administration

4.0.1	Future Reports for the Audit Committee of Council.....	9
-------	--	---

Reports

4.2.1	Strategic Asset Management Delivery Report	11
4.2.2	Draft 2016/17 Annual Plan and Budget	55
4.2.3	Treasury Policy Update	57
4.2.4	Internal Audit Update	65

OTHER BUSINESS

CLOSE



**MINUTES OF AUDIT COMMITTEE MEETING HELD IN COMMITTEE ROOMS, 12
JAMES STREET, SALISBURY ON**

9 FEBRUARY 2016

MEMBERS PRESENT

Mr P Brass (Chairman)
Ms K Briggs
Mr C Johnson
Cr G Caruso
Cr G Reynolds

OBSERVERS

Cr S White
Cr R Zahra

STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
Manager Governance, Ms T Norman
Business Analyst - Internal Audit & Risk, Mr G Kendall

The meeting commenced at 6:06 pm.

The Chairman welcomed the members, staff and the gallery to the meeting.

APOLOGIES

There were no Apologies.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Ms K Briggs
Seconded Mr C Johnson

The Minutes of the Audit Committee Meeting held on 13 October 2015,
be taken and read as confirmed.

CARRIED

Moved Mr C Johnson
Seconded Cr G Reynolds

The Minutes of the Confidential Audit Committee Meeting held on 13
October 2015, be taken and read as confirmed.

CARRIED

PRESENTATION

A presentation on the Water Business Unit was given by Mr B Naumann, Manager Salisbury
Water.

Cr G Reynolds left the meeting at 06:47 pm.

Cr G Reynolds returned to the meeting at 06:48 pm.

REPORTS

Administration

4.0.1 Appointment of Deputy Chairman - Audit Committee

Moved Ms K Briggs
Seconded Cr G Reynolds

1. Mr C Johnson be appointed as Deputy Chairman of the Audit
Committee for a term concluding 1 September 2017, consistent
with the appointment term of the Chairman of the Audit
Committee.

CARRIED

4.0.2 Future Reports for the Audit Committee of Council

Moved Cr G Reynolds
Seconded Cr G Caruso

1. The information be received.

CARRIED

4.0.3 Review of the Audit Committee Terms of Reference and Internal Audit Charter

Moved Cr G Reynolds

Seconded Ms K Briggs

1. The information be received.
2. The Audit Committee Terms of Reference, as set out in the attachment to this report (Item No. 4.0.3, Audit Committee, 09/02/2015) be considered and endorsed.
3. The Internal Audit Charter, as set out in the attachment to this report (Item No. 4.0.3, Audit Committee, 09/02/2015) be considered and adopted.

CARRIED

Reports

4.2.1 Audit Committee Self-Assessment Questionnaire and Process

Moved Mr C Johnson

Seconded Cr G Caruso

1. The information be received.
2. The self-assessment questionnaire, as set out in the attachment to this report (Item No. 4.2.1, Audit Committee, 09/02/2016) be issued to members of the Audit Committee for completion after the February meeting of the Audit Committee of Council, with results to be collated and presented at the Audit Committee of Council meeting in April 2016.

CARRIED

4.2.2 Internal Audit Plan

Moved Mr C Johnson

Seconded Cr G Reynolds

1. The information be received.
2. The Internal Audit Plan 2016-18, as set out in the attachments to this report (Item No. 4.2.2, Audit Committee, 09/02/2015) be endorsed, subject to the deferral of the Payroll audit and bringing forward of the Event Management audit during 2016.

CARRIED

4.2.3 Internal Audit Update

Moved Ms K Briggs
Seconded Cr G Caruso

1. The information be received.

CARRIED

4.2.4 University of Adelaide Research Project: Should South Australian Local Governments be audited by Private Sector Auditors or the State Auditor General?

Moved Ms K Briggs
Seconded Cr G Reynolds

1. The information be received.

CARRIED

CONFIDENTIAL ITEMS

4.4.1 10887 External Audit Services Contract - 2016/17 to 2020/21

Moved Cr G Caruso
Seconded Ms K Briggs

1. *Pursuant to Section 90(2) and (3)(d)(i) and (d)(ii) and (k) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*
 - *it relates to commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and*
 - *commercial information of a confidential nature (not being a trade secret) the disclosure of which would, on balance, be contrary to the public interest; and*
 - *tenders for the supply of goods, the provision of services or the carrying out of works.*
2. *In weighing up the factors related to disclosure,*
 - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*
 - *Non-disclosure of this matter will protect third party commercial information and enable an informed decision in the award of the External Audit Services contract.*

*On that basis the public's interest is best served by not disclosing the **10887 External Audit Services Contract - 2016/17 to 2020/21** item and discussion at this point in time.*

3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except staff of the City of Salisbury on duty in attendance, be excluded from attendance at the meeting for this Agenda Item.*

CARRIED

The meeting moved into confidence at 7:29 pm.

Cr C Johnson declared a conflict of interest due to a working relationship with one of the entities being considered for contract award left the meeting at 07:30 pm

The meeting moved out of confidence at 7:40 pm.

OTHER BUSINESS

Nil

The meeting closed at 7:40 pm.

CHAIRMAN.....

DATE.....

ITEM	4.0.1
	AUDIT COMMITTEE
DATE	12 April 2016
HEADING	Future Reports for the Audit Committee of Council
AUTHOR	Michelle Woods, Projects Officer Governance, CEO and Governance
CITY PLAN LINKS	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
SUMMARY	This item details reports to be presented to the Audit Committee of Council as a result of a previous Council resolution. If reports have been deferred to a subsequent meeting, this will be indicated, along with a reason for the deferral.

RECOMMENDATION

1. The information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 A list of resolutions requiring a future report to Council (via the Audit Committee) is presented for noting.

2. REPORT

- 2.1 The following table outlines the reports to be presented to the Audit Committee as a result of a Council resolution:

Meeting Item	- Heading and Resolution	Officer
22/02/2016	Audit Committee Self-Assessment Questionnaire and Process	George Kendall
4.2.1	2. The self-assessment questionnaire, as set out in the attachment to this report (Item No. 4.2.1, Audit Committee, 09/02/2016) be issued to members of the Audit Committee for completion after the February meeting of the Audit Committee of Council, with results to be collated and presented at the Audit Committee of Council meeting in April 2016.	
Due:	April 2016	
Deferred to:	July 2016	
Reason:	Waiting on return of all completed self assessment forms.	

3. CONCLUSION / PROPOSAL

- 3.1 Future reports for the Audit Committee of Council have been reviewed and are presented to Council for noting.

CO-ORDINATION

Officer:	Executive Group	MG
Date:	05/04/2016	01/04/2016

ITEM	4.2.1
	AUDIT COMMITTEE
DATE	12 April 2016
HEADING	Strategic Asset Management Delivery Report
AUTHOR	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
CITY PLAN LINKS	2.5 To have sustainable and resilient built environments that contribute to quality amenity 4.3 To deliver sustainable, creative and innovative solutions that enable excellent operations and service delivery 4.5 To apply business and resource management that enables excellent service delivery and financial sustainability
SUMMARY	GHD were tasked with determining a best practice framework to support the Strategic Asset Management Lifecycle at the City of Salisbury. The attached report is the result of this piece of consultancy work, which identified the ISO 55001 Asset Management standard as being the most appropriate standard to align City of Salisbury practices with. The report includes analysis of how the City of Salisbury compares to this standard and makes recommendations for work to better align with the standard. A management response to the GHD report is contained within this report.

RECOMMENDATION

1. The information be received.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. GHD Report on Strategic Asset Management Delivery
2. Management Response

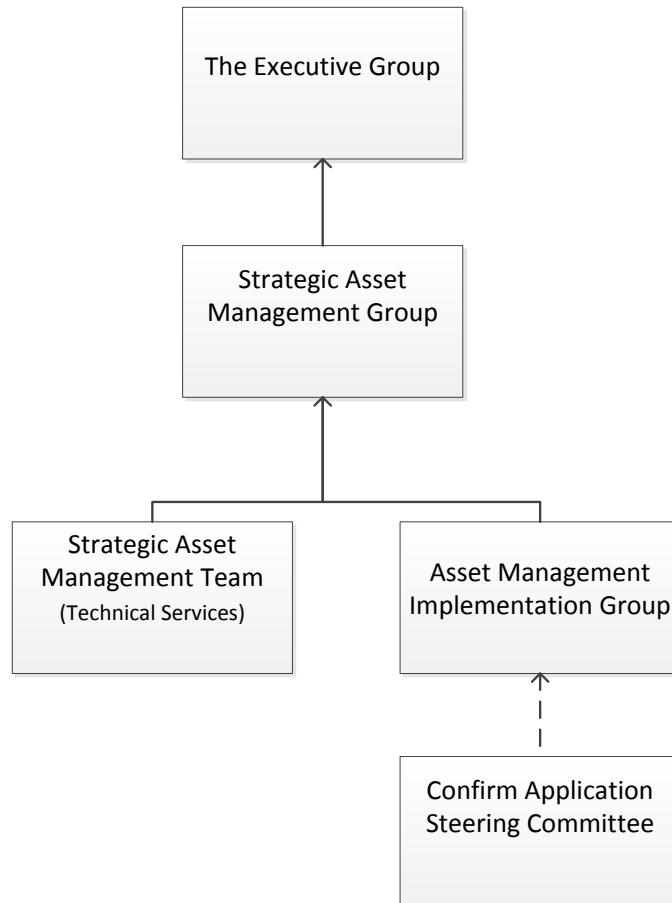
1. BACKGROUND

- 1.1 GHD were engaged to determine a best practice framework to support the Strategic Asset Management Lifecycle at the City of Salisbury through undertaking a gap analysis of our current processes and business rules and engaging with key stakeholders to identify opportunities and options for addressing any issues identified.
- 1.2 Currently the City of Salisbury uses the NAMS.PLUS tools and techniques for asset management. The IPWEA developed NAMS.PLUS Asset Management is *“an initiative of the Institute of Public Works Engineering Australia (IPWEA) to assist Councils and other organisations who provide services from infrastructure*

to develop a 'core' asset management plan and implement sustainable asset management practices.” (<http://namsplus.ipwea.org.au/>)

- 1.3 The existing governance structure and reporting lines for Strategic Asset Management at the City of Salisbury were reviewed as a part of the piece of work performed by GHD. Currently the structure and reporting lines are as follows;

Existing Strategic Asset Management Governance Structure



- 1.4 Confirm is an application used by the City of Salisbury to manage and record the work undertaken on assets.

2. CONSULTATION / COMMUNICATION

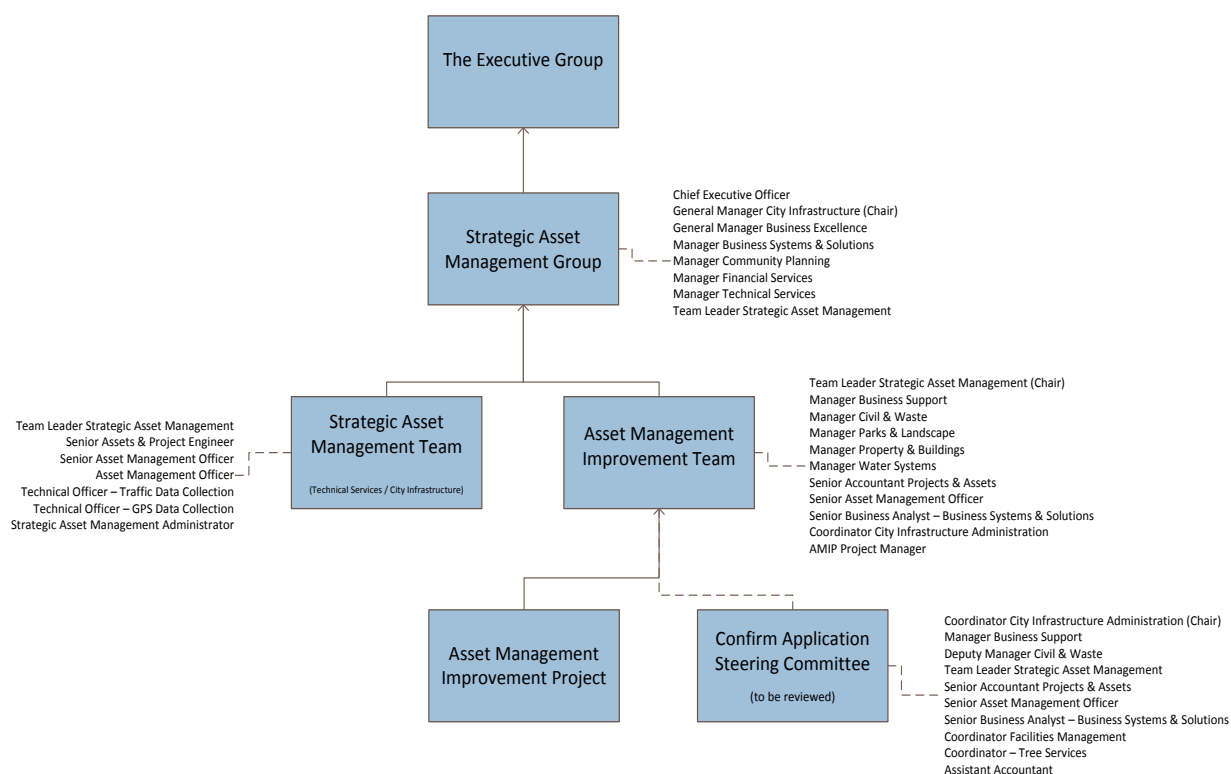
2.1 Internal

- 2.1.1 Asset Management workshops and consultations were held with key stakeholders including staff, managers and General Managers from City Infrastructure and Business Excellence departments.
- 2.1.2 The management response to the GHD report was produced by representatives from Information Services, Technical Services and Business Support, in addition to being reviewed by the relevant General Managers for these areas.

