



## **AGENDA**

**FOR AUDIT COMMITTEE MEETING TO BE HELD ON**

**12 JULY 2016 AT 6:00 PM**

**IN COMMITTEE ROOM 1, 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  
Manager Governance, Ms T Norman  
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 12 April 2016.

---

## REPORTS

### *Administration*

4.0.1	Future Reports for the Audit Committee of Council.....	7
-------	--	---

### *Reports*

4.2.1	Report on the External Review of Internal Audit.....	9
4.2.2	Audit Committee Self-Assessment Questionnaire .....	31
4.2.3	Internal Audit Plan .....	39
4.2.4	Internal Audit Annual Review and 2016/17 work schedule .....	67

## OTHER BUSINESS

## CLOSE



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

**12 APRIL 2016**

**MEMBERS PRESENT**

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

**OBSERVERS**

Cr R Zahra

**STAFF**

Acting Chief Executive Officer, 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

The meeting commenced at 6:08pm

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 Cr G Reynolds  
Seconded Ms K Briggs

The Minutes of the Audit Committee Meeting held on 09 February 2016,  
be taken and read as confirmed.

**CARRIED**

Moved Cr G Reynolds  
Seconded Ms K Briggs

The Minutes of the Confidential Audit Committee Meeting held on 09  
February 2016, be taken and read as confirmed.

**CARRIED**

## PRESENTATION

Risk presentation by General Manager Community Development.

*Mr C Johnson entered the meeting at 06:17 pm.*

*Cr G Caruso left the meeting at 06:40 pm.*

*Cr G Caruso returned to the meeting at 06:41 pm.*

## REPORTS

### *Administration*

#### **4.0.1 Future Reports for the Audit Committee of Council**

Moved Cr G Reynolds  
Seconded Ms K Briggs

1. The information be received.

**CARRIED**

### *Reports*

#### **4.2.1 Strategic Asset Management Delivery Report**

*Cr P Brass declared an interest due to GHD being a general member of  
the company he works for.*

Moved Mr C Johnson  
Seconded Cr G Caruso

1. The information be received.

**CARRIED**

#### 4.2.2 Draft 2016/17 Annual Plan and Budget

Moved Mr C Johnson  
Seconded Cr G Caruso

1. The information be received

**CARRIED**

#### 4.2.3 Treasury Policy Update

*Cr G Reynolds left the meeting at 07:46 pm.*  
*Cr G Reynolds returned to the meeting at 07:47 pm.*

Moved Mr C Johnson  
Seconded Ms K Briggs

1. The information be received
2. The Treasury Policy, as set out in Attachment 1 to this Report (Item No. 4.2.3, Audit Committee, 12/04/2016) be endorsed.

**CARRIED**

#### 4.2.4 Internal Audit Update

Moved Mr C Johnson  
Seconded Ms K Briggs

1. The information be received.

**CARRIED**

#### OTHER BUSINESS

Nil

The meeting closed at 7:56pm.

CHAIRMAN.....

DATE.....



<b>ITEM</b>	4.0.1
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	12 July 2016
<b>HEADING</b>	Future Reports for the Audit Committee of Council
<b>AUTHOR</b>	Michelle Woods, Projects Officer Governance, CEO and Governance
<b>CITY PLAN LINKS</b>	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
<b>SUMMARY</b>	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 to each meeting for noting.

### **2. REPORT**

- 2.1 At the time of preparing this report, there are currently no resolutions of Council requiring a further report to be presented to the Audit Committee.

### **3. CONCLUSION / PROPOSAL**

- 3.1 Future reports for the Audit Committee of Council have been reviewed and there are none that require a report to be presented to the Audit Committee.

### **CO-ORDINATION**

Officer:	Executive Group	MG
Date:	5/7/16	27/6/15





<b>ITEM</b>	4.2.1
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	12 July 2016
<b>HEADING</b>	Report on the External Review of Internal Audit
<b>AUTHOR</b>	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	It is a requirement of the Institute of Internal Auditors (IIA) 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”). As it has been over five years since the last review, a review was conducted by Bentleys on the internal audit function of the City of Salisbury in line with IIA standards. The review examined processes and procedures, sampled audit files and conducted interviews with stakeholders. Several improvement opportunities were identified by Bentleys as a result of the review; these are discussed in detail in the attached report and where appropriate will be actioned.
<b>RECOMMENDATION</b>	<ol style="list-style-type: none"> <li>1. The information be received.</li> </ol>
<b>ATTACHMENTS</b>	<p>This document should be read in conjunction with the following attachments:</p> <ol style="list-style-type: none"> <li>1. Internal Audit Charter</li> <li>2. External Review and Assessment of the Internal Audit Function Report</li> </ol>
<b>1. BACKGROUND</b>	<ol style="list-style-type: none"> <li>1.1 It is a requirement of the Institute of Internal Auditors (IIA) 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”). The last time that internal audit was reviewed at the City of Salisbury was in 2009. After an open, fair and robust tender process Bentleys were awarded the tender to complete the external review of internal audit.</li> </ol>

- 1.2 The review covered the objectives of internal audit function of the City of Salisbury as detailed in the Responsibility section of the Internal Audit Charter (see Attachment 1). It also sought to give an opinion on the processes and procedures in place in the internal audit function and its compliance with applicable standards.
- 1.3 The approach taken by Bentleys to this piece of work involved;
  - 1.3.1 An analysis of applicable policies and procedures
  - 1.3.2 A sample of audits
  - 1.3.3 Interviews with appropriate staff and Audit Committee members;
  - 1.3.4 An assessment of the management of relevant risks.

## **2. REPORT**

- 2.1 The report from the review conducted by Bentleys (see Attachment 2), concluded that “the City of Salisbury has an effective, well governed and mature internal audit function.” Several improvement opportunities were identified by Bentleys and these have been responded to individually under the management response heading at the end of each opportunity in the attached report. It should be noted that some of the opportunities identified have already been completed and others are in the process of being implemented.

## **3. CONCLUSION / PROPOSAL**

- 3.1 Bentleys have conducted a review on the internal audit function of the City of Salisbury. They concluded that “the City of Salisbury has an effective, well governed and mature internal audit function.” Several improvement opportunities were identified by Bentleys, these have all been responded to and where appropriate, they will be actioned.

## **CO-ORDINATION**

Officer:	MG	Exec
Date:	28/6/16	5/7/16

## **1. The Charter**

- 1.1 This Charter sets out the purpose, authority, responsibility and other relevant information related to City of Salisbury's internal audit function.
- 1.2 It outlines the City's understanding and expectations of this function and its commitment to ensuring its effective operation.

## **2. Commitment**

- 2.1 City of Salisbury recognises internal audit as an integral element of its governance and risk management framework.
- 2.2 The City is committed to ensuring that its internal audit function is provided with appropriate resources and support to ensure that it is able to discharge its responsibilities effectively and efficiently.

## **3. Purpose**

- 3.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve City of Salisbury's operations.
- 3.2 It helps City of Salisbury accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## **4. Professionalism and Code of Ethics**

- 4.1 Internal auditors shall comply with the codes of conduct, definition, standards and professional ethics laid down by the appropriate professional auditing/accounting bodies and the City's Code of Conduct.
- 4.2 Internal auditors will be prudent in exercising authority and in the use of information acquired in the course of their duties; they shall ensure the confidentiality of information unless legislation prohibits this.
- 4.3 The Manager Governance will ensure that all internal audit staff and consultants comply with the above conduct and standards.

## **5. Authority**

- 5.1 The internal audit function, with strict accountability for confidentiality and safeguarding of records and information, is authorised full, free and unrestricted access to any and all of City of Salisbury's and Council records, physical properties and personnel pertinent to carrying out any engagement.
- 5.2 All public officers are requested to assist and fully cooperate with the internal audit function in fulfilling its roles and responsibilities.
- 5.3 Internal audit will also have free and unrestricted access to the Council.

## 5.4 In addition, specifically Internal Audit:

- Is allowed direct communication with all staff, contractors and consultants.
- Can report such matters considered necessary to be communicated or reported.
- Is free to conduct such special assignments or consultancy engagements as considered necessary. Usually and wherever practical, the Audit Committee of Council and the Chief Executive Officer (CEO) will be informed prior to commencement of such assignments.
- Will normally conduct audits in consultation with general managers, managers and staff. However, where considered necessary, internal audit is authorised to conduct reviews without prior consultation, in exceptional circumstances. In such cases the CEO is to be advised as soon as practicable.
- Shall record the details of any restrictions imposed upon it and the reasons for them, notwithstanding any limitations in this Internal Audit Charter and the Audit Committee of Council Terms of Reference.
- Shall have direct contact with any level of management concerning an audit or activity and may require any public officer to furnish information and explanations.

**6. Organisation**

- 6.1 The Internal Auditor will report functionally to the Audit Committee of Council, operationally to City of Salisbury Executive Group and administratively to the Manager Governance.
- 6.2 All decisions regarding the performance evaluation, appointment or removal of the Internal Auditor as well as their annual compensation and salary adjustment will be made by the CEO or their designate the Manager Governance.
- 6.3 The Internal Auditor will communicate directly with the Audit Committee of Council and City of Salisbury Executive Group, including in camera sessions with the Audit Committee as appropriate.

**7. Independence and Objectivity**

- 7.1 The internal audit activity will remain free from interference by any element in City of Salisbury, including matters of audit selection, scope, procedures, frequency, timing or report content in order to facilitate an independent and objective attitude.
- 7.2 Internal auditors will have no direct operational responsibility or authority over any of the activities audited directly by the internal audit function.
- 7.3 When internal auditors are conducting engagements that have previously been the subject of consultancy work, the same internal auditor should not be responsible for both pieces of work for at least one year after the consultancy work was completed.

- 7.4 Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.
- 7.5 They must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.
- 7.6 The Internal Auditor will confirm to the Audit Committee of Council, at least annually, the organisational independence of internal audit activity.

## **8. Responsibility**

- 8.1 The Internal Auditor will be responsible to the Audit Committee of Council for the functional conduct of internal audit activities in relation to:
  - Development, implementation and oversight of internal audit methods and procedures.
  - Development, implementation, oversight and completion of the internal audit plan.
  - Scope and boundaries of audits.
  - Fulfilling the objectives of internal audit.
  - Utilising audit resources to maximise the efficiency and effectiveness of internal audit.
  - Maintenance of appropriate internal auditing standards.
- 8.2 Internal audit activity is reviewed by the Audit Committee of the Council, which is governed by its own Terms of Reference that has been endorsed by the Council.
- 8.3 The internal audit function assists the Audit Committee of Council and City of Salisbury Executive Group in the effective discharge of their responsibilities by examining and evaluating the adequacy and effectiveness of City of Salisbury's governance, risk management and internal control processes in relation to the City's defined goals and objectives.
- 8.4 Internal audit will contribute to these goals and objectives by:
  - Determining the adequacy and effectiveness of the City's financial, operational and information systems controls, so that significant risks are identified and properly managed.
  - Reviewing the integrity of financial and other key information used in decision making, including controls over the collection, recording, storing and communication of that information.
  - Providing advice to management on identifying risks (including opportunities foregone) and generating an awareness of effective control techniques to minimise such risks.
  - Appraising the means of safeguarding the City's assets, including verification where appropriate.