3. REPORT

- 3.1 Overall GHD concluded in their report that “*City of Salisbury now has a mature asset management practice and the staff are well briefed in regard to their roles and responsibilities across the Asset Management System (AMS)*”. The review by GHD recognises the work that has been undertaken at the City of Salisbury in order to improve Asset Management and their analysis and recommendations reflect this.
- 3.2 The main recommendation of the review is that the City of Salisbury aligns itself with the ISO 55001, which is something that the City will abide by where possible and practical to do so.
- 3.3 Two appendices have been removed from the GHD report because they contained full copies of the ISO 55001 standard, which is subject to copyright restrictions. Their removal does not in any way alter the findings or recommendations made in the body of the report.
- 3.4 ISO 55001 is a relatively new standard and one which very few Australian organisations are currently certified against. It does, however, appear to be the standard to which other Asset Management tools and techniques are aligning themselves, such as the recent updates to the International Infrastructure Maintenance Manual (IIMM) and NAMS.PLUS, both of which the City of Salisbury follow.
- 3.5 The main advantages of using NAMS.PLUS are that it is a specific local government standard and it also allows the City of Salisbury to compare its asset management practices with other Councils.
- 3.6 In response to the four recommendations made by GHD in section 4.2 of their report;
- 3.6.1 **Recommendation:** *1. City of Salisbury should consider whether it will adopt the ISO 55001 framework as the Best Practice Framework*
- **Response:** City of Salisbury will continue to use NAMS.PLUS but will seek to align itself with ISO 55001 where it is practical to do so.
- 3.6.2 **Recommendation:** *2. Establish a Project Control Group, or re-task an existing Group, to review the recommended projects and develop a prioritised works program*
- **Response:** A project titled the “Asset Management Improvement Project” will be established to deliver improvements to asset management at the City of Salisbury. The project sponsor will be the GM City Infrastructure and a report detailing the scope, timescales and resources required for this project will be submitted to the Executive Group for approval in April 2016.
- The project has necessitated a change in the governance and reporting structure for Strategic Asset Management at the City of Salisbury. Once this project has been established a new structure to manage Strategic Asset Management will be put in place as follows;

New Strategic Asset Management Governance Structure



The Strategic Asset Management Group already exists and its terms of reference will be amended to incorporate the Asset Management Improvement Team as a direct report. The Strategic Asset Management Team currently sits within the Technical Services division in City Infrastructure department. The Asset Management Improvement Team is a new team that will consist of the previously titled Asset Management Implementation Group, the project manager from the Asset Management Improvement Project and other stakeholders. The constitution and terms of reference of the Confirm Application Steering Committee are currently under review.

3.6.3 **Recommendation:** 3. Initiate the approved works program for the revised prioritised projects. Each project should be clearly defined with a scope and form part of an asset management improvement plan

- **Response:** Asset management improvement plans are already clearly detailed within each Asset Management Plan (AMP). At the next revision of the AMPs key actions arising from the GHD review will be incorporated into them by the Strategic Asset Management Team.

3.6.4 **Recommendation:** 4. As part of the Project Control Group, monitor project progress and implement ISO 55001 maturity assessments audits in 2016 and again in 2018 to establish success with asset management alignment activities.

- **Response:** There are currently no plans to conduct ISO 55001 maturity assessment audits, however an internal audit on Asset Management is scheduled for Q4 2016.

- 3.7 Priorities and risk ratings have not been attached by GHD to the recommendations in sections 4.2 or 4.3 of the report as the primary aim of this work was to recommend a best practice model. Prioritisation of the improvements to be made to asset management at the City of Salisbury will be decided by the Executive and implemented by the Asset Management Improvement Project. The recommendations should also be viewed in the context of the overall maturity of asset management at the City of Salisbury.
- 3.8 At this stage it has not been proposed that the City of Salisbury seek certification against this ISO standard, but rather use the standard to inform improvements in asset management. The cost of formal certification against this standard does not appear to be justified when compared to the benefits formal certification would provide.

4. CONCLUSION / PROPOSAL

- 4.1 This review has highlighted the efforts applied to the development of Asset Management Systems and processes at the City of Salisbury. It concluded that City of Salisbury has mature asset management practices.
- 4.2 The review has recommended a best practice model and highlighted potential pieces of work to better align the City of Salisbury with it. City of Salisbury will align itself with ISO 55001 where possible and practical to do so. Further improvements to Strategic Asset Management will be delivered through the implementation of the Asset Management Improvement Project and the ongoing work of the Strategic Asset Management Team.

CO-ORDINATION

Officer:	MG	Exec
Date:	01/04/2016	05/04/2016



City of Salisbury

Strategic Asset Management Delivery Report

February 2016

Executive summary

Findings

It is GHD's opinion that the City of Salisbury has a mature asset management practice and the staff are well briefed in regard to their roles and responsibilities across the asset management system, however the overall asset management system can be improved by committing to follow an industry standard "best practice" asset management framework, which is the new ISO 55001.

This report identifies the work practices that the City of Salisbury would be recommended to undertake to align themselves with the new ISO55001 and the suggested timeframe.

Background and Objectives

GHD has been engaged by City of Salisbury to conduct review of its asset management practices with a view to determine a "best practice" framework in Strategic Asset Management. The following were the objectives for this review:

1. Identify a Best Practice framework to support the City of Salisbury's Strategic Asset Management Lifecycle;
2. Identify gaps between current business practices and requirements to support a Best Practice Framework, including consideration of roles and responsibilities;
3. Provide options for addressing gaps and opportunities for other improvements, together with an assessment of priorities; and
4. Express an opinion on whether the relevant risks in the Better Practice Model - Financial Internal Controls for South Australian Councils are covered by current practices or will be mitigated by opportunities and options provided.

Methodology

The following process was used to complete this review:

- Preliminary discussions with City of Salisbury Project Manager for this project;
- A review of the suite of asset management documentation provided by the City of Salisbury;
- Facilitated interviews with City of Salisbury *City Infrastructure* and *Business Excellence* personnel;
- Desktop assessment to identify opportunities to align City of Salisbury' asset management practices to the recommended best practice asset management framework ISO55001; and
- Prepare this report, including a suggested road map, conclusions and recommendations.

Current Key Activities

The following are some of the key activities that either have contributed to a significant transformation in the asset management practices at the City of Salisbury, or will provide opportunities for future improvements.

- Asset Management Plans;
- Confirm Improvements; and
- Data Management Guideline.

Assessment against ISO55001

The figure below provides GHD's assessment of the City of Salisbury asset management alignment against the proposed best practice framework ISO55001. The scores are based on an "As-Is" status and a "Work In Progress" (WIP) status which acknowledges current initiatives and projects underway, scope of future projects and current demonstrated thinking.

Each score represents a different level of maturity. A score of 3 is considered to represent a level of maturity that would satisfy the minimum requirements of ISO55001.

Table 1 Summary City of Salisbury ISO55001 Assessment

ISO55001 Section	Score – 'As-Is'	Score - WIP	Target
4 Context			
4.1 Understanding the Organisation and its Context	2	2.5	3
4.2 Understanding the Needs and Expectations of Stakeholders	2.5	3	3
4.3 Determining the Scope of the Asset Management System	2	2	3
4.4 AMS - Asset Management System	2	2	3
4.4 AMS - Strategic Asset Management Plan (SAMP)	2.5	2.5	3
5 Leadership			
5.1 Leadership and Commitment	3	3	3
5.2 Policy	2.5	2.5	3
5.3 Organisational Roles, Responsibilities and Authorities	2.5	2.5	3
6 Planning			
6.1 Actions to Address Risks and Opportunities for the AMS	2.5	2.5	3
6.2.1 Asset Management Objectives	2.5	2.5	3
6.2.2 Planning to Achieve Asset Management Objectives	2.5	2.5	3
7 Support			
7.1 Resources	3	3	3
7.2 Competence	3	3	3
7.3 Awareness	3	3	3
7.4 Communication	3	3	3
7.5 Information Requirements	2.5	3	3
7.6 Documented Info - 7.6.1 General	2	2.5	3
7.6 Documented Info - 7.6.2 Creating and Updating	2.5	2.5	3
7.6 Documented Info - 7.6.3 Control of Documented Information	2.5	3	3
8 Operation			
8.1 Operational Planning and Control	2	2.5	3
8.2 Management of Change	2	2	3
8.3 Outsourcing	3	3	3
9 Performance Evaluation			
9.1 Monitoring, Measurement, Analysis and Evaluation	2	2	3
9.2 Internal audit - 9.2.1 Conduct Audits	2	2	3
9.2 Internal audit - 9.2.2 Audit Program	2	2	3
9.3 Management Review	2	2	3
10 Improvement			
10.1 Nonconformity & corrective action	2.5	2.5	3
10.2 Preventive Action	2.5	2.5	3
10.3 Continual Improvement	3	3	3

Conclusions

We have drawn the following key conclusions from our review of City of Salisbury asset management practices:

1. It is our opinion that because of the significant effort the City of Salisbury has put into the development of their asset management practices over the previous few years that the City of Salisbury now has a mature asset management practice and the staff are well briefed in regard to their roles and responsibilities across the asset management system;
2. There are no apparent major deficiencies in the asset management system, asset management practices, and the approach to managing roles and responsibilities, although there are a number of opportunities for improvement such as improved documentation of the alignment between the corporate objectives, levels of service and KPIs;
3. It is GHD's opinion that the current asset management practices cover the relevant asset related risks in the Better Practice Model - Financial Internal Controls for South Australian Councils, although the recommendations made herein would improve asset management practices;
4. The asset management plans have been developed using the well-developed IPWEA NAMSPPlus tools and templates;
5. It appears that this approach generally reflect the requirements of the ISO55001 Asset Management standard, with opportunities for improvements.

Whilst ISO55001 is a relatively new international standard, we see that asset intensive organisations across Australia are starting to realign their asset management practices to that of the ISO 55001 framework. The certification to ISO55001 is not mandated, but these organisations realise the longer term benefits of improving their asset management practices and are adopting the approach of alignment with ISO55001.

We see the recognition of the Standard in the Local Government space through the International Infrastructure Maintenance Manual (IIMM) which was updated in 2015 with alignment with ISO 55001.

It is recommended that the ISO55001 Asset Management standard be adopted as the 'Best Practice' Asset Management Framework by the City of Salisbury. It is our opinion that some effort will be required to better align themselves with the requirements of this standard, but that the resources available to the City of Salisbury City Infrastructure team including the asset management team, Confirm staff, the asset owners and other associated support teams have the necessary competency to undertake this work, and where support is required, the City Infrastructure and asset management staff have sufficient executive support to seek alternative resourcing for support and mentoring;

6. There appears to be substantial support from the Executive Management level and within City of Salisbury to proceed down the path of aligning the business with ISO55001 should they adopt this approach;
7. Currently, asset management is managed as a 'management system' within City of Salisbury however it is not documented as such. We suggest that the City of Salisbury define and document what the asset management system is. The asset management system could be documented as either as standalone document or as an embedded section within the Asset Strategy. Our recommendation would be for a standalone document because of the size and complex nature of the asset base and the number of systems and people involved in asset management.

GHD have prepared an Asset Management System Framework diagram which reflects our understanding of the current asset management system and should form the basis of the AMS document (Refer Appendix A). It is recommended that this AMS Framework be cross checked against current practices and updated as appropriate;

8. There are a number of current projects including those identified in the Confirm Works Plan and the Levels of Service improvement program that are contributing to an improved opportunity for alignment position with ISO55001;
9. There are a number of alignment projects identified by GHD that would better align the City of Salisbury with the ISO55001 framework. GHD have attempted to identify the relative priorities and the timeframes to undertake these activities, however these are our best estimate based on our limited opportunity to work with the City of Salisbury.

We would suggest that the City of Salisbury review the projects to determine priorities and resourcing capabilities based on a Business Value Chain approach (i.e. those activities that provide more value to the City of Salisbury will be those with a higher priority).

As discussed above, it is recommended that the council adopt ISO55001 as their best practice asset management framework, however irrespective of this decision, the recommended asset management activities would still be recommended to be implemented as they represent best appropriate practice.

Recommendations

We have made the following recommendations:

1. City of Salisbury should consider whether it will adopt the ISO55001 framework as the Best Practice Framework;
2. Establish a Project Control Group, or re-task an existing Group, to review the recommended projects and develop a prioritised works program;
3. Initiate the approved works program for the revised prioritised projects. Each project should be clearly defined with a scope and form part of an asset management improvement plan; and
4. As part of the Project Control Group, monitor project progress and implement ISO55001 maturity assessments audits in 2016 and again in 2018 to establish success with asset management alignment activities.

Program

Detailed recommended actions under each area of ISO55001 have been grouped to form a number of alignment projects. These projects are listed in the figure below, which also outlines the relative priority of the projects and suggested timing. The figure does not show the sub projects.

Figure 1 Project Timelines

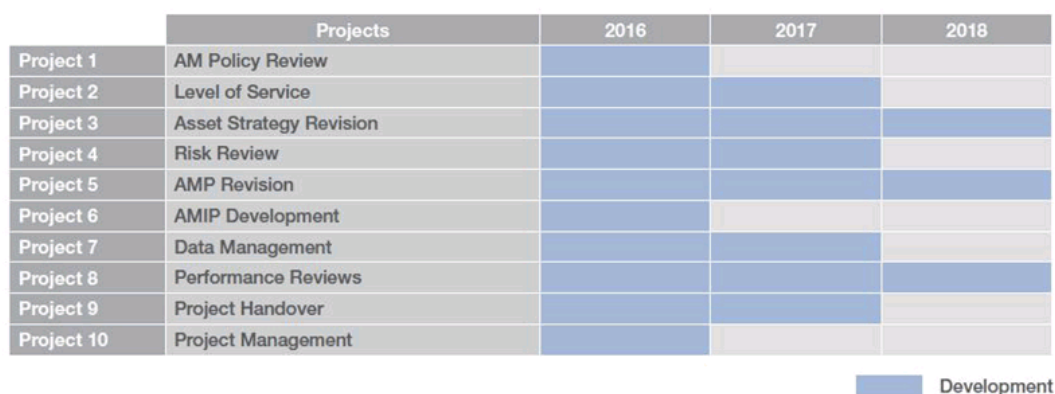


Table of contents

1.	Introduction	1
1.1	Background	1
1.2	Scope and limitations	1
2.	Asset Management Framework	2
2.1	Project Objectives	2
2.2	Methodology	3
2.3	ISO55001 Overview	3
2.4	ISO55001 compared to NAMSPlus.....	3
3.	City of Salisbury Alignment with ISO55001	4
3.1	Current Key Activities	4
3.2	ISO55001 Alignment	4
4.	Conclusions and Recommendations.....	6
4.1	Conclusions	6
4.2	Recommendations	7
4.3	Recommended actions to align asset management practices with the ISO55001 Framework	8
4.4	Program	11

Table index

Table 1	Summary City of Salisbury ISO55001 Assessment.....	ii
Table 2	Summary City of Salisbury ISO55001 Assessment.....	5

Figure index

Figure 1	Project Timelines.....	v
Figure 2	Project Timelines.....	12
Figure 3	ISO55001 Maturity Level Descriptions	17

Appendices

Appendix A – Asset Management System Framework

Appendix B – Methodology

Appendix C – City of Salisbury Alignment with ISO55001 – Appendix Removed

Appendix D – Opinion - Best Practice Model - Financial Internal Controls for South Australian Councils

Appendix E –ISO55001 Framework – Appendix Removed

1. Introduction

1.1 Background

GHD has been engaged by City of Salisbury to conduct review of its asset management practices with a view to determine a “best practice” framework in Strategic Asset Management. The following were the objectives for this review:

It was recommended in our proposal that the new asset management international standard ISO55001 form the basis for the asset management framework at the City of Salisbury, and it is on this basis that we have undertaken this review.

1.2 Scope and limitations

This report: has been prepared by GHD for City of Salisbury and may only be used and relied on by City of Salisbury for the purpose agreed between GHD and the City of Salisbury as set out in section 1.1 of this report.

GHD otherwise disclaims responsibility to any person other than City of Salisbury arising in connection with this report. GHD also excludes implied warranties and conditions, to the extent legally permissible.

The services undertaken by GHD in connection with preparing this report were limited to those specifically detailed in the report and are subject to the scope limitations set out in the report.

The opinions, conclusions and any recommendations in this report are based on conditions encountered information provided to GHD (verbal and documented), reviewed at the date of preparation of the report. GHD has no responsibility or obligation to update this report to account for events or changes occurring subsequent to the date that the report was prepared.

The opinions, conclusions and any recommendations in this report are based on assumptions made by GHD described in this report. GHD disclaims liability arising from any of the assumptions being incorrect.

GHD has prepared this report on the basis of information provided by City of Salisbury and others who provided information to GHD, which GHD has not independently verified or checked beyond the agreed scope of work. GHD does not accept liability in connection with such unverified information, including errors and omissions in the report which were caused by errors or omissions in that information.

2. Asset Management Framework

2.1 Project Objectives

The project objectives are covered in the following manner:

2.1.1 Objective 1 – Best Practice Framework

The **first objective** of this engagement was to identify a Best Practice framework to support the City of Salisbury's Strategic Asset Management Lifecycle. As noted in our proposal, it was recommended that the new asset management international standard ISO55001 form the basis for the asset management framework at the City of Salisbury, and it was on this basis that GHD would undertake this review.

This new ISO 55000 series of documents (55000, 55001 & 55002) notes that “asset management enables an organisation to realise value from assets in the achievement of its organizational objectives.” (ISO 55000 CI 2.2). Further, “Asset Management supports the realisation of value while balancing financial, environmental and social costs, risk, quality service and performance related to the assets”. It is these fundamental values that form the basis of an appropriate asset management framework that is recommended for adoption by GHD.

This Best Practice framework is discussed in further detail in –ISO55001 Framework.

GHD's observations of the current practice against the ISO 55001 framework are provided in Appendix B – Methodology. The gaps between the Council's current asset management approach and the best practice framework are identified in Appendix B – Methodology also. Table 1 in 3.2 identifies GHD's assessed performance against ISO55001.

2.1.2 Objective 2 –Gap Assessment

The **second objective** of this engagement was to identify gaps between current business practices and requirements to support a Best Practice Framework, including consideration of roles and responsibilities.

Our approach to identifying the gaps is discussed in further detail provided in Appendix B – Methodology.

2.1.3 Objective 3 – Opportunities

The **third objective** of this engagement was to provide options for addressing gaps and opportunities for other improvements, together with an assessment of priorities.

The options for addressing the gaps and the relative priorities are discussed in further detail in Section 4 Conclusions and Recommendations.

2.1.4 Objective 4 – Opinion - Better Practice Model - Financial Internal Controls for South Australian Councils

The **fourth objective** of this engagement was to express an opinion on whether the relevant risks in the Better Practice Model - Financial Internal Controls for South Australian Councils are covered by current practices, or will be mitigated by opportunities and options recommended within this report.

GHD's opinion is discussed in Appendix D– Opinion - Best Practice Model - Financial Internal Controls for South Australian Councils.

2.2 Methodology

The methodology used by GHD to undertake this review comprised a combination of facilitated workshops with key asset management stakeholders and desktop review of relevant City of Salisbury asset management documentation. Refer Appendix B– Methodology for further discussion.

2.3 ISO55001 Overview

ISO55001 Asset Management standard provides a best practice international framework for managing physical assets. The standard (*ISO55001:2014 - Asset Management - Management Systems – Requirements*) identifies the requirements for establishing, implementing, maintaining and improving a “management system for asset management.”

Further discussions on ISO55001 and the benefits of adopting this approach is provided in Appendix E –ISO55001 Framework.

2.4 ISO55001 compared to NAMSPlus

NAMSPlus is the series of asset management tools and templates developed by the IPWEA for the development of asset management plans, and has effectively become the default national standard' in the local government space. The City of Salisbury has developed their asset management plans using NAMSPlus.

The IPWEA NAMSPlus was developed based on the IPWEA International Infrastructure Management Manual (IIMM) which is a guide to best practice in infrastructure asset management.

Recent developments have seen the release of a new edition of the IIMM (2015), the redevelopment largely driven by the introduction of the new ISO 55000 Asset Management standards.

The new ISO55000 standards effectively are the “What to do”, the IIMM provides the “How to do it”, and NAMSPlus provides the tools and templates to develop the asset management plans.

Under ISO 55001, asset management itself is the ‘coordinated activity of an organisation to realise value from asset’.

It is this new international standard that GHD are recommending the City of Salisbury adopt as the framework for their asset practices.

The adoption of ISO55001 will have no impact the council's use of the NAMSPlus template and tools, although its use will strengthen the asset management practices by aligning with the new international standards and the IIMM, the recognised asset management guideline for infrastructure. The asset management plans developed using the NAMSPlus template and tools are still relevant, but will be strengthened by the use of the guiding principles outlined within ISO 55001.

3. City of Salisbury Alignment with ISO55001

3.1 Current Key Activities

The following are some of the key activities that either have contributed to a significant transformation in the asset management practices at the City of Salisbury, or will provide opportunities for future improvements.

Asset Management Plans

The City of Salisbury has undergone significant asset management upskilling over the last few years through the engagement of asset management consultants to assist and mentor the asset management staff. This has resulted in the City of Salisbury developing skills to produce in-house the Asset Management Plans and Asset Strategy. There have been other benefits from this upskilling including the provision of the City of Salisbury with an improved level of confidence in their understanding of the performance of the City of Salisbury assets and the long term works program.

Confirm Improvements

The City of Salisbury has developed the Confirm Works Plan that has identified a significant number of projects that are being implemented as part of their drive to improve the Asset Management Information System (AMIS) supporting asset management practices. The development and implementation of the Confirm Works Plan has management oversight through the Confirm Application Steering Committee.

Data Management Guideline

Data governance guidelines are being developed for the management of asset data, data capture, data storage and data use to support the Council in meeting their asset management objectives.

3.2 ISO55001 Alignment

GHD's observations from the facilitated workshops and documentation review are summarised in Appendix C.

Our assessment of City of Salisbury' asset management alignment against ISO55001 is summarised in the following Table 2 Summary City of Salisbury ISO55001 Assessment.

The scores are based on an "As-Is" status and a "Work In Progress" (WIP) status which acknowledges current initiatives and projects underway, scope of future projects and current demonstrated thinking.

Each score represents a different level of maturity, as described earlier in Figure 3. A score of 3 is considered to represent a level of maturity that would satisfy the minimum requirements of ISO55001, and therefore is the proposed target in the context of this framework project.