- In collaboration with staff and management identifying ways of improving customer service, efficiency, economy and effectiveness in operations.
- Assessing the extent of compliance with policies, procedures, statutory requirements, guidelines and best practice.
- Providing advice to management on and/or interpreting statutory requirements and guidelines.
- Conducting reviews of programs or projects to ensure objectives have been achieved and that the programs or projects are still appropriate.
- Carrying out consultancy work or special assignments as directed by the Audit Committee of Council, or the CEO.
- Reporting significant risk exposures and control issues identified to the Audit Committee of Council and City of Salisbury Executive Group.

## **9. Scope**

- 9.1 Audit entities will be reviewed according to the perceived level of risk the units present to City of Salisbury's defined goals and objectives as evident in the City of Salisbury's Strategic Risk Register.
- 9.2 Those entities presenting the highest risks will generally be audited more frequently and extensively than those representing lower levels of risk to the achievement of objectives, as resource and budget allows.
- 9.3 The Internal Auditor will decide upon the nature and scope of any review in consultation with the Manager Governance, General Manager of the area under review and / or the CEO.

## **10. Internal Audit Plan**

- 10.1 At least annually, the Internal Auditor will submit to the Audit Committee of Council an internal audit plan for review and comment, including risk assessment criteria.
- 10.2 The plan will include the timing as well as the budget and resource requirements for the next financial year.
- 10.3 The Internal Auditor will communicate to both the Audit Committee of Council and City of Salisbury Executive Group the impact on the plan of resource limitations and significant interim changes.
- 10.4 An internal audit plan will be developed based on the risks in the City of Salisbury's Strategic Risk Register, including input from the Audit Committee of Council and City of Salisbury Executive Group.
- 10.5 Where practical the proposed audit activities will be co-ordinated with other assurance providers such as the external auditor. This should facilitate the economic and efficient use of audit resources and provide a more comprehensive assurance program.

- 10.6 Any significant deviation from the approved internal audit plan will be communicated to the Audit Committee of Council and the CEO as soon as practical.
- 10.7 On a periodic basis the Internal Auditor will provide a report to the Audit Committee of Council on internal audit activity.

### **11. Reporting and Monitoring**

- 11.1 A written report will be prepared and issued by the Internal Auditor following the conclusion of each internal audit engagement and will be distributed as appropriate.
- 11.2 Internal audit results will also be provided to the Audit Committee of Council.
- 11.3 The internal audit report may include management's response and corrective action taken or to be taken with regard to the specific findings and recommendations.
- 11.4 Management's response, whether included within the original audit report or provided thereafter by agreement with the audited area, should include a timetable for anticipated completion of actions and an explanation for any corrective actions that will not be implemented.
- 11.5 The Internal Auditor will be responsible for appropriate follow-up on engagement findings and recommendations.
- 11.6 Where appropriate, internal audit findings will be used to update the City's Strategic Risk Register.

### **12. Quality Assurance**

- 12.1 In order to ensure that the quality of internal audit work is of a consistently high standard, the CEO shall:
- Ensure that an independent external review of the internal audit function is undertaken at least every five years by a suitably qualified independent assessor.
  - Provide internal audit staff with appropriate professional development opportunities.





City of Salisbury

External Review and Assessment  
of Internal Audit Function  
Internal Audit Report



May 2016

**Contact:**

David Papa, Director  
Bentleys (SA) Pty Ltd  
T 08 8372 7900  
F 08 8372 7999  
E [dpapa@adel.bentleys.com.au](mailto:dpapa@adel.bentleys.com.au)

Level 2, 139 Frome Street  
Adelaide, South Australia, 5000

- Accountants
- Auditors
- Advisors

[bentleys.com.au](http://bentleys.com.au)



**Private & Confidential**

**To: Tami Norman,**  
Manager Governance

**Copy: Audit Committee**

**Internal Audit Report**  
**External Review and Assessment of the Internal Audit Function**

We have completed our review and assessment of the City of Salisbury's Internal Audit function. Please find attached our report containing details of our assessment and recommendations. The report also contains a description of the scope of work and our approach.

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

# TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	4
Background.....	4
Audit Objectives .....	4
Audit Scope and Approach .....	4
Key Findings and Observations .....	4
Acknowledgement.....	5
APPENDIX 1 .....	6
APPENDIX 2.....	14

© 2016 Bentleys (SA) Pty Ltd

## **Inherent Limitations**

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to this review operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

## **Third Party Reliance**

This report is solely for the purpose set out in the Official Order and for City of Salisbury information, and is not to be used for any other purpose or distributed to any other party without Bentleys (SA) Pty Ltd's prior consent.

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

# EXECUTIVE SUMMARY

## BACKGROUND

The City of Salisbury (CoS) Council engaged Bentleys (SA) Pty Ltd to conduct an external review and assessment of its internal audit function in March 2016 in line with its Internal Audit Plan.

This report outlines findings and recommendations in respect of the internal audit function.

## AUDIT OBJECTIVES

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"). This review is therefore necessary in order to comply with this standard.

The primary outcome of the review is an opinion on the processes and procedures in place in the internal audit function, and its compliance with applicable standards.

## AUDIT SCOPE AND APPROACH

The nature of the required review is a process, compliance and effectiveness review, which involved:

- an analysis of the applicable policies and processes;
- a sample of audits;
- interviews with appropriate members of staff and Audit Committee members; and
- an assessment of the management of relevant risks.

Any areas for process improvement and efficiency savings were also required to be highlighted.

The review and assessment did not include the performance of the CoS's Audit Committee as there is a separate self-assessment process in place to review Audit Committee performance.

## KEY FINDINGS AND OBSERVATIONS

The City of Salisbury has an effective, well governed and mature internal audit function. It is proactive, consistent with the requirement of the Institute of Internal Auditors, externally assessing its internal audit function, which other Councils are not currently performing.

It has a well-developed internal audit plan spanning three years and its service delivery model comprises good practice of internally resourced, externally resourced and co-sourced arrangements. The internal audit plan is developed in consultation with key stakeholders and is constantly reviewed throughout its lifecycle with changes (additions, deletions and rescheduling) occurring, as appropriate, in conjunction with stakeholders. A number of improvement opportunities have been identified which if implemented will increase the level of detail provided to stakeholders, increase the type of risks identified and ultimately lead to greater effectiveness of the Council's internal controls and risk management frameworks.

A summary of the findings are provided below.

Ref	Improvement Opportunities
1	Internal Audit Plan 2016-2018
2	Cross referencing Program Reviews with Internal Audit projects
3	Increase proactiveness of Internal Audit
4	Area of focus too narrow for proposed Fraudulent Activities Audit
5	Strategic risk not Included in the Internal Audit Plan 2016-2018
6	Risk assessment for Financial Controls within Control Track is not complete
7	Management of the Internal Audit budget
8	Additional Information Technology risks should be added to the Internal Audit Plan
9	Provide additional information to the Audit Committee
10	Update Position Descriptions for Program Review plan tasks

Refer to Improvement Opportunities (Appendix 1) for detailed information.

## ACKNOWLEDGEMENT

We appreciate the assistance and cooperation received from management, staff and the Chair of the Audit Committee of the City of Salisbury in completing this review.

## APPENDIX 1

### IMPROVEMENT OPPORTUNITIES

#### Improvement Opportunity 1

#### Internal Audit Plan 2016-2018

##### Findings:

The Internal Audit Plan 2016-2018 is captured in an Excel spreadsheet with one worksheet containing the entire three years' plan which includes information such as risk description, inherent risk, residual risk, key Divisions impacted by the audit, rationale for the audit, areas of focus for the audit and the type of audit (ie. performance, compliance or risk-based). This is then broken down into separate worksheets with summarised information by year detailing the internal audit project name, rationale for the audit, how the internal audit project will be performed (ie. internal, external or co-sourced), the quarter that the audit is planned and the current status. Of the three high residual risk ranked internal audit projects, these are scheduled to be performed each year ie. 2016, 2017 and 2018.

##### Bentleys Recommendation:

Whilst the information provided is adequate, additional information reported in the plan would assist the Executive Group and the Audit Committee in gaining a better understanding of the risk, risk mitigation plans and linkages with the financial internal controls. In addition, holding a risk workshop with all key stakeholders at the commencement of the Internal Audit Plan cycle may also be beneficial to efficiently finalise the projects with all stakeholders in attendance at the one time. Suggested improvements to the plan include:

##### Overall 3 year plan:

- Include Control Track reference #, inherent risk and residual risk rating
- Include brief details of the risk mitigation strategies relating to each risk description
- Include reference to when the risk was last reviewed (if applicable).

##### Individual Year Summaries:

- Include Inherent and Residual Risk.

##### Management Response:

The 3 year strategic plan currently includes both the inherent and residual risk ratings for each strategic risk. Individual Control Track reference numbers are not included as the reference numbers are not, in themselves, relevant to the risk: they are system identifiers that, on their own, don't add value to the information contained within the plan. The one year audit plan makes reference to internal financial controls (a description of the control, rather than the Control Track reference number) where these are relevant to the risk being audited. On that basis, it is not our intention to include the control track reference number within the 3 year plan.

Each time the 3 year strategic plan and annual plan is presented to the Audit Committee they are accompanied by the Strategic Risk Register, which provides details of the respective controls/mitigating practices and any treatment plans in place for each risk. To assist with cross referencing of the information between the one year audit plan and the Strategic Risk Register an additional column will be included in the one year plan that identifies the relevant strategic risk number.



At the point in time where an area that has been the subject of an audit in the previous 3 years, details of the timing and key findings of the audit (including reference to when the risk was last reviewed) will be included in the relevant audit plan. This will provide additional information within the plan regarding when the risk was last reviewed.

The Strategic Risk Register is reviewed on a quarterly basis by the Executive Group, with the version reference updated to indicate the date of the last review. In addition, the Strategic Risk Register is presented, along with the Internal Audit Plan, at each meeting of the Audit Committee of Council, which provides the detail of inherent risk, residual risk, mitigation strategies and when the risk was last reviewed.

Considering the information above, the action for this Recommendation is to include an additional column in the one year plan that identifies the relevant strategic risk number.

**Responsible Officer:**

Business Analyst Internal Audit and Risk

**Target Date:**

completed

**Improvement Opportunity 2**

**Cross referencing Program Reviews with Internal Audit projects**

**Findings:**

The Business Analyst – Internal Audit & Risk is responsible for the internal audit plan, whilst program reviews are separately planned and performed within CoS Business Units. Separate three year rolling plans are developed and maintained and are approved by the Executive Group and the Audit Committee.

**Bentleys Recommendation:**

Consider cross referencing the Internal Audit Plan with Program Review information (and vice versa). This could lead to better co-ordination of projects and even combining projects (as appropriate) potentially leading to cost savings, greater scope coverage and better results from Customer Satisfaction Surveys. At a minimum, it is recommended to cross reference those program reviews that have a risk and/or internal control element.