Table 2 Summary City of Salisbury ISO55001 Assessment

ISO55001 Section	Score – 'As-Is'	Score - WIP	Target
4 Context			
4.1 Understanding the Organisation and its Context	2	2.5	3
4.2 Understanding the Needs and Expectations of Stakeholders	2.5	3	3
4.3 Determining the Scope of the Asset Management System	2	2	3
4.4 AMS - Asset Management System	2	2	3
4.4 AMS - Strategic Asset Management Plan (SAMP)	2.5	2.5	3
5 Leadership			
5.1 Leadership and Commitment	3	3	3
5.2 Policy	2.5	2.5	3
5.3 Organisational Roles, Responsibilities and Authorities	2.5	2.5	3
6 Planning			3
6.1 Actions to Address Risks and Opportunities for the AMS	2.5	2.5	3
6.2.1 Asset Management Objectives	2.5	2.5	3
6.2.2 Planning to Achieve Asset Management Objectives	2.5	2.5	3
7 Support			
7.1 Resources	3	3	3
7.2 Competence	3	3	3
7.3 Awareness	3	3	3
7.4 Communication	3	3	3
7.5 Information Requirements	2.5	3	3
7.6 Documented Info - 7.6.1 General	2	2.5	3
7.6 Documented Info - 7.6.2 Creating and Updating	2.5	2.5	3
7.6 Documented Info - 7.6.3 Control of Documented Information	2.5	3	3
8 Operation			
8.1 Operational Planning and Control	2	2.5	3
8.2 Management of Change	2	2	3
8.3 Outsourcing	3	3	3
9 Performance Evaluation			
9.1 Monitoring, Measurement, Analysis and Evaluation	2	2	3
9.2 Internal audit - 9.2.1 Conduct Audits	2	2	3
9.2 Internal audit - 9.2.2 Audit Program	2	2	3
9.3 Management Review	2	2	3
10 Improvement			
10.1 Nonconformity & corrective action	2.5	2.5	3
10.2 Preventive Action	2.5	2.5	3
10.3 Continual Improvement	3	3	3

4. Conclusions and Recommendations

4.1 Conclusions

The following conclusions have been drawn together from our observations that are summarised in Appendix C – City of Salisbury Alignment with ISO55001 and Appendix D – Opinion - Best Practice Model - Financial Internal Controls for South Australian Councils.

1. Through our discussions with City of Salisbury' staff, it is our opinion that because of the significant effort the City of Salisbury has put into the development of their asset management practices over the previous few years that the City of Salisbury now has a mature asset management practice and the staff are well briefed in regard to their roles and responsibilities across the Asset Management System (AMS);
2. There are no apparent major deficiencies in the asset management system, asset management practices, and the approach to managing roles and responsibilities, although there are a number of opportunities for improvement such as improved documentation of the alignment between the corporate objectives, levels of service and KPIs;
3. It is GHD's opinion that the current asset management practices cover the relevant asset related risks in the Better Practice Model - Financial Internal Controls for South Australian Councils, although the recommendations made herein would improve asset management practices;
4. The asset management plans have been developed using the well-developed IPWEA NAMSPlus tools and templates;
5. It appears that this approach generally reflect the requirements of the ISO55001 Asset Management standard, with opportunities for improvements.

Whilst ISO55001 is a relatively new international standard, we see that asset intensive organisations across Australia are starting to realign their asset management practices to that of the ISO 55001 framework. The certification to ISO55001 is not mandated, but these organisations realise the longer term benefits of improving their asset management practices and are adopting the approach of alignment with ISO55001.

We see the recognition of the Standard in the Local Government space through the International Infrastructure Maintenance Manual (IIMM) which was updated in 2015 with alignment with ISO 55001.

It is recommended that the ISO55001 Asset Management standard be adopted as the 'Best Practice' Asset Management Framework by the City of Salisbury. It is our opinion that some effort will be required to better align themselves with the requirements of this standard, but that the resources available to the City of Salisbury City Infrastructure team including the asset management team, Confirm staff, the asset owners and other associated support teams have the necessary competency to undertake this work, and where support is required, the City Infrastructure and asset management staff have sufficient executive support to seek alternative resourcing for support and mentoring;

6. There appears to be substantial support from the Executive Management level and within City of Salisbury to proceed down the path of aligning the business with ISO55001 should they adopt this approach;

7. Currently, asset management is managed as a 'management system' within City of Salisbury however it is not documented as such. We suggest that the City of Salisbury define and document what the asset management system is. The asset management system could be documented as either as standalone document or as an embedded section within the Asset Strategy. Our recommendation would be for a standalone document because of the size and complex nature of the asset base and the number of systems and people involved in asset management.

GHD have prepared an Asset Management System Framework diagram which reflects our understanding of the current asset management system and should form the basis of the AMS document (Refer Appendix A). It is recommended that this AMS Framework be cross checked against current practices and updated as appropriate;
8. There are a number of current projects including those identified in the Confirm Works Plan and the Levels of Service improvement program that are contributing to an improved opportunity for alignment position with ISO55001;
9. There are a number of alignment projects identified by GHD that would better align the City of Salisbury with the ISO55001 framework. GHD have attempted to identify the relative priorities and the timeframes to undertake these activities, however these are our best estimate based on our limited opportunity to work with the City of Salisbury.

We would suggest that the City of Salisbury review the projects to determine priorities and resourcing capabilities based on a Business Value Chain approach (i.e. those activities that provide more value to the City of Salisbury will be those with a higher priority).

As discussed above, it is recommended that the council adopt ISO55001 as their best practice asset management framework, however irrespective of this decision, the recommended asset management activities would still be recommended to be implemented as they represent best appropriate practice.

4.2 Recommendations

We have made the following recommendations:

1. City of Salisbury should consider whether it will adopt the ISO55001 framework as the Best Practice Framework;
2. Establish a Project Control Group, or re-task an existing Group, to review the recommended projects and develop a prioritised works program;
3. Initiate the approved works program for the revised prioritised projects. Each project should be clearly defined with a scope and form part of an asset management improvement plan; and
4. As part of the Project Control Group, monitor project progress and implement ISO55001 maturity assessments audits in 2016 and again in 2018 to establish success with asset management alignment activities.

4.3 Recommended actions to align asset management practices with the ISO55001 Framework

This section provides a list of suggested activities and opportunities for improvement to be addressed to enable City of Salisbury to align its asset management business practices with the proposed best practice asset management framework ISO55001. Actions have been grouped together where beneficial to enable them to be delivered as a single project.

This assumes that the actions currently underway by City of Salisbury will proceed and be implemented into the business. Many of the actions outlined in this report are designed to reinforce or add to existing actions already in progress by City of Salisbury. Each of the actions grouped together in the projects below should be read and considered in the context of this report. The numbers listed before each of the actions refers to the relevant ISO55001 section.

The relative priority of the suggested activities and timing are identified in Figure 1 Project Timelines.

Project 1 - AM Policy Review

Revise, approve and implement the current AM Policy, considering the following:

- 4.3 Revise the current draft AM Policy to align with the requirements of ISO55001, with specific attention to:
 - City of Salisbury commitment to providing appropriate resourcing to achieve the asset management objectives;
 - Risk management;
 - Asset management performance monitoring and reporting; and
 - City of Salisbury commitment to continual improvement of the AMS.

Project 2 -Level of Service

Refine the existing asset levels of service. The following actions should be considered:

- 4.1 Further develop the Levels of Service - technical and community, regulatory and non-regulatory;
- 6.2 Clear agreement on how the levels of service should be enhanced and how to achieve the line of sight between the key drivers in the City Plan 2020, the Asset Strategy and the short, medium and long term plans at the corporate and asset level;
- 7.3 Establish awareness of the asset management system as a core competency for City of Salisbury – after the establishment of the AMS.
- 7.5 Ensure processes are established for non-regulatory levels of service reporting after they are developed and approved by City of Salisbury; and
- 9.1 Each AMP to include the key attributes to be monitored to enable asset performance to be assessed and optimised;

Project 3 – Asset Strategy

Revise the Asset Strategy, considering the following:

- 4.1 Determine if the AMS is to be included within the Asset Strategy document or whether it is developed as a standalone document;
- 4.1 The Asset Strategy requires the AMS to be defined (where the City of Salisbury has determined the AMS will not be a standalone document);

- 4.1 The Asset Strategy to be revised to incorporate discussion on:
- Key internal and external stakeholders across the AMS and define clear roles, responsibilities and accountability for the across the City of Salisbury
 - Ability of the AMS to meet current and future AMS requirements;
 - How the Asset Management Framework sits within Risk management framework
 - Key risks across the asset management system asset portfolio and how the City of Salisbury is planning to manage these risks;
 - Asset management strategies to meet future demands;
 - Competency assessment to be updated to map competency requirements and strategies beyond core competency levels and future asset management requirements.
 - Current people capabilities and competencies to deliver on the asset management objectives; and
 - Capability of the AMIS to meet current and future asset management objectives.
 - Performance measures;
 - Strategic Resource planning
 - Summary of the asset management strategies for each asset class
 - Reference the Project Management System
- 4.1 Connection established between drivers, asset management objectives, KPIs/measures and actions across the City Plan 2020, Asset Strategy, AMPs, 10 year plan etc.
- 4.1 Review the proposed Asset Management System Framework as shown in Appendix A and update as appropriate to reflect City of Salisbury asset management practices;
- 4.1 Embed the proposed AM Framework into the Asset Strategy and AMPs.
- 4.2 The requirements and expectations of all stakeholders are required to be detailed within the Asset Strategy;
- 4.3 Relationship and interfaces between the Asset Management System other management systems, such as Finance, Risk and the like, are to be defined in the Asset Strategy and the individual AMPs where required. Include if required the development any required service agreements;
- 5.1 The Strategic Asset Management Steering Group to provide oversight and ensure line of sight provided across the Corporate and Asset Management objectives in the Asset Strategy; and
- 10.1 Adopt ISO 55001 as the overarching asset management framework;

Project 4 - Risk Review

Undertake a review of the City of Salisbury's asset risk management practices against the corporate approach with the view to align CoS corporate and asset management risk management practices. The following actions should be considered:

- 5.1 Align City of Salisbury corporate risk management practices with the asset management risk management practices.

Project 5 - AMP Revision

Revise the current AMPs and linkages with the City Plan and the Asset Strategy, considering the following:

- 4.1 Connection established and documented between corporate objectives, asset management objectives, KPIs / measures and activities across the City Plan 2020, Asset Strategy, Business Plans, AMPs, 10 year plan etc.
- 4.2 Each AMP should include relevant internal and external stakeholder requirements and levels of service, and how these are managed by the City of Salisbury;
- 4.2 The AMPs should define the asset scope and location of associated asset databases;
- 4.2 Establish clear roles, responsibilities and accountability for the AMS across the City of Salisbury and document in the AMPs as appropriate;
- 5.1 Align the asset risk management processes with the City of Salisbury risk processes;
- 5.1 The Strategic Asset Management Steering Group is to provide oversight of the AMPs and ensure line of sight provided across the Corporate and Asset Management objectives in the AMPs;
- 6.2 AMPs to consider the relevant AMS issues;
- 6.2 Ensure AMPs and actions align with new levels of service as and when updated;
- 6.2 Review all the existing AMPs to ensure compliance with the requirements of ISO55001, update where necessary;
- 6.2 The management of asset projects as defined by the City of Salisbury Project Management System should be referenced in the AMPs.
- 6.2 Introduce change management discussion into the AMP's where appropriate;
- 7.6 Consider the development of an AMIS AMP to address the asset IT system.

Project 6 - AMIP Development

Revise the Asset Management Improvement Plan that considers the actions from this report and other projects currently underway within City of Salisbury. Actions should be prioritised and implemented that give the greatest benefit to the business. The following actions should be considered:

- 4.1 Asset Management Improvement Plan to identify roles, responsibilities and priorities for each of the activities.
- 4.1 The Asset Management Improvement Plans through the AMPs to include commentary on risk, change management considerations and prioritisation at a level appropriate to the size and complexity of the asset activity.

Project 7 - Data Management

Review, refine the implement the following actions in relation to data management procedures:

- 4.1 Transfer asset data into the Confirm AMIS; and
- 7.5 Data governance procedures to be developed and integrated into business practice, including data validation steps.

Project 8 - Performance Reviews

The ability of asset management system to support the business in achieving corporate objectives is crucial, and the assessment of the performance across the asset management system is an important element of the ISO55001. The following actions should be considered:

- 7.5 Include in the audit program a process for assessing the consistency between the financial database and AMIS asset register.
- 9.2 Develop and adopt an audit program framework for the asset management system;
- 9.3 Develop and adopt a management review framework for the asset management system;
- 9.3 Undertake asset management maturity assessment against ISO55001 framework; and
- 10.1 Develop and adopt a corrective action framework for the asset management system.

Project 9 - Project Handover

The handover of asset projects to the asset owners is a crucial phase of the assets life. The following actions should be considered:

- 8.1 Review why the handover process is not as effective as City of Salisbury would like to achieve, and identify opportunities to improve the asset handover processes to ensure all objectives and deliverables are met.

Project 10 - Project Management

Review; refine the project brief template to incorporate the following:

- 8.1 Update the Project Management Manual to reflect current practices where necessary as part of the re-write.

4.4 Program


Figure 2 shows the proposed high level timing for each of the key projects listed above. The diagram does not show the sub projects. The following considerations were included during the development of this diagram.

- The current projects already underway within City of Salisbury;
- Available resources to support the development and implementation of the projects; and
- How each project will contribute to other projects – there are many overlaps between projects and therefore the timing will need to remain flexible.

Several of the projects involve an initial development period, for example, the AMS, however, this will be followed by an extended period of time where it is embedded into the business.

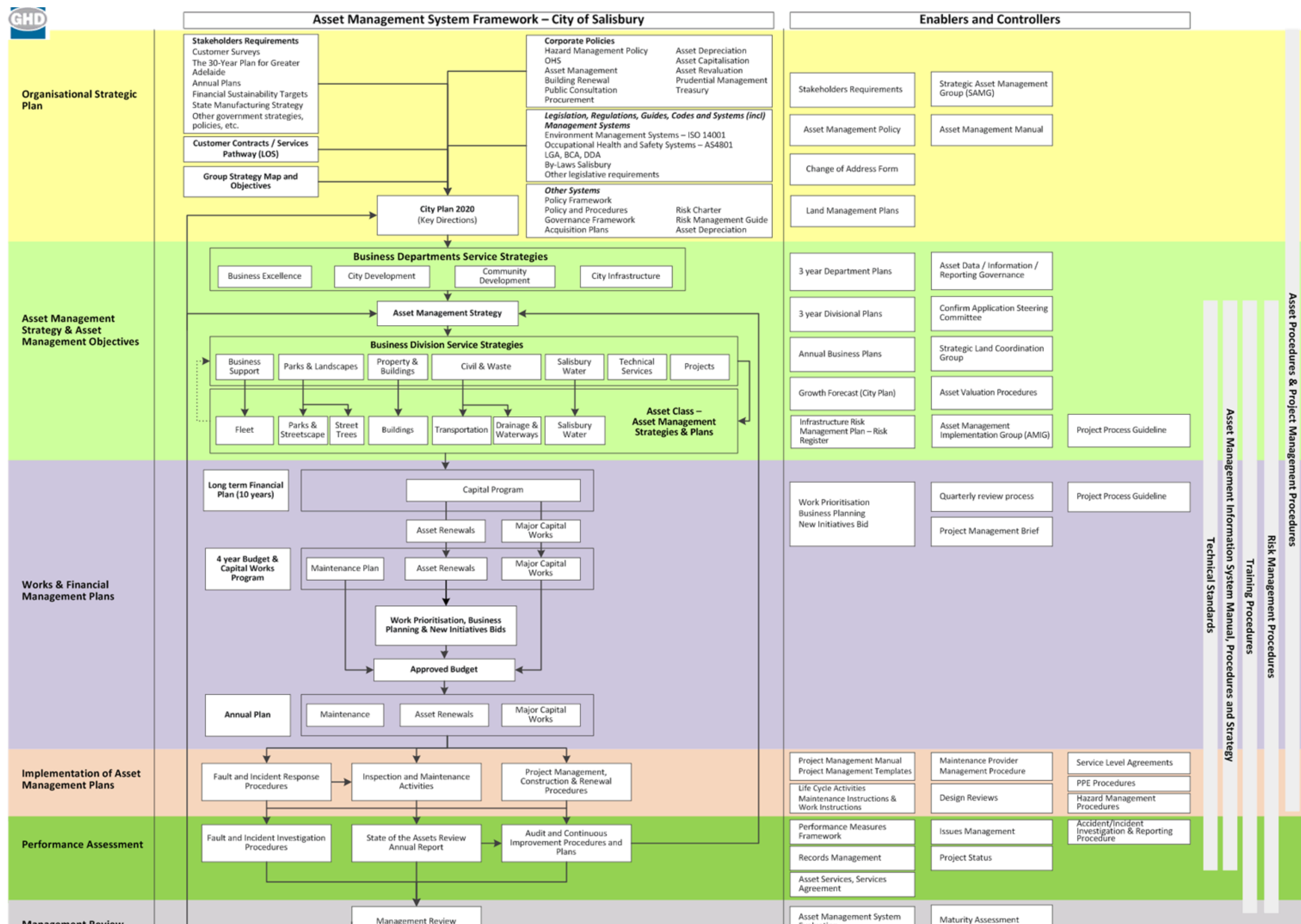
Figure 2 Project Timelines

	Projects	2016	2017	2018
Project 1	AM Policy Review			
Project 2	Level of Service			
Project 3	Asset Strategy Revision			
Project 4	Risk Review			
Project 5	AMP Revision			
Project 6	AMIP Development			
Project 7	Data Management			
Project 8	Performance Reviews			
Project 9	Project Handover			
Project 10	Project Management			

 Development

Appendices

Appendix A – Asset Management System Framework



Appendix B – Methodology

Methodology

The following process was used to undertake this review:

- Preliminary discussions with City of Salisbury Project Manager for this project;
- A review of the suite of asset management documentation provided by the City of Salisbury;
- Facilitated interviews with key City of Salisbury *City Infrastructure* and *Business Excellence* personnel;
- Identified gaps in City of Salisbury' asset management practices when compared to recommended best practice asset management framework ISO55001; and
- Prepared this report, including a suggested road map, conclusions and recommendations.

Interviews

The following City of Salisbury staff were interviewed during this review:

Person	Title
Workshop #1 - City Infrastructure - 14 th September 2015	
Mark van der Pennen	General Manager, City Infrastructure
Kevin Stewart	Manager, Business Support,
Damien Roy	Manager, Technical Services
James Corletto	Administration Maintenance
Leanne Brown	Administration Team Coordinator
George Kendal	Business Analyst - Internal Audit & Risk
Peter Keys	GHD, Principal Consultant, Asset and Facilities Management
Ian Pibworth	GHD, Principal Consultant, Asset and Facilities Management
Workshop #2 – Business Excellence – 12 th October 2015	
Mark van der Pennen	General Manager, City Infrastructure
Charles Mansueto	General Manager Business Excellence
Michelle Collins	Confirm Support Officer
Paul Turner	Manager Information Services
Tim Aplin	Senior Accountant
Kate George	Manager Financial Services
Matthew Coldwell	Senior Accountant Projects & Assets
George Kendall	Business Analyst - Internal Audit & Risk

Gap Assessment

Certification is the process by which an organisation is independently certified by a Conformity Assessment Body (CAB), including initial and regular audits. At present, there is no Joint Accreditation System of Australia and New Zealand (JAS-ANZ) accredited CAB's for ISO55001. It may be up to two years before accredited CAB's exist.

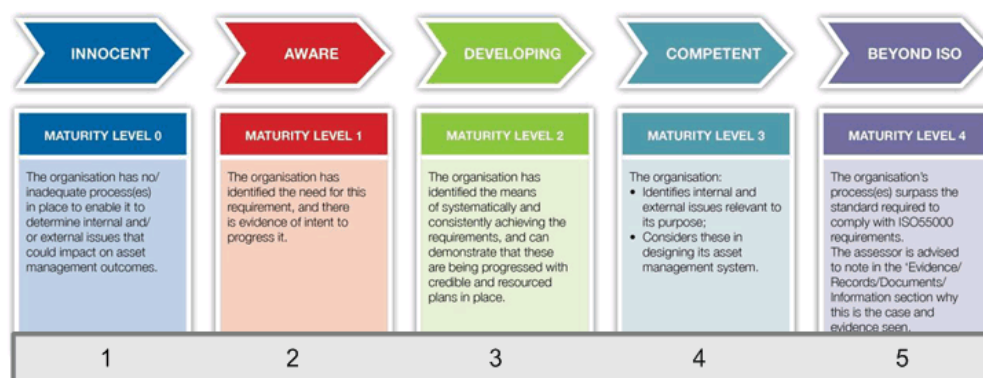
Asset management certification and maturity assessment is not a component of this project, however GHD's maturity assessment process (TEAMQF3g), which is based on ISO55001 has been used at a high level to assist with the review of the Councils current asset management practices and identify opportunities for improvement to align to a best practice asset management framework.

This information is sourced from the Institute of Asset Management and whilst it was drafted for PAS55 the requirements are considered to be translatable to ISO55001, and it is this process that GHD have used for this review.

Performance assessment when seeking some form of accreditation is demonstrated through evidence based achievement of all elements of ISO55001. In this instance GHD based our assessment on feedback provided at facilitated workshops and the desktop review of relevant asset management documentation.

The following figure identifies the score levels used for GHD's approach.

Figure 3 ISO55001 Maturity Level Descriptions



Source: Institute of Asset Management

Assessment

Assessment will be against all elements of ISO55001. This includes demonstrating the integration and connectivity of asset management across the business vertically and horizontally.

The 'line of sight' concept is an important indicator of a structured approach.

The depth and coverage of our assessment are indicated by the attendees at the facilitated workshops, as shown in Appendix B– Methodology. The attendees at these workshops are considered to be sufficiently representative of the staff working with the AMS to allow GHD to identify the existing asset management practices across the Council.

We note that a maturity assessment would be more detailed than this approach and would include a sufficiently wider selection of employees and sources to demonstrate an unbiased picture of asset management as it is understood and applied both horizontally and vertically across the organisations functions / assets.

Evidence

GHD did not undertake full or comprehensive evidence verification as part of this project. GHD relied on a representative sample of information sources, including documentary evidence, records, data sources (such as performance measures) and interview feedback for this assessment.

Appendix C – City of Salisbury Alignment with ISO55001 – Appendix Removed

Appendix D – Opinion - Best Practice Model - Financial Internal Controls for South Australian Councils

Better Practice Model - Financial Internal Controls for South Australian Councils

This section provides an opinion of whether the relevant risks in the Better Practice Model - Financial Internal Controls for South Australian Councils are covered by City of Salisbury current practices or will be mitigated by opportunities and options provided.

Each of the relevant risks are represented in the Green box with the controls in listed in *italics*. The evidence of the City of Salisbury's current asset management activities in relation to each of the risks is identified in the following tables, along with GHD's opinion as to whether the practices are appropriate to cover the defined risk.

ASSFIX 0004

Risk - Fixed Asset maintenance and for renewals are inadequately planned.

Controls - Asset management plans direct Council's programmed maintenance and asset renewal schedules.

Current Status

- The AMPs have been developed in consultation with the 'asset owners' (asset owners defined in this report as the individual managers of asset class such as Fleet, Transport assets and the like);
- Senior Management and Asset Owners were involved in the development of the AMPs, showing evidence of appropriate management support of asset management strategies & practices;
- Risk management is embedded within the AMPs, with attention paid to the Very High and High risks. Risks assessments are included in the AMP Appendices. The AMP Infrastructure Risk Assessment plan identifies options assessed and residual risk for recommended option;
- Asset condition and asset failure is monitored and managed by the individual asset 'owners' through a number of different mechanisms, including:
 - Condition assessments undertaken on a programmed basis using internal or external resources;
 - Community feedback; and
 - AMPs.

Opinion

- It appears that the City of Salisbury asset management practices and AMPs are sufficiently mature to provide sufficient levels of confidence that the fixed asset maintenance and renewals are adequately planned.

ASSFIX 0008

Risk - Fixed Asset maintenance and for renewals are inadequately planned.

Controls - Asset management plans exist for all major asset classes and all changes to the asset management plan must be approved by Council.

Current Status

- The AMPs have been developed in consultation with the 'asset owners';
- GHD were advised that Senior Management and Asset Owners were involved in the development of the AMPs, providing indication of appropriate management support of asset management strategies & practices;

Opinion

- The City of Salisbury have developed AMPs for all the major asset classes; and
- Whilst the City of Salisbury indicated that Senior Management and executives are involved in the development and signoff of the AMP's, this approval is not documented in the asset management plan.