**Management Response:**

The current Program Review process is an initiative of Council and is being overseen by the Program Review Sub Committee/Budget and Finance Committee. This process is a comprehensive review of current (and proposed future) service levels to enable Council to make informed decisions regarding service provision to the community and the associated resourcing requirements across the organisation. The Council Program Review process is separate to the program review activity historically undertaken by the internal audit function. As a consequence, program review activity by the internal audit function has been placed on hold, until such time as the Council Program Review process is finalised. As the purpose of, and accountability for, the Council Program Review is quite different to the ongoing program reviews conducted by the Internal Audit function it is not appropriate to combine the two.

In the development of the Internal Audit Plan, consideration is given to areas that are the subject of the Council Program Review process to ensure they are not also the subject of an internal audit at the same time. The intent is to provide sufficient time to action recommendations and embed changes resulting from the Program Review process prior to an internal audit being undertaken. Areas

identified for internal audit remain on the Internal Audit plan, with timing of the audits scheduled to allow for completion of the Program Review activity.

Where actions are identified in an internal audit and subsequently incorporated into program review actions, these will be reported to the Program Review Sub Committee/Budget and Finance Committee.

Considering the above information no further action is required in relation to this recommendation.

**Responsible Officer:**

N/A

**Target Date:**

N/A

**Improvement Opportunity 3**

**Increase proactiveness of Internal Audit**

**Findings:**

All stakeholders interviewed agreed that Internal Audit does a good job in liaising with them in formulating the internal audit plan and when internal audits were performed in their area in terms of planning the audit and communication of draft and final reports. Some stakeholders suggested that Internal Audit's effectiveness would increase if it proactively obtained emerging business trends and risks from within local government and in other sectors (eg. State government, private sector) which could then be weighed up against the CoS's issues, size and risk profile. In addition, one stakeholder suggested that the Audit Committee could also proactively raise similar emerging trends and risks, based on their experience and networks.

**Bentleys Recommendation:**

Internal Audit to liaise on a regular basis with groups such as the SA Local Government Financial Management Group and the Institute of Internal Auditors to gain a better understanding of issues and risks and business trends experienced by others and communicate this information back to stakeholders on a regular basis. This will potentially lift the level of awareness and focus of these stakeholders to more of a strategic, rather than transactional focus.

**Management Response:**

The BA Internal Audit & Risk is a member of the Institute of Internal Auditors (IIA), the South Australian Local Government Internal Auditors Network (SALGAIN) and the Local Government Risk Management Network. In addition he attends events run by the SA Local Government Financial Management Group (SALGAG), the Risk Management Institution of Australasia (RMIA) and Local Government Risk Services (LGRS). Information from these groups is provided to stakeholders either through formal reports presented to the Audit Committee (where relevant) or at regular meetings (e.g. Audit Committee of Council and Audit Committee Advisory Meeting, which includes CEO, General Manager Business Excellence, Manager Governance and BA Internal Audit & Risk).

In the lead up to the development of the current Internal Audit Plan stakeholders were consulted regarding items for inclusion in the plan as well as possible timing for the conduct of audits. This is part of the standard process for development of the Audit Plan and will continue to be used. A brief summary of the audit plan development work was given to members of the Audit Committee at the Risk Management Workshop on 24<sup>th</sup> November 2015, which also provided an opportunity for them to contribute to the development of the plan, prior to formal presentation at the Audit Committee meeting.



The approach currently in place addresses the recommendations made in relation to this finding. No further action required.

**Responsible Officer:**

N/A

**Target Date:**

N/A

Improvement Opportunity 4	Area of focus too narrow for proposed Fraudulent Activities Audit
---------------------------	---

**Findings:**

The Internal Audit Plan 2016-2018 has an internal audit project with a risk description of "Organisation suffers detriment as a result of fraudulent or corrupt activities" with a residual risk rating of Medium. The corresponding area of focus for this audit, per the Internal Audit Plan, is just Payroll and is scheduled to be performed in Q3 of 2016. The corresponding risk, as detailed in the Strategic Risk Register (#8), discusses the existing controls/mitigating practices including the Gifts and Benefits Policy Register, Procurement Policy and Procedures and the Fraud Corruption and Prevention Framework.

**Bentleys Recommendation:**

Whilst Payroll should be included as an area of focus, the scope should be extended to include the procurement process (from a potential fraud perspective), contract management and credit cards.

**Management Response:**

A Procurement audit was last conducted in Q4 2014 and included within its scope an audit of procurement process from a potential fraud perspective, contract management and credit cards.

Some level of assurance is provided in relation to Procurement on an annual basis as the work of the external auditor includes within its scope the verification of internal financial controls including the potential for fraudulent transactions.

The Procurement function is currently the subject of a Council Program Review. As a consequence it is not intended to undertake a further audit of the function until the Program Review is concluded and recommendations have been implemented.

Considering the above information no further action is required in response to this recommendation.

**Responsible Officer:**

N/A

**Target Date:**

N/A

Improvement Opportunity 5	Strategic risk not Included in the Internal Audit Plan 2016-2018
---------------------------	--

**Findings:**

The Strategic Risk Register has a risk (#12) with an event description "Lack of sustainable economic growth in the City" with a residual risk rating of high is not included as a project in the Internal Audit Plan 2016-2018. It is the only high residual risk (being 1 of 6) that is not included in the The Internal Audit Plan 2016-2018.

**Recommendation:**

Given the high residual risk rating, update the Internal Audit Plan 2016-2018 to include the project. Suggested internal audit projects could include a review of the Economic Development & Urban Policy area in terms of how it investigates, attracts and maintains sustainable economic growth, performing comparative analysis with neighbouring councils and SA Government departments such as the Department of State Development and a review of the Northern Adelaide Economic Plan in terms of synergies, goals, outcomes, actions and measures. In performing this review, Internal Audit could assist in an advisory capacity in reviewing the efficiency and effectiveness of economic growth in the City.

**Management Response:**

The risk that there is a "Lack of sustainable economic growth in the City", was not included in the Internal Audit Plan because none of the controls that the City of Salisbury has in place result in mitigation of the risk. It is also worth noting that due to the nature of this risk and the size of the resources that the City of Salisbury can devote to controlling or managing it, wider macro-economic factors usually outweigh the efforts of the City. Therefore auditing this risk would not provide assurance that this risk is being adequately managed.

Economic growth is a statistic and as such it is neither efficient nor inefficient, it is not effective or ineffective. It remains a fact rather than a process, system or procedure that is capable of being audited or advised upon.

At the next review of the Strategic Risk Register this issue will be discussed with the Executive Group, with a view to redefining the risk into a form that would enable some level of monitoring/audit to occur in the future.

**Responsible Officer:**

Business Analyst Internal Audit & Risk

**Target Date:**

July 2016

**Improvement Opportunity 6**

**Risk assessment for Financial Controls within Control Track is not complete**

**Findings:**

As part of our review, we obtained the 2016 Internal Controls Assessment – Risk Assessment Report from Control Track. Risks and controls were included, together with inherent and target risk assessments, however comments and mitigating strategies were not complete.

**Bentleys Recommendation:**

Complete the risk assessment for all risks in Control Track and review against the Strategic Risk Register and Internal Audit Plan. Update both of these registers/plans, as appropriate, using the completed Control Track detail.

**Management Response:**

In line with the expectations of the external auditor risk assessments will be completed in Control Track for all financial risks. Inherent and target risk assessments have already been completed in Control Track. Residual risk assessments cannot be completed in Control Track until the Process Improvement Phase of the internal controls assessment in Control Track. The Process Improvement Phase has not yet commenced but is scheduled for 14 June 2016.

Where relevant to the Strategic Risk Register and the Internal Audit Plan, Control Track risk assessments will be referred to in these documents. Following receipt of the external audit opinion on internal controls in October 2016, a final review of the Strategic Risk Register and Internal Audit Plan will be undertaken to ensure all relevant information is reflected within the documents.

**Responsible Officer:**

BA Internal Audit &amp; Risk

**Target Date:**

31/01/2017

**Improvement Opportunity 7****Management of the Internal Audit plan budget****Findings:**

The CoS's service delivery model for internal audit is a hybrid of internal CoS personnel (Business Analyst – Internal Audit & Risk), external assistance from internal audit specialists or co-sourced arrangements (CoS and external specialists jointly working on discrete projects). The Governance area has a budget of \$50,000 for consultants with the bulk of this used for external internal audit assistance. The \$50,000 has remained constant for at least 7 years and has not increased by CPI or other indices during this time. The estimated cost for the CoS personnel performing internal audit work is \$40,000 per annum. The internal audit budget should be derived after development and subsequent reviews of the internal audit plan rather than be restrained with a \$90,000 limit each year.

**Bentleys Recommendation:**

The CoS review its current Internal Audit Plan and estimate the expected costs for each of the remaining internal audit projects, based on who is expected to perform the work (ie. internal/external/co-sourced based on current and projected workloads and areas of expertise) and bid for additional funding if there is a shortfall.

**Management Response:**

The budget process provides for approval of a 'recurrent' budget for operational activity, with the current Internal Audit budget set at \$50,000. Despite significant review and reduction of operational budgets over the past five years the \$50,000 has been maintained. This is also balanced with the allocation of an Internal Audit resource, which is responsible for management of the internal audit and risk management activities of the organisation.

If the Audit Committee (or Executive Group) were of the view that additional funds were required to complete a high priority piece of work there is capacity within the existing budget process to seek additional funding via the Budget Quarterly Review. Similarly, as part of the budget preparation process, if work is identified that could not be delivered within the recurrent budget a New Initiative Bid could be submitted to seek additional funding.

There are existing and transparent processes in place that would allow access to additional funding if the Audit Committee or Executive Group deemed the current budget was not sufficient to deliver on priorities identified within the Audit Plan. Any request for additional funding must be balanced with available resources to deliver/oversight the work to be completed.

The current processes provide mechanisms to access additional funding if required. On that basis no further action is required in response to this recommendation.

**Responsible Officer:**

N/A

**Target Date:**

N/A

**Improvement Opportunity 8****Additional Information Technology risks should be added to the Internal Audit Plan****Findings:**

Only one information technology specific project appears on the Internal Audit Plan 2016-2018, being "Lack of alignment of IT systems and support with business needs". This internal audit project has a high residual risk rating and is scheduled to be conducted in Q1 of 2017.

**Bentleys Recommendation:**

The CoS considers adding additional IT specific risks to its Strategic Risk Register and Internal Audit Plan. Subsequent internal audit projects could include information security/cyber risk, IT risk management, program risk, social media risk management, access management, data loss prevention and privacy.

**Management Response:**

IT specific risks have been considered for the audit on Business Systems and Solutions scheduled for Q1 2017. The Internal Audit Plan makes reference to the risks of loss of a software supplier and loss of data to be included within this audit. Cybersecurity is currently reviewed through the engagement of external, independent specialists to perform periodic penetration tests and vulnerability assessments. Considering the above information no further action is required in response to this recommendation.