We suggest that the Document Control page at the start of each AMP be provided with an approval section providing space for each required stakeholder to sign off the AMP to show evidence of appropriate approval.

ASSFIX 0014

Risk - Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. The fixed assets register does not remain pertinent.

Controls - Regular verification of fixed assets are conducted and reconciled to the Fixed Asset Register (FAR).

Current Status

- The City of Salisbury use Technology One for their corporate financial system. Finance uses the Confirm asset register as the source of asset information for the Financial Asset Register;
- The City of Salisbury advise that there is appropriate alignment between finance and asset management terminology across the business;
- Data validation between the Finance and AMS is reviewed on a 2-yearly rolling basis, although there is no formalised review program that identifies this requirement; and
- Condition assessments undertaken on a programmed basis using internal or external resources which provide the process for validating and/or updating the asset information in Confirm.

Opinion

- It appears that the City of Salisbury undertake regular verification that Confirms asset register reconciles with the Fixed Asset Register (FAR), although it is suggested to include the review process in a regular review program.

ASSFIX 0025

Risk - Fixed Asset maintenance and for renewals are inadequately planned.

Controls - Asset management plan (including plans to obtain sufficient funding to cover expected capital investment) are prepared. The capital investment required is reviewed regularly for appropriateness.

Current Status

- The AMPs have been developed in consultation with the 'asset owners';
- Senior Management and Asset Owners were involved in the development of the AMPs, showing evidence of appropriate management support of asset management strategies & practices;
- Asset Management work plan collaboration is evident across the City of Salisbury including bid reviews with Finance; and
- Long Term Financial Management Plan, 4 year Budgets, Capital Works Plans and Annual Plans are prepared on the basis of information provided from within the AMPs. These plans undergo a number of reviews across the City of Salisbury departments

Opinion

- It appears that the City of Salisbury asset management practices and AMPs provide confidence that fixed asset maintenance and renewals are adequately planned.

ASSFIX 0026

Risk - Fixed Asset maintenance and for renewals are inadequately planned.

Controls - Management undertakes a regular review of useful lives of Fixed Assets and updates asset management plan to reflect any significant changes (i.e. expected time- frame for replacing significant fixed assets).

Current Status

- Condition assessments undertaken on a programmed basis using internal or external resources which provide the process for validating and/or updating the information in Confirm, including review of asset life; and
- The AMP's indicate the useful lives of assets were last reviewed in June 2014.

Opinion

- It appears that the City of Salisbury asset management practices and AMPs are sufficiently mature to provide sufficient levels of comfort that the asset lives are regularly assessed and updated to cover off on the above risk.

ASSFIX 0027

Risk - Fixed Asset maintenance and for renewals are inadequately planned.

Controls - Asset maintenance schedules are prepared, updated, and monitored by management and activity per the asset maintenance schedule. Changes to the asset maintenance history register are compared to source documents to ensure that they were input accurately.

Current Status

- The AMPs have been developed in consultation with the 'asset owners';
- Asset maintenance is the responsibility of the asset owner noted above; and
- Maintenance is managed through the Maintenance Management System (MMS).

Opinion

- It appears that the City of Salisbury asset management practices and AMPs and the MMS are sufficiently mature to provide sufficient levels of confidence that the maintenance activities cover off on the above risk.

Appendix E –ISO55001 Framework – Appendix Removed

GHD

Level 4 211 Victoria Square Adelaide SA 5000
GPO Box 2052 Adelaide SA 5001 Australia
T: 61 8 8111 6600 F: 61 8 8111 6699 E: adlmail@ghd.com

© GHD 2016

This document is and shall remain the property of GHD. The document may only be used for the purpose for which it was commissioned and in accordance with the Terms of Engagement for the commission. Unauthorised use of this document in any form whatsoever is prohibited.

g:\33\18007\WP\59923.docx

Document Status

Rev No.	Author	Reviewer		Approved for Issue		
		Name	Signature	Name	Signature	Date
0	ILP	M Hegarty	MH	M Hegarty	MH	23/02/2016

www.ghd.com



GHD Suggested Projects	Council Response
AM Policy Review	<p>The Asset Management (AM) Policy has been recently adopted after considerable discussion.</p> <p>This will be reviewed by the Strategic Asset Management Team within the next 2 years and consideration will be given to aligning it with ISO55001 at that stage.</p>
Level of Service	<p>Upon establishment the level of service data will be captured in the appropriate system, reported against and included in the relevant Asset Management Plan (AMP). In the case of the Confirm Asset system this information may be in the form of condition data that will be captured either as part of an inspection or work order and reported on. The Strategic Asset Management (SAM) module in Confirm further uses condition data as part of its base data for expected life analysis. In addition to the work on the Confirm system Program Reviews on Parks & Landscape and Civil & Waste divisions have identified service levels. These Program Reviews are currently in their implementation stages.</p>
Asset Strategy	<p>The asset strategy at the City of Salisbury has been developed using NAMS.PLUS which is closely aligned to ISO 55001 and utilised extensively through local government. IPWEA, who own NAMS.PLUS, are looking to more closely align it with ISO 55001 and as and when they change, the City of Salisbury will also change.</p>
Risk Review	<p>These findings and recommendations relate to the risk matrices used by the City of Salisbury rather than the risk assessments completed on assets. A review of the risk matrices used by the City will be conducted by the BA Internal Audit & Risk as a part of the Review of the Risk Management Framework, with the findings to be presented to the Executive and the Audit Committee.</p>
AMP Revision	<p>The Strategic Asset Management Team will continue to update Asset Management Plans (AMPs) in line with NAMS.PLUS requirements. AMPs will also reflect and incorporate Program Review outputs where relevant.</p>
Asset Management Implementation Plan Development	<p>Part of the Asset Management Improvement Project current work practices will be documented. This serves as the baseline for improvements as each asset owner is worked with to help identify improvement opportunities within their existing practices and support them in the management of their particular portfolio.</p> <p>Each AMP has an improvement plan embedded into it. Key actions arising from this project will be incorporated into the AMPs.</p>
Data Management	<p>A key objective of the Asset Management Improvement Project will be to facilitate the earliest possible uptake of the asset data into the Confirm system. This will be facilitated through capital project procedural changes and the use of mobile technology to allow uptake in the field. The operations manual will also cover the data governance issues and explain how they are integrated into the business process and validation steps. There is again an expectation that the online inspections and work orders will contribute to this. Use of mobile entry directly into the Confirm system will ensure the currency of the Asset Register.</p> <p>Contractors undertaking infrastructure works on behalf of the City of Salisbury in future will capture data directly utilising Confirm handheld technology and/or suitably developed (in conjunction with the Strategic Asset Management Team,) data interfaces from the Contractor's own in-house systems.</p>

Performance Reviews	The City of Salisbury currently has a condition audit program for infrastructure assets. These audits are incorporated into planned projects by category, as a part of the annual capital works program and are facilitated by the Strategic Asset Management Team. The SAM module in Confirm will contribute to the assessment of each asset category with the ability to model the data using varying techniques.
Project Handover	The handover of a project has been identified as a key objective in achieving the earliest possible creation of the asset in Confirm. Some of the new tools within Confirm will assist with this uptake. Under the Asset Management Improvement Project current processes will be documented and work will be undertaken with each asset and capital works project owner to help identify improvement opportunities.
Project Management	<p>The City of Salisbury has an established project management methodology and templates. Enhancements to this methodology are ongoing and include revised project and major project templates.</p> <p>The Project Brief Template for City Infrastructure projects is reviewed annually prior to the development of the following years' briefs.</p> <p>Project reporting is available via Finance 1 with Project Managers inputting the project status directly into the system.</p> <p>A revised Project Management Manual is nearly complete which covers both 'Project' & 'Major Project' processes. This will be released on the intranet for feedback and then sent to the Executive for endorsement.</p> <p>Once the revised manual is endorsed, a review of that document plus associated templates will occur approximately one year later.</p> <p>Project Completion / Handover – Review completion and inspection forms to ensure they contain all necessary information required for entry into the Confirm system.</p> <p>Ensure that the Contractor / Project Managers provide all necessary handover information prior to Project Closure.</p> <p>Engage contractors to capture data directly utilising Confirm handheld technology and/or suitably developed (in conjunction with the Strategic Asset Management Team,) data interfaces from the Contractor's own in-house systems.</p>

ITEM	4.2.2
	AUDIT COMMITTEE
DATE	12 April 2016
HEADING	Draft 2016/17 Annual Plan and Budget
AUTHOR	Kate George, Manager Financial Services, Business Excellence
CITY PLAN LINKS	4.5 To apply business and resource management that enables excellent service delivery and financial sustainability

SUMMARY

RECOMMENDATION

1. The information be received

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 The Annual Budget process is in progress with Council, with workshops during February and March, and the utilisation of the Budget and Finance Committee Meetings.
- 1.2 A Draft 2016/17 Annual Plan and Budget has been developed for Council's consideration prior to circulating for public consultation.

2. CONSULTATION / COMMUNICATION

2.1 Internal

- 2.1.1 There has been engagement across the organization in preparing the draft operating budget and new initiative bids. The Executive has extensively reviewed the draft budget to refine and endorse for presentation to Elected Members. There have been a series of workshops with Elected Members to enable discussion and review of the draft budget, including new initiatives and long term financial plan.

2.2 External

- 2.2.1 Nil

3. REPORT

3.1 Budget Update

- 3.1.1 A verbal briefing on the current state of budget preparations will be provided to members at the Audit Committee meeting. The draft budget position will be formally presented to the Budget and Finance Committee on 18 April 2016.

3.2 Annual Plan

- 3.2.1 The Draft Annual Plan has been prepared in alignment to the new City Plan 2030, which is in the final stages of consultation and endorsement.
- 3.2.2 The Draft Annual Plan and Budget 2016/17 is to be presented to the Budget and Finance Meeting on 18 April 2016. Public consultation will be conducted during May with the closing date for submissions being Friday 27 May 2016. Time will be made available at the commencement of the Council Meeting on the 23 May 2016 for verbal representations.
- 3.2.3 Advertising will be placed in the Messenger on Wednesday 4 May 2016, and copies of the Annual Plan will be made available on the City of Salisbury website and at Recreation Centres, Libraries and Community Centres. Public comment is invited either by letter, email, phone or attendance at the May Council meeting. Additionally the website provides the option to make a submission or to ask a question in relation to the Annual Plan by clicking on an embedded link.

4. CONCLUSION / PROPOSAL

CO-ORDINATION

Officer:

Date:

ITEM	4.2.3
	AUDIT COMMITTEE
DATE	12 April 2016
PREV REFS	Audit Committee 4.2.7 13/10/2015
HEADING	Treasury Policy Update
AUTHOR	Kate George, Manager Financial Services, Business Excellence
CITY PLAN LINKS	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant 4.5 To apply business and resource management that enables excellent service delivery and financial sustainability
SUMMARY	This report is in response to resolution 0682/2015 that states that “Staff report back on an investment mandate to be considered for inclusion in the Treasury Policy”.

RECOMMENDATION

1. The information be received

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Treasury Policy

1. BACKGROUND

- 1.1 The Treasury Policy was presented to the Audit Committee and Council in October 2015, and whilst endorsed, the Audit Committee requested a further report be presented providing consideration of the inclusion of an investment mandate into the policy.
- 1.2 The Local Government Act, 1999, sets out Council’s powers in relation to investments and borrowings. The treasury policy, as set out in Attachment 1, details Council’s position in relation to Treasury Management, and is aligned to the requirements of the Legislation.