**Responsible Officer:**

N/A

**Target Date:**

N/A

**Improvement Opportunity 9****Provide additional information to the Audit Committee****Findings:**

Whilst the Audit Committee is kept informed by the CoS of internal audit plans, activity and reports, some documents have not been provided to them eg. Customer Satisfaction Surveys, Audit Scopes, etc.

**Bentleys Recommendation:**

Internal Audit discuss with the Audit Committee additional items that are produced that could be provided to the Audit Committee eg. Customer Satisfaction Surveys and Audit Scopes. This will assist the Audit Committee gain a better understanding of stakeholders' views on recent internal audits, in addition to potentially providing valuable input to the scope of the internal audit before commencement of the field work.

**Management Response:**

Discussion occurs with the Audit Committee on a regular basis regarding the nature of information they wish to receive. Documentation arising from the conduct of an internal audit is also currently provided to the Audit Committee, which includes audit scopes and reports.



Customer satisfaction surveys regarding the work performed by or on behalf of the BA Internal Audit & Risk are not provided to the Audit Committee as they are intended as a mechanism to seek and receive feedback on the service provided by the Internal Auditor. This feedback is considered directly by the Manager Governance, to whom the BA Internal Audit & Risk reports and indirectly by the Chief Executive Officer, to whom the Governance function reports. The completed Customer Satisfaction surveys inform the Performance and Development Plan process in line with City of Salisbury's procedures for managing its employees and is information that sits within the administrative responsibility of the Chief Executive Officer, therefore not appropriate to present to Council, via the Audit Committee.

The Audit Committee will continue to be provided with information in line with the Audit Committee of Council Terms of Reference.

Considering the above information no further action is required in response to this recommendation.

**Responsible Officer:**

N/A

**Target Date:**

N/A

**Improvement Opportunity 10**

**Update Position Descriptions for Program Review plan tasks**

**Findings:**

The Position Description for the key internal audit role, Business Analyst – Internal Audit & Risk, has a key responsibility of developing and delivering the three year rolling Program Review plan. The Business Analyst – Internal Audit & Risk advised that this responsibility is not in his current scope of key responsibilities and he has not developed nor delivered the Program Review plan.

**Bentleys Recommendation:**

Council identifies where the development and delivery of the three year rolling Program Review should reside and update Position Descriptions, as appropriate.

**Management Response:**

As discussed in response to Improvement Opportunity 2, the current Program Review process is an initiative of Council and is being overseen by the Program Review Sub Committee/Budget and Finance Committee. This process is a comprehensive review of current (and proposed future) service levels to enable Council to make informed decisions regarding service provision to the community and the associated resourcing requirements across the organisation. The Council Program Review process is separate to the program review activity historically undertaken by the internal audit function. As a consequence, program review activity by the internal audit function has been placed on hold, until such time as the Council Program Review process is finalised.

Following the conclusion of the Council Program Review process it is intended that the work previously undertaken by the Business Analyst Internal Audit and Risk would recommence. This responsibility is captured within the Business Analyst Internal Audit and Risk position description and will remain in that document as it continues to be a requirement of the role.

Considering the above information no further action is required in response to this recommendation.

**Responsible Officer:**

N/A

**Target Date:**

N/A

## APPENDIX 2

### DOCUMENTS ACCESSED AND CONSULTATION

Documents provided by the City of Salisbury and reviewed included:

- Position Description for the Business Analyst – Internal Audit & Risk
- Audit Committee Terms of Reference
- Program Review Sub Committee Terms of Reference
- Internal Audit Charter
- Internal Audit Plan July 2015 to June 2016
- Internal Audit Plan 2016-2018
- Internal Audit, Risk Management and Internal Controls Tracking July 2015 to June 2016
- Strategic Risk Register
- Final audit reports for:
  - Business Continuity Plan
  - Audit of Procurement (Draft and Final reports)
  - Audit of Compliance with Building Inspections Policy
- Audit Committee Agenda 12 April 2016
- 2016 Internal Controls Assessment – Risk Assessment Report
- Risk Management Guide
- Audit Committee of Council – Review of Annual Work Program
- Audit of Procurement – Audit Scope
- Completed Audit Committee of Council Self-Assessment Questionnaires

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

- George Kendall, Business Analyst – Internal Audit & Risk
- Tami Norman, Manager Governance and Executive Support
- John Harry, Chief Executive Officer
- Charles Mansueto, General Manager Business Excellence
- Terry Sutcliffe, General Manager City Development
- Mark van der Pennen, General Manager City Infrastructure
- Jane Trotter, General Manager Community Development
- Peter Brass, Chairman Audit Committee

<b>ITEM</b>	4.2.2
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	12 July 2016
<b>PREV REFS</b>	
<b>HEADING</b>	Audit Committee Self-Assessment Questionnaire
<b>AUTHOR</b>	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
<b>CITY PLAN LINKS</b>	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
<b>SUMMARY</b>	Best practice indicates that the performance of the Audit Committee of Council should be reviewed on a regular basis. The Committee approved the format of a self-assessment questionnaire at its February 2016 meeting, which was subsequently issued to all members of the Committee. This report summarises the results from the completed self-assessment questionnaires.

## **RECOMMENDATION**

1. The information be received.

## **ATTACHMENTS**

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

1. Audit Committee of Council - Self-Assessment Questionnaire

## **1. BACKGROUND**

- 1.1 It is a facet of good governance that committee performance is regularly reviewed. To that end the City of Salisbury has adopted a self-assessment approach for assessing the performance of the Audit Committee of Council. At its February 2016 meeting the Council approved a self-assessment questionnaire (see Attachment 1), for use by the Audit Committee. Subsequently the questionnaire was issued to members of the Audit Committee who completed and returned it. This report summarises the findings and issues identified in the returned questionnaires.

## **2. REPORT**

- 2.1 The self-assessment questionnaire is divided into 7 sections dealing with the structure and operations of the Audit Committee. Each section has a series of questions followed by a Yes/No box and space for comments / suggestions for improvement. The findings and issues identified, listed by section, including where a respondent has asked a question or made a suggestion for improvement are set out below.

- 2.1.1 **Section A – Establishment of the Committee.** This section contains questions regarding the adequacy of the terms of reference, the skills and understanding of the Audit Committee as a whole and the integrity of the Committee.
- 2.1.2 All members agreed that the terms of reference, skills and integrity of the Committee were adequate.
- 2.1.3 A suggestion was made for the continuation of information updates to the Audit Committee on the operations of Council. Information on the operations of Council will continue to be provided to the Audit Committee. The Committee may wish to consider what areas they would like information on and how frequently they would like this information.
- 2.1.4 **Section B – Meetings.** Questions in this section focus on meeting arrangements, procedures, participation and effectiveness.
- 2.1.5 The City of Salisbury has a set of Council endorsed meeting procedures that apply to all Council and Standing Committee meetings, such as the Audit Committee.
- 2.1.6 All members of the Committee agreed on the Committee's overall effectiveness, the adequate participation of its members and accepted the meeting procedures and processes.
- 2.1.7 There was one comment that separate private meetings without management need to be improved. The terms of reference for the Audit Committee have no specific provisions for private meetings without management; instead the terms of reference allow the Committee to "meet with the Internal Auditor, in camera, when necessary to discuss confidential issues". There is also a provision in the terms of reference that allows the Audit Committee to "seek any information it requires from anyone employed by the City of Salisbury, all of whom are directed to cooperate with the Committee's requests".
- 2.1.8 Additional comments and suggestions in this area focussed on the need for a separate meeting to review financial statements and more clearly aligning written documentation with the terms of reference, strategic and business plans. In response the October 2016 meeting of the Audit Committee will now be devoted entirely to reviewing the financial statements and associated documentation. An additional Audit Committee meeting has been arranged for November 2016.
- 2.1.9 All reports to Committees and to Council currently contain direct reference to City Plan objectives.
- 2.1.10 **Section C – Internal Audit.** This section has questions on the role and access to the internal audit function as well as activities and information in the internal audit plan.
- 2.1.11 There was consensus regarding the appropriateness of the internal audit function and adequate access to it. The internal audit plan and the information contained within it were also considered adequate.
- 2.1.12 Comments made in this section acknowledged that a risk based internal audit plan has now been developed and is on track for improvement.



- 2.1.13 **Section D – External Audit.** This section centres on the access the Committee has to the external auditor, the information provided by the external auditor and any subsequent discussion between the Committee and the external auditor.
- 2.1.14 There was agreement between all members of the Committee that they have adequate access to the external auditor and the information provided by the external auditor was understood. It was also agreed by the Committee that significant findings from the work of the external auditor were discussed.
- 2.1.15 One comment was made in this section regarding the desire to have “risk ratings on external findings and recommendations”. This suggestion will be forwarded to the external auditors and where relevant applied to internal audit findings.
- 2.1.16 **Section E – Financial Oversight.** Questions in this area address whether the annual financial statements reflect accounting principles and are complete and consistent, as well as questioning whether significant accounting and reporting issues are considered by the Committee.
- 2.1.17 There was agreement that the annual financial statements reflect appropriate accounting principles and that they are complete and consistent. One member was not aware of the Committee reviewing significant accounting and reporting issues. Another member did not answer this question as they were not familiar with accounting practices and principles.
- 2.1.18 **Section F – Risk Management.** This section assesses whether there is an effective risk management framework and senior management risk culture. It also assesses whether the Committee understood and discussed significant organisational risks.
- 2.1.19 All members agreed that there is an effective risk management framework, that senior managers take responsibility for risks and that the Committee understands and discusses significant risks.
- 2.1.20 Suggestions and comments from this section stressed the need for regular risk management presentations and more focus on emerging risks.
- 2.1.21 The Audit Committee will continue to receive updates on risk management in addition to the scheduled pieces of risk management work that are presented to the Committee for endorsement once they are completed.
- 2.1.22 **Section G – Oversight of Other Activities.** This section assesses the system for reviewing outstanding actions and whether there were any further topics that the Committee should have oversight of.
- 2.1.23 The majority of members accepted that the system for reviewing outstanding actions is adequate. The mechanism used to track outstanding audit actions is the Internal Audit Update report to the Committee.

- 2.1.24 There were two suggestions made including an assurance mapping exercise and reporting on insurance and legal matters. Whilst there are no specific plans at present to develop an assurance map for the City of Salisbury; the Strategic Risk Register, upon which the Internal Audit Plan is based, does include assurance activities when they are an identified control. Insurance and legal matters are monitored internally in forums such as the Executive Group. Where it is appropriate to do so the CEO will provide a verbal update to the Committee on these matters. Due to the nature of insurance and legal matters consideration needs to be given to public disclosure of sensitive information.

### **3. CONCLUSION / PROPOSAL**

- 3.1 Overall the Audit Committee members were satisfied with the performance of the Audit Committee in each of the sections reviewed. Some comments and suggestions for improvements were made in the questionnaires and these have been addressed in the body of this report.
- 3.2 Based on the responses in the questionnaires the Committee may wish to consider what topics they would like further information on and how frequently this information should be provided.

### **CO-ORDINATION**

Officer:	MG	Exec
Date:	28/6/16	5/7/16

	2015
<b>Audit Committee of Council Self-Assessment Questionnaire</b>	

Please complete this questionnaire based on your views as a member of the Audit Committee of Council. Where a “No” response is provided please include comments/information that quantifies your response. Results from the self-assessment questionnaire will be used to identify areas for development/improvement in the operations of the Audit Committee.

Section A – Establishment of the Committee		Yes / No	Comments / Suggestions for Improvement
1.	Do the Terms of Reference of the Committee provide clear information on the role and functions of the Committee and its oversight responsibilities on behalf of Council?		
2.	Are Committee Members’ qualities (i.e. financial literacy and skills, understanding of City of Salisbury, industry and capital markets) as a whole, appropriate to discharge the Committee’s oversight responsibilities on behalf of Council?		
3.	Do Committee Members demonstrate the highest level of integrity (including maintaining the utmost confidentiality and identifying, disclosing and managing conflicts of interest and acting appropriately where conflicts or interests arise)?		

Section B – Meetings		Yes / No	Comments / Suggestions for Improvement
1.	Are arrangements for Committee meetings appropriate (i.e. frequency, time of day, duration, venue, location and format)?		
2.	Does the Committee ensure that appropriate internal and external stakeholders attend meetings as necessary (e.g. CEO, GM Business Excellence, external audit representative, etc.)?		



2015

### Audit Committee of Council Self-Assessment Questionnaire

Section B – Meetings		Yes / No	Comments / Suggestions for Improvement
3.	Do all members of the Committee participate actively and constructively during meetings (i.e. Members disagree without being disagreeable, assumptions are constructively challenged, views are skilfully explored, differences of opinion are appropriately acknowledged and resolved, and consent is forged)?		
4.	Is the written documentation (e.g. meeting agendas, reports, minutes and supporting documentation) provided to the Committee appropriate (i.e. clearly explains matters to be dealt with, is aligned to strategic directions and business plans, is distributed and followed up in a timely manner)?		
5.	Do separate private meetings without Management contribute to the Committee's effectiveness (e.g. with Internal Audit, External Auditors, with only committee members or with any external advisor, as needed or appropriate)?		
6.	Do you fully understand the meeting procedures and processes in place at the City of Salisbury to ensure the smooth operation of the Audit Committee?		
7.	Do you consider meetings to be effective? – if not, please provide details and include how they could be improved.		

Section C – Internal Audit		Yes / No	Comments / Suggestions for Improvement
1.	Does the Internal Audit Charter provide clear and appropriate information on the role of the Internal Audit function and its relationship to the Committee?		
2.	Do you have direct and unrestricted access to the internal audit function?		

	2015
<b>Audit Committee of Council Self-Assessment Questionnaire</b>	

Section C – Internal Audit		Yes / No	Comments / Suggestions for Improvement
3.	Do the activities in the internal audit plan address areas of concern and provide assurance to Council?		
4.	Do you receive sufficient information regarding internal audits and activities in the internal audit plan? If not, what further information would you like to receive?		

Section D – External Audit		Yes / No	Comments / Suggestions for Improvement
1.	Do you have direct and unrestricted access to the external auditor?		
2.	Do you understand the information being presented to you by the external auditor? If not, what further information would assist with your understanding?		
3.	Does the Committee discuss significant findings from the financial and internal controls audits with the external auditor?		

Section E – Financial Oversight		Yes / No	Comments / Suggestions for Improvement
1.			
1.	Does the Committee assess whether the annual financial statements reflect appropriate accounting principles?		
2.	Does the Committee review significant accounting and reporting issues, including complex or unusual transactions, highly subjective areas and significant changes in accounting policies and their corresponding impact on the financial statements?		
3.	Do you believe that the annual financial statements are complete and consistent with the operations of the City of Salisbury?		



2015

### Audit Committee of Council Self-Assessment Questionnaire

Section F – Risk Management		Yes / No	Comments / Suggestions for Improvement
1.	Is the Committee satisfied that there is an effective risk management framework in place at the City of Salisbury? If not, what actions should be taken to address this?		
2.	Does the Committee assure itself that the Chief Executive Officer and General Managers take personal responsibility for risk identification and control?		
3.	Does the Committee understand and discuss issues which present significant risks to the organisation?		

Section G – Oversight of Other Activities		Yes / No	Comments / Suggestions for Improvement
1.	Do you believe that the system for reviewing outstanding items arising from external or internal audit reports is efficient and effective? If not, why not and what could be done to improve it?		
2.	Is there anything further that you believe the Audit Committee should have oversight of in order to fulfil its obligations under the Terms of Reference? If Yes, please be specific regarding your expectations.		

Name

Signature

Date

---

<b>ITEM</b>	4.2.3
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	12 July 2016
<b>HEADING</b>	Internal Audit Plan
<b>AUTHOR</b>	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
<b>CITY PLAN LINKS</b>	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
<b>SUMMARY</b>	The Internal Audit Plan outlines the audit work to be undertaken in the calendar years 2016-18. It was developed by analysing the risks in the strategic risk register and identifying issues that should be the focus of the Internal Audit function for the relevant period. Some changes have been made to the Internal Audit Plan since it was presented to the Audit Committee in February; the changes are highlighted in this report.

## RECOMMENDATION

1. The information be received.

## ATTACHMENTS

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

1. Internal Audit Plans - 1yr & 3yrs, v1.2, Strategic Plan
2. Internal Audit Plans - 1yr & 3yrs, v1.2, 1st year plan
3. Internal Audit Plans - 1yr & 3yrs, v1.2, 2nd year plan
4. Internal Audit Plans - 1yr & 3yrs, v1.2, 3rd year plan
5. Strategic Risk Register v1.3 April 2016
6. Event Management Audit Scope

## 1. BACKGROUND

- 1.1 The attachments to this report detail the internal audit work to be undertaken by, or on behalf of, the BA Internal Audit & Risk for the period commencing 1 January 2016 up to and including the 31 December 2018. An Internal Audit Plan has been produced with reference to the Strategic Risk Register, which is reviewed on a quarterly basis.
- 1.2 The purpose of this report is to inform the Audit Committee of the Internal Plan and to highlight any changes made to it since it was last presented.



## 2. REPORT

- 2.1 The Internal Audit Plan was presented at the February meeting of the Audit Committee. As a result two changes were made to the Plan; the Event Management Audit was brought forward and the Payroll Audit was deferred. Both of these changes are reflected in the attached Internal Audit Plan, with the Event Management Audit scheduled for Q3 2016 and the Payroll Audit scheduled for Q4 2016. The scope for the Event Management Audit is included as Attachment 6 to this report.
- 2.2 At the April meeting of the Audit Committee a report consisting of a gap analysis on Strategic Asset Management at the City of Salisbury was presented. The report recommended several projects for improving Strategic Asset Management. An Asset Management Improvement Project (AMIP) will pick up on the gaps identified in the report; however, it will be a major project that will not be completed before the audit of Asset Management which was scheduled for Q4 2016. Therefore, the audit of Asset Management has been delayed until Q4 2018, to give the AMIP sufficient time to be implemented and embedded before an audit is conducted. The Internal Audit Plan has been updated to reflect this change.
- 2.3 As a result of conducting a Business Continuity walkthrough exercise in February 2016 it has been determined by the Executive that a further walkthrough of the Business Continuity Plans (BCPs) will be completed before the end of the next financial year (2016/17). A full externally facilitated business continuity test will also be conducted every two years in addition to walkthroughs of the business continuity plans each year when there is no test. The next full test of the BCPs will therefore be conducted in the 2017/18 financial year.
- 2.4 In addition to deciding to increase the frequency of business continuity tests and walkthroughs it was determined that this work will still be facilitated by the BA Internal Audit & Risk but will not be internal audit work, as technically they are not audits. The Business Continuity Exercise has therefore been removed from the Internal Audit Plan.
- 2.5 It was suggested at the April meeting of the Audit Committee that the Internal Audit Plan be presented at each Audit Committee meeting. The Internal Audit Plan will therefore be presented at each meeting of the Committee, with the exception of the October meeting which is devoted entirely to reviewing the financial statements and financial internal controls.

## 3. CONCLUSION / PROPOSAL

- 3.1 Changes to the Internal Audit Plan have been made since it was last reviewed in February 2016. These changes are highlighted in this report. The Internal Audit Plan will next be presented at the November Audit Committee meeting.

## CO-ORDINATION

Officer:	MG	Exec
Date:	28/6/16	5/7/16



					Key Divisions impacted by the audit																	
Strategic					People & Culture	Community Planning & Vitality	Governance	Technical Services	Business Systems and Solutions	Business Support	Environmental Health & Safety	Projects	Strategic Development Projects	Financial Services	Communications & Customer Relations	Salisbury Water	Factors for Potential Inclusion or Exclusion from Internal Audit activity		Performance, compliance or risk-based audit?	2016	2017	2018
Audit Ref	Risk Number	Risk Description	Inherent Risk	Residual Risk													Areas of focus for the audit					
1	N/A	N/A															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").	<b>External Review of Internal Audit</b> The internal audit function, its processes and interactions with the Audit Committee and the Executive.	Compliance			
2	9	Failure to comply with WHS legislative obligations	E	H														<b>Event Management</b> The application of WHS processes at major events organised by the City of Salisbury.	Compliance and Risk-Based			
	4	Lack of management of a major event at a Council facility that affects public and staff safety	E	H																		
3	8	Organisation suffers detriment as a result of fraudulent or corrupt activities	H	M													Payroll has more applicable financial internal controls under the Better Practice Model - Financial Internal Controls for South Australian Councils than any other process.	<b>Payroll</b> Payroll processes and systems covering the 35 financial internal controls associated with payroll.	Compliance and Risk-Based			
4	10	Lack of alignment of IT systems and support with business needs	E	H														<b>Business Systems and Solutions</b> The implementation of the Information Services Strategy mitigating the risk of a lack of alignment between IT and business needs. In addition, assurance on risks regarding loss of a software supplier and loss of data should be included in the scope of the audit.	Risk-Based			
5	3	Lack of management of public and environmental health risks	H	M														<b>Management of public health</b> Assurance that the services provided by City of Salisbury are managing public health risks in the most efficient and effective manner.	Compliance and Risk-Based			
6	7	Strategic and operational outcomes are not delivered	M	M													The City of Salisbury undertakes approximately 700 capital works projects with an approximate value of \$30-40 million each year.	<b>Capital Works Projects</b> Assurance on the effectiveness of the processes that are in place to manage risks on capital works projects.	Risk-Based			
7	7	Strategic and operational outcomes are not delivered	M	M														<b>Strategic Development Projects</b> Assurance on the management of risks taken in the development of residential land and buildings.	Risk-Based			
8	7	Strategic and operational outcomes are not delivered	M	M														<b>Strategic reporting process</b> Assurance on the processes and controls in place, specifically in relation to the City Plan, Business Planning and Annual Planning.				
	13	Lack of capacity to respond to social and societal changes	H	M																		
9	11	Organisational culture impedes the delivery of City objectives	H	M														<b>Organisational performance and culture</b> Assurance on the current tools and processes that are used to deliver the desired organisational culture, identifying any areas where outcomes could be improved.	Risk-Based			
10	2	Inadequate prevention of and response to Contamination of Wetlands and/or the recycled water systems	M	M														<b>Management of contaminated sites</b> Assurance that the controls in place to prevent and manage contamination incidents/sites are robust.	Risk-Based			
	5	Failure to manage the impact of environmental factors on Council infrastructure and assets	M	M																		
11	6	City of Salisbury financial sustainability is compromised	H	M														<b>Asset Management</b> Review of the proposed processes and system changes in asset	Risk-Based			