2. CONSULTATION / COMMUNICATION

- 2.1 Internal
 - 2.1.1 N/A
- 2.2 External
 - 2.2.1 Councils transactional bankers, the National Australia Bank

3. REPORT

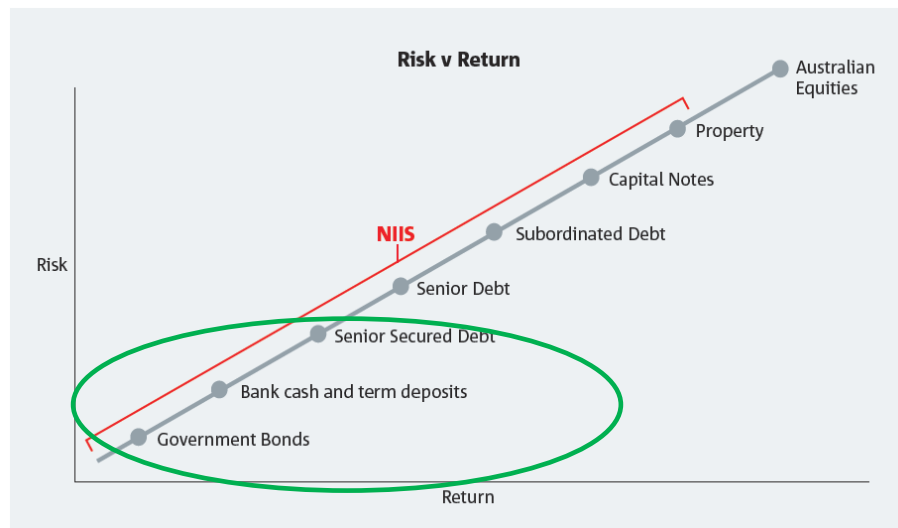
- 3.1 An investment mandate can be defined as a written statement of the investment aims, policy and limits.
- 3.2 The attached Treasury Policy (presented to Council and the Audit Committee in October 2015) is effectively Council's mandate to administration as it provides direction and limitations to undertake investment activities, to be exercised under appropriate delegations.
- 3.3 The following table outlines the key components that are typically incorporated into an investment mandate and also summarises where these items, if they are relevant, are addressed within the currently endorsed treasury policy.

Investment Mandate Components and Relevance to Treasury Policy

Investment Mandate	Treasury Policy
The aim of the investments	This is detailed under the heading ' <i>Policy Purpose/Objectives</i> ' in the attached Treasury Policy. Broadly the aim of any investments of Council are to ensure that funds are available for day to day needs, interest rate and other risks are responsibly managed and that net interest costs associated with borrowing and investing are reasonably expected to be minimised over the long term. Further Council's overall aim is to limit debt levels through the application of surplus funds rather than to have higher levels of investment and debt.
The type of strategy to follow	This is addressed within <i>Paragraph 3.1</i> in the attached treasury policy, with funds that are not immediately required for operational needs be applied to reduce existing debt or avoid raising future debt, with any remaining funds invested with either the Local Government Finance Authority (LGFA) or the National Australia Bank (NAB).
Investments geographical regions	Within the Policy, under <i>Paragraph 3.4 and 3.5</i> the investment types allowed are detailed, all of which are investments with Councils Transactional Banker or the LGFA, both of which are based in Australia.

Investment Mandate	Treasury Policy
Types of Securities that will be invested in	This is detailed in Paragraph 3.4 in the Treasury Policy, summarised as deposits with the LGFA, bank interest bearing deposits, bank endorsed bills (i.e. bank guaranteed) and State or Commonwealth Government Bonds. All of these types of investments sit low on the Risk and Return Matrix, meaning they are a low risk investment of Council discussed further in paragraph 3.4. Managing Risk at a product level affords Council greater security than managing risk at an entity level, given the diversity of products that low risk entities have available.
Whether to short sell or hedge investments	This is not relevant given the Treasury Policy stipulate investment types.
Whether it will be geared and to what extent	Given that the Treasury Policy states that surplus funds are to be used to reduce debt, Council does not borrow to invest, and consequently this is not included in the Policy.
A benchmark index that the fund aims to beat (or match)	There is no benchmark return stipulated in the policy, as the focus of our Treasury Policy is to reduce debt, and hold cash as investments only as necessary. The Net Financial Liabilities Ratio is used by Council to assess appropriateness of debt levels.

- 3.4 The Treasury policy details the types of securities that surplus funds may be invested in. In discussions with the NAB, they have provided the risk matrix below from their associated entity NAB Income and Investment Solutions (NIIS). The risk matrix shows products plotted against axes of risk and return. The products that are included in our Treasury Policy are all low risk and low return.



3.5 In addition to the above it is also important to consider relevant risks that Council are exposed to, and the strategies that mitigate these when undertaking the Treasury function:

- 3.5.1 Credit Risk –results from an organisation investing in an institution that becomes insolvent or restricts access to the funds. City of Salisbury mitigates this risk through the Investment Policy, through stipulating the use of the State Government backed Local Government Finance Authority and through the transactional banking contract with the NAB.
- 3.5.2 Market Risk - This is the risk that an organisation loses money due to market factors affecting the value of its investments. The City of Salisbury mitigates this risk through the Treasury Policy restricting the types of investments that can be invested in as detailed above in paragraph 3.4.
- 3.5.3 Liquidity Risk - is the risk that an organisation is unable to meet short term financial demands, potentially due to the inability to convert an investment or asset into cash without a loss of investment funds and/or interest income in the process. City of Salisbury mitigates this risk by investing only in the easily accessible instruments listed in the Treasury Policy.

4. CONCLUSION / PROPOSAL

- 4.1 The Treasury Policy as set out in Attachment 1 has been provided to the Audit Committee for review in conjunction with the commentary in this report detailing the linkages already in the policy that essentially equate to our Treasury Policy meeting the definition of an investment mandate.

CO-ORDINATION

Officer:

Date:



Treasury Policy

Policy Type:	Policy		
Approved By:	Council	Decision No:	2010/2128, 2011/327, 2013/1927
Approval Date:	23 March 2010	Last Reapproval Date:	23 September 2013
Review Date:	23 September 2015	Internal Reference No.:	
Department:	Business Excellence	Division:	Budget and Management Accounting
Function:	7 - Financial Management	Responsible Officer:	Manager, Financial Services

A - PREAMBLE

1. This policy provides clear direction to management, staff and Council in relation to the treasury function. It underpins Council's decision-making regarding the financing of its operations as documented in its annual budget and long-term financial plan and associated projected and actual cash flow receipts and outlays.
2. Council is committed to adopting and maintaining a Long-term Financial Plan and operating in a financially sustainable manner.

C – POLICY PURPOSE/OBJECTIVES

1. This Treasury Management Policy establishes a decision framework to ensure that:
 - funds are available as required to support approved outlays;
 - 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 likely to be minimised on average over the longer term.

E - POLICY STATEMENT

1. **Treasury Management Strategy**
 - 1.1. 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 and Interest Cover ratios).

1.2. Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

- maintain target ranges for both its Net Financial Liabilities and Interest Cover ratios;
- generally only borrow funds when it needs cash and not specifically for particular projects;
- apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

2. Interest Rate Risk Exposures

2.1. Council has set range limits for both fixed and variable interest rate borrowings in order to minimise net interest costs on average over the longer term and at the same time manage interest rate movement risks within acceptable limits.

2.2. Fixed Interest Rate Borrowings

- To ensure an adequate mix of interest rate exposures, Council will structure its portfolio of borrowings to maintain on average in any year, not less than **30%** of its gross debt in the form of fixed 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.

2.3. Variable Interest Rate Borrowings

- Council will structure its portfolio of borrowings to maintain not less than 30% of its gross debt in any year in the form of variable interest rate borrowings.
- Council will utilize long-term variable interest rate borrowing facilities, such as the LGFA's Cash Advance Debenture, that require interest payments only and that enables any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity when needed.

3. Investments

3.1. Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising 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.

3.2. Council funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments the term should not exceed a point in time where the funds otherwise could be applied to cost-effectively either defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.

3.3. When investing funds, Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs, and other relevant and objectively quantifiable factors.

3.4. Council management may from time to time invest surplus funds in:

- deposits with the Local Government Finance Authority; and/or
- bank interest bearing deposits
- bank accepted/endorsed bank bills
- State/ Commonwealth Government Bonds

3.5. Any other investment requires the specific approval of Council.

4. Reporting

- 4.1. During the year Council will receive a report detailing total fixed borrowings and variable fixed borrowings at the end of the preceding month, together with all investments held, their term and interest rate. Timing of these reports will be November, February, May, unless there is an opportunity to report earlier, with the end of year reported as soon as practicable as part of our end of year reporting. (*Council Resolution, Item No. 734 dated 28 November 2011*)
- 4.2. At least once a year Council shall receive a specific report regarding treasury management performance relative to this Policy. The 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; and,
 - the proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period along with key reasons for significant variances compared with the targets specified in this policy.

F - LEGISLATION

For Borrowings

Local Government Act, 1999 (Sections 44, 122 and 134)

Local Government (Financial Management) Regulations 1999

For Investments

Local Government Act, 1999 (Sections 47, 139 and 140)

Document Control

Document ID	Treasury Policy
Prepared by	Kate George
Release	1.00
Document Status	Current
Date Printed	12/01/2015

ITEM	4.2.4
	AUDIT COMMITTEE
DATE	12 April 2016
HEADING	Internal Audit Update
AUTHOR	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
CITY PLAN LINKS	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
SUMMARY	This report provides an update on the internal audit activity since the last Audit Committee of Council meeting (February 2016), including progress made against agreed actions. It also details the work that is expected to be completed over the coming months.

RECOMMENDATION

1. The information be received.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Internal Audit, Risk Management and Internal Controls Update
2. Outstanding Actions

1. BACKGROUND

- 1.1 This report and its attachments detail the work undertaken by the BA Internal Audit & Risk since the last Audit Committee of Council meeting in February 2016. It also provides an update on the activities identified in the Internal Audit Plan in addition to risk management and internal controls activities and any outstanding actions from previous audits.
- 1.2 In addition to the items listed in Attachment 1 to this report the BA Internal Audit & Risk undertakes regular reporting to the Executive on significant and strategic projects and gifts and benefits.

2. REPORT

- 2.1 An update on the activities of the BA Internal Audit & Risk is provided in Attachment 1 to this report. Items in the attachment that have changed since the last update was provided at the February 2016 meeting of the Audit Committee are as follows;
 - 2.1.1 Strategic Asset Management Delivery – this piece of work has now been completed and the final report has been presented to the Audit Committee.

- 2.1.2 Review of the Risk Management Framework has been split into its two constituent parts, specifically the development of the Operational Risk Register and the development of the Risk Appetite for the City of Salisbury. Work is currently in progress on both of these activities.
- 2.1.3 The Business Continuity Plans (BCPs) walkthrough was successfully completed in February 2016. As a result of the walkthrough a further walkthrough will be scheduled with the Executive Group before the end of the 2016/17 financial year. A full BCP test will be scheduled for the 2017/18 financial year and thereafter walkthroughs and tests will be conducted each alternate financial year, with a full BCP test one year and a BCP walkthrough in the following year and so on.
- 2.1.4 Bentleys have been appointed to conduct the External Review of Internal Audit and have begun work on this by arranging interviews with appropriate stakeholders and reviewing documentation.
- 2.1.5 After the Audit Committee approved the format of the Audit Committee self-assessment questionnaire at the February 2016 meeting of the Committee, it was issued to all Committee members for completion. Once the completed forms have all been returned a report will be submitted to the Audit Committee and this activity has therefore been added to the schedule of work. The activity will comprise analysis of the forms and preparation of a report setting out the findings and the resulting actions or improvements identified.
- 2.1.6 As requested by the Audit Committee, the Payroll Audit has been postponed to Q3 2016 and in its place the Event Management Audit has been brought forward to Q2 2016. A draft scope has been prepared for the Event Management Audit and it is currently being finalised for sign off.
- 2.1.7 Revision of the Employee Gifts and Benefits Policy is a new piece of work added into the schedule and arising from an action given after the quarterly update of gifts and benefits was presented to the Executive. The policy needs to incorporate what is, and is not acceptable to accept, in relation to “game of chance” type gifts (for example, when an employee attends a conference and enters a draw for a prize).

2.2 Outstanding Actions

- 2.2.1 The table in Attachment 2 of this report provides an update on the state of all agreed action items arising from completed audit work.
- 2.2.2 All outstanding actions have been followed up with the relevant divisional managers, however no actions have been closed off and no new actions have been added since the last meeting of the Audit Committee in February. Several actions are due to be completed when the Program Review of Contract and Procurement Services is completed.

2.3 Additional Audit Committee of Council Meeting

- 2.3.1 The October 2016 meeting of the City of Salisbury Audit Committee of Council will be devoted entirely to the presentation, discussion and review of the financial statements, including grant acquittals and internal financial controls. An additional meeting of the Audit Committee of Council has therefore been scheduled for 15th November 2016.