## Internal Audit Plans - 1yr and 3yrs, 1st year plan

Audit Ref	Strategic Risk Number	Internal Audit Project	Rationale for Audit	Internal / External or Co-sourced	2016				Current Status
					Q1	Q2	Q3	Q4	
1	N/A	External Review of Internal Audit	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").	External	●				Final report presented at the July 2016 Audit Committee meeting.
2	9 and 4	Event Management	A focus of "The Living City" key direction is to provide opportunities and spaces for all community members to engage in cultural activities, community events, recreation and sport, multicultural festivals and events and community celebrations. This audit should provide assurance on event management with a particular emphasis on WHS controls including risk assessments.	Co-sourced			●		Tenders have been evaluated and negotiations have begun with the preferred supplier.
3	8	Payroll	Payroll is a key financial operation and one of the largest operating costs for City of Salisbury. There is potential for system errors and internal fraud through manipulation of the system, both of which require robust controls to prevent these risks from crystallising. This audit should identify and review the management of the main risks and the 35 financial internal controls associated with the payroll system.	Co-sourced				●	
		<b>Total</b>							



## Internal Audit Plans - 1yr and 3yrs, 2nd year plan

Strategic Audit Ref	Risk Number	Internal Audit Project	Rationale for Audit	Internal / External or Co-sourced	2017				Current Status
					Q1	Q2	Q3	Q4	
4	10	Business Systems and Solutions	The risk that there is a lack of alignment of IT systems and support with business needs is one of the strategic risks of the City of Salisbury. The crystallisation of this risk and other operational risks associated with Business Systems and Solutions such as the loss of a software supplier or loss of data would also have significant implications for the entire organisation. This audit should provide assurance on the controls in place within Business Systems and Solutions to mitigate these risks.	Co-sourced	●				
5	3	Management of public health	The City of Salisbury provides many services to the community which aim to reduce the likelihood of an event occurring that affects the health of the residents of the City of Salisbury. This audit should provide assurance that the services provided by City of Salisbury are managing this risk in the most efficient and effective manner.	Co-sourced		●			
6	7	Capital Works Projects	The City of Salisbury undertakes approximately 700 capital works projects with an approximate value of \$30-40 million each year. Processes are in place to manage risks in projects and this audit should provide assurance that risks are being managed in capital projects.	Co-sourced			●		
7	7	Strategic Development Projects	A strategy within "The Living City" key direction is to facilitate access to affordable housing. The Strategic Development Projects division do this by developing residential land and buildings for sale to developers and to the community. This audit should provide assurance on the management of risks taken in the development of residential land and buildings.	Co-sourced				●	
		<b>Total</b>							



## Internal Audit Plans - 1yr and 3yrs, 3rd year plan

Audit Ref	Strategic Risk Number	Internal Audit Project	Rationale for Audit	Internal / External or Co-sourced	2018				Current Status
					Q1	Q2	Q3	Q4	
8	7 and 13	Strategic reporting process	The risk that strategic and operational outcomes are not delivered by the City of Salisbury. This audit should provide assurance on the processes and controls in place in relation to the City Plan, Business Planning and Annual Planning.	Co-sourced	●				
9	11	Organisational performance and culture	There is a risk that organisational culture impedes the delivery of City objectives. This audit should provide assurance on the current tools and processes that are used to deliver the desired organisational culture, identifying any areas where outcomes could be improved.	Co-sourced		●			
10	2 and 5	Management of contaminated sites	One of the strategic risks that the City of Salisbury faces is contamination of the Wetlands and/or recycled water systems. This audit should provide assurance that the controls in place to prevent and manage contamination incidents/sites are robust.	Co-sourced			●		
11	6	Asset Management	The ability of City of Salisbury to effectively manage its assets and infrastructure is integral to the long term financial sustainability of the City of Salisbury and the objective of "The Prosperous City". This review should include the proposed processes and system changes that will be implemented as a part of the asset management operationalisation project.	Co-sourced				●	
		<b>Total</b>							





## Strategic Risk Register

v1.3 April 2016

1	<b>Event Description:</b> Inadequate preparation and response to a business continuity event				
<b>Responsible Managers:</b> CEO, All General Managers, Manager Governance					
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>• Lack of plans and procedures to inform response strategies when business continuity event occurs</li><li>• Lack of communication/training for relevant staff required to respond to business continuity event</li><li>• Information to facilitate action during business continuity not available</li></ul>			<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>• Service delivery to community compromised (loss of confidence)</li><li>• Political/Public embarrassment</li><li>• Uncertainty leads to loss of morale and resources and compromised regulatory decisions</li></ul>		
<b>Likelihood:</b> Almost Certain		<b>Consequence:</b> Critical		<b><i>Inherent Risk Rating: Extreme</i></b>	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>• Business Continuity Framework</li><li>• Business Continuity Plans</li><li>• Incident Management Team identified and trained</li><li>• Business Continuity exercise conducted in Q4 2014</li><li>• Systems and processes to support response to BC event (e.g. staff contact information reports)</li><li>• IT Disaster Recovery Plan in place</li><li>• Emergency Management procedures in place</li></ul>					
<b>Likelihood:</b> Possible		<b>Consequence:</b> Critical		<b><i>Residual Risk Rating: High</i></b>	<b>Is the Residual Risk Rating acceptable? No</b>
<b>Treatment Plan:</b> <ul style="list-style-type: none"><li>• I-Responda Framework being established (develops relationships with adjoining Councils to assist with response to critical events)</li></ul>			<b>Responsibility:</b> <ul style="list-style-type: none"><li>• Manager Civil and Waste</li></ul>		<b>Target Completion Date:</b> <ul style="list-style-type: none"><li>• June 2016</li></ul>

## Strategic Risk Register

v1.3 April 2016

2	<b>Event Description:</b> Inadequate prevention of and response to Contamination of Wetlands and/or the recycled water systems		
<b>Responsible Managers:</b> GM Business Excellence, GM City Infrastructure, Manager Salisbury Water, Manager Technical Services, Manager Civil & Waste			
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>• Inadequate monitoring plans and sample testing</li><li>• Failure to respond appropriately in the event of contamination</li><li>• Wet weather could hamper clean-up operations or contribute to a contamination event</li></ul>		<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>• Financial cost of replacing supply with SA Water and clean-up costs</li><li>• Legal cost of failure to deliver a water supply in line with contract</li><li>• Political/Public embarrassment</li><li>• Regulatory censure</li><li>• Revenue reduction</li></ul>	
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b> Medium	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>• Salisbury Water Business Unit – monitoring plan and monitoring matrix</li><li>• Salisbury Water Business Unit – Recycled Water Risk-Based Management Plan including sample testing before water injections are commenced</li><li>• Supply contracts to customers contain Force Majeure clauses which limit liability to Council in the event that water cannot be supplied</li><li>• Response group (Council staff) in place to manage events that may lead to contamination of wetlands (24/7 support including after hours)</li></ul>			
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b> Medium	<b>Is the Residual Risk Rating acceptable?</b> No
<b>Treatment Plan:</b> <ul style="list-style-type: none"><li>• Implementing risk management plans for each of the Wetlands</li></ul>		<b>Responsibility:</b> <ul style="list-style-type: none"><li>• Manager Salisbury Water</li></ul>	<b>Target Completion Date:</b> <ul style="list-style-type: none"><li>• June 2016</li></ul>

## Strategic Risk Register

v1.3 April 2016

3	Event Description: Lack of management of public and environmental health risks		
Responsible Managers: GM City Development, Manager Environmental Health and Safety			
Contributory Factors (“root” causes / how and why the event arises): <ul style="list-style-type: none"><li>Inadequate management, monitoring or testing</li><li>Failure to respond appropriately in the event of an incident</li></ul>		Impacts (risks): <ul style="list-style-type: none"><li>Legal cost of failure to prevent a health and safety incident</li><li>Political/Public embarrassment</li><li>Regulatory censure</li></ul>	
Likelihood: Likely	Consequence: Major	Inherent Risk Rating: High	
Existing Controls/Mitigating Practices: <ul style="list-style-type: none"><li>Public Health Policies and Procedures</li><li>Immunisation Services</li><li>Animal Management Plan</li><li>Regional Public Health Plan</li><li>General Inspections</li><li>Dog Patrols</li><li>Food Act administration</li></ul>			
Likelihood: Possible	Consequence: Major	Residual Risk Rating: Medium	Is the Residual Risk Rating acceptable? Yes
Treatment Plan:		Responsibility:	Target Completion Date:

## Strategic Risk Register

v1.3 April 2016

4	<b>Event Description:</b> Lack of management of a major event at a Council facility that affects public and staff safety		
<b>Responsible Managers:</b> GM City Development, GM City Infrastructure, GM Business Excellence, Manager Development Services, Manager Civil and Waste, Manager Property & Buildings, Manager Parks and Landscape, Manager People & Culture			
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>• Inadequate procedures and plans in place to prevent incidents</li><li>• Failure to respond appropriately in the event of an incident</li><li>• Lack of asset management and maintenance</li></ul>		<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>• Financial cost of clean-up</li><li>• Legal cost of failure to prevent a health and safety incident</li><li>• Political/Public embarrassment</li><li>• Regulatory censure</li><li>• Loss of staff</li><li>• Injury to public</li></ul>	
<b>Likelihood:</b> Likely	<b>Consequence:</b> Critical	<b><i>Inherent Risk Rating: Extreme</i></b>	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>• Building Control and Inspections</li><li>• Evacuation procedures and testing</li><li>• Building safety systems – e.g. exit signs, fire extinguishers, wardens etc., induction process</li><li>• Asset management plans</li><li>• Business Continuity Framework</li></ul>			
<b>Likelihood:</b> Possible	<b>Consequence:</b> Critical	<b><i>Residual Risk Rating: High</i></b>	<b>Is the Residual Risk Rating acceptable? No</b>
<b>Treatment Plan:</b> <ul style="list-style-type: none"><li>• I-Responda Framework being established (develops relationships with adjoining Councils to assist with response to critical events)</li></ul>		<b>Responsibility:</b> <ul style="list-style-type: none"><li>• Manager Civil and Waste</li></ul>	<b>Target Completion Date:</b> <ul style="list-style-type: none"><li>• June 2016</li></ul>