3. CONCLUSION / PROPOSAL

- 3.1 This report has provided an update on the progress made in completing the audits, risk management activities and internal control framework activities by the BA Internal Audit & Risk. Further updates will be provided on all these areas at the next Audit Committee of Council meeting scheduled for 12 July 2016.

CO-ORDINATION

Officer:	MG	Executive
Date:	01/04/2016	05/04/2016

Internal Audit, Risk Management and Internal Controls Tracking – July 2015 to June 2016

v1.2

Internal Audit Plan - July 2015 to June 2016					
Activity	Type of Activity (Internal Audit, Risk Management or Internal Controls)	Resourcing (Internal, External, Co-sourced)	Scheduled dates for work	Status (Completed, In progress, Not yet commenced)	Comments and rationale for piece of work
BCP Review Action Plan work	Internal Audit and Internal Controls	Co-sourced	July-August 2015	Completed	Work completed to address the actions arising from the Business Continuity Plan Review and Exercise which was undertaken in the 2014-15 financial year.
People and Culture Risk Review	Risk Management and Internal Audit	Internal	June-July 2015	Completed	This piece of consultancy work was conducted with the aim of assessing the high level current and emerging risks facing the People and Culture Division and also identifying the potential risks associated with the options for future service delivery being considered by the division. The output from this review has fed into the Program Review on People and Culture division.
Cash Management	Internal Controls	Internal	July 2015	Completed	Work completed as a part of the internal controls framework, it includes end of year reconciliations of petty cash and till floats.
External Audit of internal financial controls	Internal Controls	External	August-September 2015	Completed	This piece of work is legislatively mandated. Internal audit is heavily involved in facilitating the work. A report from the external auditors on their work will be delivered at the October meeting of the Audit Committee.
Development of self-assessment process for the Audit Committee	Internal Audit and Internal Controls	Internal	August	Completed	This is a necessary control to ensure that the performance of the Audit Committee is reviewed and to identify potential improvements. Results of this work to be reported at the October meeting of the Audit Committee.

Internal Audit, Risk Management and Internal Controls Tracking – July 2015 to June 2016

v1.2

Internal Audit Plan - July 2015 to June 2016					
Activity	Type of Activity (Internal Audit, Risk Management or Internal Controls)	Resourcing (Internal, External, Co-sourced)	Scheduled dates for work	Status (Completed, In progress, Not yet commenced)	Comments and rationale for piece of work
Strategic Asset Management Delivery	Internal Audit and Internal Controls	Co-sourced	September-December 2015	Completed	The aim of this piece of consultancy work is to deliver outputs which should support the Strategic Asset Management Lifecycle at the City of Salisbury. A final report has been produced and will be presented to the Audit Committee at the April 2016 meeting.
Risk Management workshop	Risk Management	Internal	November 2015	Completed	Workshop held on the 24 th November 2015. Two actions arose from the workshop; re-draft the internal audit plan with reference to the Strategic Risk Register and produce a Risk Appetite for the City of Salisbury.
Review of Audit Committee Terms of Reference and the Internal Audit Charter	Internal Audit and Internal Controls	Internal	January 2016	Completed	These documents have been reviewed and were presented to the Audit Committee in February 2016.
Review of Legislative Reporting Obligations	Internal Audit and Internal Controls	Internal	January-June 2016	In progress	This piece of work is necessary to identify the key controls that the City of Salisbury operates as well as providing assurance as to whether 132A of the <i>Local Government Act 1999</i> is complied with. Work on this review has almost been completed with almost all managers interviewed regarding the regulatory reporting.
Develop Operational Risk Register	Risk Management	Internal	January-June 2016	In progress	Work has begun on developing an operational risk register with the majority of managers being questioned on the risks to their objectives.

Internal Audit, Risk Management and Internal Controls Tracking – July 2015 to June 2016

v1.2

Internal Audit Plan - July 2015 to June 2016					
Activity	Type of Activity (Internal Audit, Risk Management or Internal Controls)	Resourcing (Internal, External, Co-sourced)	Scheduled dates for work	Status (Completed, In progress, Not yet commenced)	Comments and rationale for piece of work
Review and revise the risk matrices used to assess risks at the City of Salisbury	Risk Management	Internal	January-June 2016	In progress	Work has begun on identifying and reviewing all the different risk matrices used to assess risks at the City of Salisbury.
Business Continuity Plans Walkthrough	Internal Controls	Co-sourced	February 2016	Completed	A walkthrough of the Business Continuity Plans was requested by the Executive both as a means of training members of staff on the use of the plans and as a way of testing them to ensure their continued suitability. The walkthrough was successfully completed in February 2016.
External Review of Internal Audit	Internal Audit	External	March-June 2016	In progress	It is a requirement of the Institute of Internal Auditors that internal audit functions are externally assessed at least once every five years by a qualified, independent assessor or assessment team from outside the organisation (Attribute Standard 1312 "External Assessments"). Bentleys have commenced work on this review.
Completion of Control Self-Assessments and Risk Assessments through the Control Track system, including external audit preparation	Internal Controls	Internal	March-May 2016	In progress	The external auditors expectations are that at least one control self-assessment will be conducted annually and a risk assessment should also be conducted on internal financial controls. Work is underway on completing the risk assessments on internal financial controls and in self-assessing the adequacy of the controls.

Internal Audit, Risk Management and Internal Controls Tracking – July 2015 to June 2016

v1.2

Internal Audit Plan - July 2015 to June 2016					
Activity	Type of Activity (Internal Audit, Risk Management or Internal Controls)	Resourcing (Internal, External, Co-sourced)	Scheduled dates for work	Status (Completed, In progress, Not yet commenced)	Comments and rationale for piece of work
Report on the findings of the Audit Committee self-assessments	Internal Audit, Risk Management and Internal Controls	Internal	March-June 2016	In progress	A report will be presented at the July 2016 meeting of the Audit Committee on the findings from the self-assessment forms completed by Committee members, provided all the forms have been completed and returned in good time for this meeting.
Event Management Audit	Internal Audit	Co-sourced	March-June 2016	In progress	This audit should provide assurance on event management with a particular emphasis on WHS controls including risk assessments. A scope has been drafted and is awaiting approval.
Revision of the Employee Gifts and Benefits Policy	Internal Controls	Internal	May 2016	Not yet commenced	This piece of work came as an action from the quarterly Employee Gifts and Benefits Review. The Employee Gifts and Benefits Policy needs to be revised to incorporate what is or is not acceptable to receive, in particular the receipt of gifts relating to games of chance – i.e. Raffle Draws.
Development of a Risk Appetite for the City of Salisbury	Risk Management	Internal	May 2016	In progress	This piece of work came as an action from the Risk Management workshop. The Risk Appetite should be presented to the Executive, the Audit Committee and endorsed by Council. Work has begun in identifying the areas to be covered by the Risk Appetite.
Development of Internal Audit Plan July 2016 – June 2017	Internal Audit	Internal	June 2016	Completed	This activity has been completed and presented to the Audit Committee in February 2016 as a part of the 3 year plan for Internal Audits 2016-18, however it will be subject to change as required and will be reviewed regularly by the Audit Committee.

<i>Audit: Compliance With Building Inspections Policy</i>					
Agreed Action	Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
2.8.2 Review and consider revising the planning inspection targets to either a lower percentage target, or to an achievable and appropriate absolute number of inspections per planning officer.	Low	Manager Development Services	June 2015	Sep 2016	Program Review report identifies resourcing issues in order to meet targets. Recommendation regarding resourcing and revised Inspection Policy recommends that current status quo remain until outcome of State Government Planning Reform initiatives are finalised in first half of 2016 (anticipated only).
2.9 As a part of the next policy review consider the following changes; <ul style="list-style-type: none"> Specify additional selection criteria for the prioritisation of buildings for inspection Include guidelines on how inspections must be counted Provide additional guidance to inspectors as to the actions required of them in relation to managing inspections and complaints Introduce additional guidance detailing the expected extent of inspection to be undertaken 	Low	Manager Development Services	March 2015	Sep 2016	<p>Program Review recommendation regarding resourcing and revised Inspection Policy recommends that current status quo remain until outcome of State Government Planning Reform initiatives are finalised in first half of 2016 (anticipated only).</p> <p>Additional resources have been allocated to the building inspections team to specifically inspect swimming pool compliance and address the current backlog.</p>

<i>Audit: Internal Control Framework – Substantive Testing</i>					
Agreed Action	Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
1. For the uploaded data to the Pathway system the details of individual transactions are not stored. The system has an audit trail when the individual transactions are entered individually; however it does not when they are entered as a batch and needs to do so.	N/A	To be tracked by BA Internal Audit & Risk	Q3 2015	Q3 2016	This issue is being tracked through the IT helpdesk ticket titled “Credit Transaction Reports”, number 1108509. Infor, the vendors of Pathway hope to resolve this issue when they write and release the next version of the Debtors module, which is release 11 and is scheduled for the latter half of 2016, a precise date is not known at this time. The issue is being escalated with Infor by City of Salisbury’s IT team.

Audit: Procurement						
Agreed Action		Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
A.2.1	Confirmation of the role of CPS (central)	High	General Manager Business Excellence Procurement Steering Group / Executive Group	April 2015	April 2016	<ul style="list-style-type: none">Discussions have commenced with key stakeholders as to the role of PCS but will not be finalised until completion of the Program Review.Procurement Program Review in progress, with completion estimated April 2016.Role Clarity workshop scheduled for 23 March with key stakeholders.
	Report to PSG Confirmation of role/ compliance/ central/decentralised	High	General Manager Business Excellence Procurement Steering Group / Executive Group	April 2015	Dec 2015 Review, Draft Report proposed April 2016	<ul style="list-style-type: none">Determination of the role of C&PS and priority of compliance/control activities to be addressed within the Program Review.Assessment of options for delivery and alternative options within the Program Review.Verbal update has been provided to the GMBE, CEO and Manager C&PSRefer A2.1
A.2.2	Resourcing recommendation to be considered as part of the review of role and function of C&PS	High	General Manager Business Excellence	April 2015	Dec 2015 Review, Draft Report proposed April 2016	<ul style="list-style-type: none">Although the Program Review will further consider the resourcing requirements, management are of the view that current resources are sufficient.
A.2.2	Refer A.2.1 in relation to structure and function delivered by CPS and business areas (consideration will need to be given	High	General Manager Business Excellence	April 2015	Dec 2015 Review, Draft Report proposed April 2016	<ul style="list-style-type: none">Discussions have commenced with key stakeholders as to the role of C&PS but will not be finalised until completion of the Program Review.Assessment of options for delivery and alternative options within the Program Review

Audit: Procurement						
Agreed Action		Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
	to ensuring appropriate staff skill set, controls and probity, if decentralisation is a preferred model)					<ul style="list-style-type: none">Refer A2.1
A2.3	Through the PSG, consideration will be given to appropriate measures that monitor the length of procurement processes.	Medium	Procurement Steering Group / Executive Group Manager Contract & Procurement Services	March 2015	April 2016	<ul style="list-style-type: none">KPI paper presented to PSG for consideration and input August 27. Revised paper presented to PSG Nov 30 agreed on four key KPIs:<ul style="list-style-type: none">% of spend influenced/management by ProcurementProcurement cycle timelines – a report has been written in consult with C&PS which captures the majority of timelines through the PCMS system: Acquisition commencement → AP approval AP approval → market release Evaluation period → Tender Recommendation Tender Recommendation → Contract Award Contract Award → Contract Execution Contract start → Contract completionLocal buy / economic benefit (geographic spend) / local business economic assessment / local employmentSocial inclusion entities/value Disadvantaged sectorProgram review is seeking leading practice input on recommended KPI's.

Audit: Procurement						
Agreed Action		Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
B.2.9	Review existing reporting regime and identify opportunities to enhance reporting.	Medium	Manager, Contract & Procurement Services BA Internal Audit & Risk Procurement Steering Group / Executive Group	April 2015	April 2016	<ul style="list-style-type: none">• ArcBlue projects underway providing:<ul style="list-style-type: none">○ Spend Analysis reporting○ CoSol Forward Procurement Plan identification.• Council Solutions training was delivered September 2015 to develop analysis opportunities• Further requirements for reporting to be presented to PSG as noted in A2.3.