## Strategic Risk Register

v1.3 April 2016

5	<b>Event Description:</b> Failure to manage the impact of environmental factors on Council infrastructure and assets		
<b>Responsible Managers:</b> GM City Development, GM City Infrastructure, GM Community Development, Manager Economic Development & Urban Policy, Manager Technical Services, Manager Parks and Landscape, Manager Communication and Customer Relations			
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>• Inadequate understanding and planning for events impacting the environment</li><li>• Failure to consider environmental consequences when planning and designing infrastructure</li><li>• Q100 and Q300 flood modelling in place at individual house level, using digital terrain modelling</li><li>• Inadequate infrastructure within the City to manage stormwater</li></ul>		<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>• Financial cost of dealing with the consequences of frequent freak weather related events</li><li>• Long term impact on infrastructure, its maintenance and replacement</li></ul>	
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b> Medium	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>• Early warning system of text alerts based on Bureau of Meteorology data, implemented by DEWNR</li><li>• Regular monitoring of risk sites e.g. land fill sites, dams</li><li>• Emergency response procedures in place</li><li>• Extreme Heat response process (for residents)</li><li>• Q100 and Q300 flood modelling in place at individual house level, using digital terrain modelling</li><li>• Bushfire Management Steering Group</li><li>• Bushfire Management Plan</li><li>• Undergrowth management procedures</li><li>• Asset Management infrastructure audits</li></ul>			
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b> Medium	<b>Is the Residual Risk Rating acceptable? No</b>
<b>Treatment Plan:</b>		<b>Responsibility:</b>	<b>Target Completion Date:</b>
• Climate Change Adaption Plan funding agreement in place with DEWNR, work to be conducted with Playford which will result in actions to be implemented		• Manager Economic Development & Urban Policy	• December 2016
• Updated Flood mapping being developed		• Manager Technical Services	• June 2016
• Bushfire management plan – due for review after the regional plan has been developed and implemented		• Manager Parks and Landscapes	• September 2016
• I-Responda Framework being established (develops relationships with adjoining Councils to assist with response to critical events)		• Manager Civil and Waste	• June 2016

## Strategic Risk Register

v1.3 April 2016

6	<b>Event Description:</b> City of Salisbury financial sustainability is compromised			
<b>Responsible Managers:</b> GM Business Excellence, GM City Infrastructure, GM City Development				
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>Reduction in grant funding</li><li>Inadequate revenue and a failure to maximise revenue from all sources</li><li>Unplanned spending</li><li>Inadequate valuation of assets or inaccurate depreciation</li><li>Inadequate planning for infrastructure repairs or upgrades</li><li>Changes to roles and responsibilities assigned to City of Salisbury by federal or state government</li><li>Short term revenue is maximised at the expense of longer term revenue</li><li>Potential new revenue streams are not fully investigated</li></ul>		<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>Council ultimately becomes financially unsustainable</li><li>City revenue has to be raised increasingly through more traditional methods (rate rises)</li><li>Revenue from the sale of assets (land) is not invested for the longer term benefit of the community</li></ul>		
<b>Likelihood:</b> Likely	<b>Consequence:</b> Major		<b>Inherent Risk Rating:</b> High	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>Long term financial planning</li><li>Asset Management Plans</li><li>Quarterly Budget Review</li><li>Annual Plan and Annual Report (reviewed by Audit Committee)</li><li>Elected Member Briefings</li><li>Prudential Reviews</li></ul>		<ul style="list-style-type: none"><li>Regular reviews of rating system fairness and equity</li><li>Diversification of income (e.g. Water Business Unit, Strategic Property Development and Building Rules Certification Unit, Waste Transfer Station, Salisbury Memorial Park)</li><li>Program Review</li><li>Budget Policies and Procedures</li><li>Business Case Modelling</li></ul>		
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major		<b>Residual Risk Rating:</b> Medium	<b>Is the Residual Risk Rating acceptable? No</b>
<b>Treatment Plan:</b>		<b>Responsibility:</b>		<b>Target Completion Date:</b>
• Development of a consolidated system regarding the implementation of the Asset Management Process (Confirm Connect)		• GM City Infrastructure, GM Business Excellence		• October 2016
• Contracts and Procurement Review assessing capacity for more strategic procurement		• GM Business Excellence, Manager Contracts and Procurement		• May 2016
• Enhancing Grant Management process with a view to maximising grant income		• GM Business Excellence		• December 2016

## Strategic Risk Register

v1.3 April 2016

7	<b>Event Description:</b> Strategic and operational outcomes are not delivered			
<b>Responsible Managers:</b> CEO, All General Managers				
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>• Inadequate performance measures which are not linked to objectives or strategies</li><li>• Failure to monitor organisational performance against stakeholder expectations and to take action when necessary to correct it</li><li>• Failure to deliver what is expected by the local community due to a lack of alignment of strategic plans</li><li>• Limited meaningful corporate performance indicators in place</li><li>• Inconsistent reporting and data collection of corporate performance indicators</li><li>• Inadequate capability and capacity (e.g. workforce plans, training and development process, technology, systems etc.)</li><li>• Failure to engage with all stakeholders in developing the City Plan</li><li>• Processes and systems fail to address customer needs</li><li>• Customer service is neither monitored or managed</li></ul>		<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>• Organisational performance is not adequately measured and therefore cannot be managed</li><li>• Organisational plans and strategies are not achieved</li><li>• Organisational resources are not used effectively</li><li>• Organisational plans and strategies are not valued or desired by the community</li><li>• Lack of customer / community engagement</li><li>• Council lacks a coherent direction</li><li>• Failure to meet legislative obligations</li><li>• Not meeting community needs</li><li>• Political and public embarrassment</li></ul>		
<b>Likelihood:</b> Possible		<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b> Medium	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>• Budget Process</li><li>• Annual Plan and Annual Report (Reviewed by Audit Committee)</li><li>• City Plan – reviewed and approved by elected members</li><li>• Business Planning</li><li>• Community Engagement Framework</li><li>• Review of City Plan every 4 years (currently under review)</li><li>• Project Management Manual and Project Reporting</li><li>• Bi-annual customer satisfaction survey</li><li>• Program Reviews</li><li>• Accountability Framework</li><li>• CEO Review</li><li>• Performance Development Reviews (PDRs)</li><li>• Governance Framework and Statement</li></ul>				
<b>Likelihood:</b> Unlikely		<b>Consequence:</b> Major	<b>Residual Risk Rating:</b> Medium	<b>Is the Residual Risk Rating acceptable?</b> No
<b>Treatment Plan:</b> <ul style="list-style-type: none"><li>• Accountability Framework is being implemented</li><li>• Review of City Plan</li></ul>		<b>Responsibility:</b> <ul style="list-style-type: none"><li>• GM Business Excellence</li><li>• GM City Development</li></ul>		<b>Target Completion Date:</b> <ul style="list-style-type: none"><li>• June 2016</li><li>• June 2016</li></ul>



## Strategic Risk Register

v1.3 April 2016

8	<b>Event Description:</b> Organisation suffers detriment as a result of fraudulent or corrupt activities		
<b>Responsible Managers:</b> GM Business Excellence, Manager Financial Services, Manager Contract & Procurement Services, Manager Governance, CEO, GM City Infrastructure, GM Community Development, GM City Development			
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>• Inadequate financial internal controls preventing or detecting fraud and corruption</li><li>• Organisational culture fails to deter employees, contractors, volunteers or elected members from committing acts of fraud or corruption</li><li>• Inadequate due diligence conducted on suppliers to the City of Salisbury</li><li>• Inadequate fraud and corruption controls</li></ul>		<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>• An individual either inside or outside Council defrauds the organisation</li><li>• An employee, contractor, volunteer or elected member uses their position or knowledge inappropriately for financial gain</li><li>• Regulatory censure including an OPI / ICAC Investigation</li><li>• Organisational reputation is damaged through the failure to prevent fraud</li><li>• Ombudsman investigation results in negative findings for City of Salisbury</li><li>• Political/Reputational damage</li></ul>	
<b>Likelihood:</b> Likely	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b> High	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>• Code of Conduct for Council Employees</li><li>• Code of Conduct for Elected Members</li><li>• Fraud Corruption and Prevention Framework</li><li>• Gifts and Benefits Policy and Register</li><li>• Procurement Policy and procedures (including Financial Delegations, Corporate Purchase Card Guidelines, Purchase Order Guidelines)</li><li>• Procurement Steering Group</li><li>• Financial Internal Controls Annual Assessments and Reviews (in Control Track)</li><li>• Internal Audit</li><li>• Policy for Assessment of Council Development</li><li>• Financial Internal Controls Framework</li><li>• Staff training and induction processes</li></ul>			
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b> Medium	<b>Is the Residual Risk Rating acceptable?</b> Yes
<b>Treatment Plan:</b>		<b>Responsibility:</b>	<b>Target Completion Date:</b>

## Strategic Risk Register

v1.3 April 2016

9	<b>Event Description:</b> Failure to comply with WHS legislative obligations		
<b>Responsible Managers:</b> GM Business Excellence, Manager People and Culture, CEO, GM City Infrastructure, GM Community Development, GM City Development			
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>• Inadequate controls in place to prevent incidents occurring</li><li>• Insufficient reporting of incidents and near misses</li><li>• Organisational safety culture does not recognise the importance of following WHS policies and procedures</li></ul>		<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>• An employee, contractor, volunteer or elected member is injured as a result of a preventable incident</li><li>• Potential financial consequences for the City of an incident affecting a member of staff including; medical / rehabilitation expenses, injury compensation claim, legal expenses, fines</li><li>• Regulatory censure including a SafeWork SA Investigation</li><li>• Legal consequences for senior management should policies and procedures be determined as inadequate by SafeWork SA.</li><li>• Organisational reputation is damaged through the failure to prevent an accident or injury occurring at work</li></ul>	
<b>Likelihood:</b> Almost Certain	<b>Consequence:</b> Critical	<b><i>Inherent Risk Rating: Extreme</i></b>	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>• WHS training and e-learning (mandatorily required for all employees on commencement of employment and thereafter as necessary)</li><li>• WHS Consolidated Program Event Matrix detailing; Audits, Policies and Procedures</li><li>• WHS Reviews</li><li>• Principal WHS Committee</li><li>• City Infrastructure WHS Committee</li><li>• JSA, work instructions and plant risk assessments</li><li>• Hazard and incident reporting procedures</li><li>• Members of the Local Government Workers Compensation Scheme, which requires external audits</li><li>• Work Health Safety representative structure</li></ul>			
<b>Likelihood:</b> Possible	<b>Consequence:</b> Critical	<b><i>Residual Risk Rating: High</i></b>	<b>Is the Residual Risk Rating acceptable? No</b>
<b>Treatment Plan:</b> <ul style="list-style-type: none"><li>• One Page Plan and Program Events Matrix drive the continuous improvement of WHS in the organisation</li></ul>		<b>Responsibility:</b> <ul style="list-style-type: none"><li>• Manager People and Culture, Senior Coordinator Organisational Wellbeing</li></ul>	<b>Target Completion Date:</b> <ul style="list-style-type: none"><li>• 30 June 2016</li></ul>

## Strategic Risk Register

v1.3 April 2016

10	<b>Event Description:</b> Lack of alignment of IT systems and support with business needs		
<b>Responsible Managers:</b> GM Business Excellence, Manager Information Services			
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>• Failure to adequately involve IT when developing plans, strategies and projects</li><li>• Failure to consider all options when improving a system or process</li><li>• Organisational change is not conducted in a structured and logical manner</li><li>• Failure to support the skill set of individuals responsible for the delivery of business processes</li></ul>		<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>• Organisational plans and strategies are not achieved due to a lack of IT support or infrastructure</li><li>• Council operations pause resulting in financial loss</li><li>• Failure to adapt to a changing external environment</li><li>• Inefficient and ineffective use of organisational resources</li><li>• Poor service delivery</li></ul>	
<b>Likelihood:</b> Almost Certain	<b>Consequence:</b> Major	<b><i>Inherent Risk Rating: Extreme</i></b>	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>• Strategic Executive meetings</li><li>• Applications Committees (x5)</li><li>• IS Strategy 2014-17</li><li>• IT Governance Framework</li><li>• Programmed testing of systems for security and reliability</li><li>• Business Process Improvement program</li></ul>			
<b>Likelihood:</b> Likely	<b>Consequence:</b> Major	<b><i>Residual Risk Rating: High</i></b>	<b>Is the Residual Risk Rating acceptable? No</b>
<b>Treatment Plan:</b> <ul style="list-style-type: none"><li>• Delivery of IS Strategy 2014-17 and the projects that are a part of it</li><li>• Review of IT Governance Framework</li><li>• Delivery of outcomes from IS Program Review</li><li>• Revised structure of IS Division</li></ul>		<b>Responsibility:</b> <ul style="list-style-type: none"><li>• Manager Business Systems and Solutions</li><li>• Manager Business Systems and Solutions</li><li>• GM Business Excellence</li><li>• GM Business Excellence</li></ul>	<b>Target Completion Date:</b> <ul style="list-style-type: none"><li>• 31 December 2017</li><li>• 31 December 2017</li><li>• June 2016</li><li>• 30 April 2016</li></ul>

## Strategic Risk Register

v1.3 April 2016

11	<b>Event Description:</b> Organisational culture impedes the delivery of City objectives		
<b>Responsible Managers:</b> GM Business Excellence, Manager People and Culture, CEO, GM City Infrastructure, GM Community Development, GM City Development			
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>• Senior management and elected members fail to fully and appropriately demonstrate the desired values of the organisation</li><li>• Actual organisational structures, vision, values, norms, systems, symbols, language, assumptions, beliefs and habits are inconsistent with those desired</li></ul>		<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>• City objectives are not achieved</li><li>• Organisational plans and strategies are not delivered in a way which is consistent with organisational values</li><li>• Lack of employee engagement and commitment to City objectives</li><li>• Poor customer service</li></ul>	
<b>Likelihood:</b> Likely	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b> High	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>• Recognition tools (recognition cards, recognition guide and the WOO / Cheers Boards)</li><li>• Customer Service Charters and workshops</li><li>• High Performing Team (HPT) workshops</li><li>• Accountability Framework</li><li>• OCI/ABEF survey process</li><li>• Performance and Development Plans (PDPs)</li></ul>			
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b> Medium	<b>Is the Residual Risk Rating acceptable?</b> No
<b>Treatment Plan:</b> <ul style="list-style-type: none"><li>• Implementation of Accountability Framework</li><li>• OCI / LSI Action Plans</li></ul>		<b>Responsibility:</b> <ul style="list-style-type: none"><li>• GM Business Excellence</li><li>• All GMs and Divisional Managers</li></ul>	<b>Target Completion Date:</b> <ul style="list-style-type: none"><li>• June 2016</li><li>• June 2016</li></ul>

## Strategic Risk Register

v1.3 April 2016

12	<b>Event Description:</b> Lack of sustainable economic growth in the City		
<b>Responsible Managers:</b> GM City Development, Manager Economic Development & Urban Policy			
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>• Uncoordinated, unstructured or insufficient response to changing macro-economic factors</li><li>• Failure to encourage investment in the City</li><li>• Council business and service delivery doesn’t support business needs and expectations</li></ul>		<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>• Increase in unemployment and resulting social costs; raising crime and increasing demand on Council services</li><li>• Financial cost associated with falling rates revenue or increasing bad or doubtful debts</li></ul>	
<b>Likelihood:</b> Likely	<b>Consequence:</b> Major	<b><i>Inherent Risk Rating:</i> High</b>	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>• City Plan</li><li>• Economic Development division - KPIs</li><li>• Growth Action Plan input into Northern Adelaide Economic Development Plan</li><li>• Makes Good Business Sense campaign</li><li>• Support for Northern Economic Leaders</li><li>• Procurement Policy</li></ul>			
<b>Likelihood:</b> Likely	<b>Consequence:</b> Major	<b><i>Residual Risk Rating:</i> High</b>	<b>Is the Residual Risk Rating acceptable? No</b>
<b>Treatment Plan:</b>		<b>Responsibility:</b>	<b>Target Completion Date:</b>
• Delivery of Northern Adelaide Economic Plan		• Manager Economic Development & Urban Policy	• Ongoing
• Contracts and Procurement Review assessing capacity for more strategic procurement		• GM Business Excellence, Manager Contracts and Procurement	• May 2016
• Review of Development Policies through DPA (section 30 review)		• Manager Economic Development and Urban Policy	• Ongoing

## Strategic Risk Register

v1.3 April 2016

13	<b>Event Description:</b> Lack of capacity to respond to social and societal changes		
<b>Responsible Managers:</b> GM Community Development, GM City Development, Manager Community Health & Wellbeing, Manager Community Capacity and Learning, Manager Economic Development & Urban Policy			
<b>Contributory Factors (“root” causes / how and why the event arises):</b> <ul style="list-style-type: none"><li>• Failure to monitor and forecast demographic changes in the City and adjust objectives and plans accordingly</li><li>• City Plan becomes obsolete or fails to anticipate the financial impact of demographic changes</li></ul>		<b>Impacts (risks):</b> <ul style="list-style-type: none"><li>• Organisational plans and strategies are no longer valued or desired by the community</li><li>• Failure to adapt to a changing external environment resulting in some services becoming irrelevant and others insufficient</li></ul>	
<b>Likelihood:</b> Likely	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b> High	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"><li>• City Plan</li><li>• Strategic Plans</li><li>• Business Plans</li><li>• Grant funding applications process and reviews</li><li>• Home Care Common Standards – Operating Manual</li><li>• Cultural Diversity Programs</li><li>• Learning and Community Centres agenda</li></ul>			
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b> Medium	<b>Is the Residual Risk Rating acceptable?</b> No
<b>Treatment Plan:</b>		<b>Responsibility:</b>	<b>Target Completion Date:</b>
• Growth Management Plan being developed		• Manager Economic Development and Urban Policy	• June 2016
• Responding to Economic and Social shock		• GM Community Development, Manager Community Capacity and Learning	• Ongoing
• Social Infrastructure Plan		• Manager Economic Development & Urban Policy	• June 2016

## Strategic Risk Register

v1.3 April 2016

Table 1 – Residual Consequence Ratings

RATING	AREA OF IMPACT				
	Political/Social/ Environmental	Economic/ Financial	Legal/Regulatory	Organisational Management/Human Factors	Customer Service/Business Continuity
<b>1 Minor</b>	Minor short-term environment, conservation, political or community issue.	<5% of budget/ project.	Minor legal, regulatory or internal policy failure.	<ul style="list-style-type: none"> <li>• Unexpected/unplanned loss of a staff member.</li> <li>• Potential for minor injury (however no injury occurred).</li> </ul>	Minor interruption to service provision capability, e.g. less than 4 hours.
<b>2 Moderate</b>	Environment, conservation, political or community incident requiring City intervention.	5% - 14% of budget/ project.	Limited legal, regulatory or internal policy failure.	<ul style="list-style-type: none"> <li>• Unexpected/unplanned loss of a key staff member.</li> <li>• Minor injury, no lost time or other ramifications.</li> </ul>	Limited disruption to service provision capability requiring altered operational arrangements for a short period, e.g. between 4 and 8 hours.
<b>3 Major</b>	Medium-term issue with major environment, conservation, political or community impact.	15% - 24% of budget/ project.	Major legal, regulatory or internal policy failure.	<ul style="list-style-type: none"> <li>• Unexpected/unplanned loss of several key staff members from a single area.</li> <li>• Significant injury to staff/ dangerous near miss.</li> </ul>	Significant impairment of service provision (capability or period), e.g. between 1 and 2 days.
<b>4 Critical</b>	Long-term issue with major environment, conservation, political or community impact.	>25% of budget/ project.	Critical legal, regulatory or internal policy failure.	<ul style="list-style-type: none"> <li>• Unexpected/unplanned loss of a significant number of staff, e.g. during a pandemic.</li> <li>• Death / critical injury to staff.</li> </ul>	Total loss of service provision capability for extended period, e.g. in excess of 2 days.

Table 2 – Residual Likelihood Ratings

RATING	DESCRIPTION
<b>A – Unlikely</b>	The event may occur only in exceptional circumstances (i.e. Risk Occurrence > 20 years)
<b>B – Possible</b>	The event could occur at some time (i.e. Risk Occurrence 2 <= 20 years)
<b>C – Likely</b>	The event will probably occur in normal circumstances (i.e. Risk Occurrence 6 <= 24 months)
<b>D - Almost Certain</b>	The event is expected to occur in normal circumstances (i.e. Risk Occurrence < 6 months)



**Strategic Risk Register**

v1.3 April 2016

Table 3 - Residual Risk Matrix

Likelihood	D Almost Certain	Medium	High	Extreme	Extreme
	C Likely	Medium	High	High	Extreme
	B Possible	Low	Medium	Medium	High
	A Unlikely	Low	Low	Medium	High
		1 Minor	2 Moderate	3 Major	4 Critical
		Consequence			





## EVENT MANAGEMENT

### Audit Scope

#### OVERALL OBJECTIVE

To provide assurance on compliance with the Workplace Health & Safety (WHS) requirements and any other operational risks arising from event management at the City of Salisbury, ensuring that no risks arise due to a failure to conduct adequate risk assessments.

#### CONTEXT

A focus of "The Living City" key direction is to provide opportunities and spaces for all community members to engage in cultural activities, community events, recreation and sport, multicultural festivals and events and community celebrations.

The City of Salisbury organises many events throughout the year ranging from small events targeting specific sections of the community to large scale events such as Salisbury Secret Garden. Failure to adequately manage the risks associated with such events could have an impact on the achievement of the objectives in the City Plan.

#### SPECIFIC OBJECTIVES

In addressing the overall objective, the audit will include, but not necessarily be limited to, the consideration of the following issues:

- Compliance with the applicable requirements of the City of Salisbury WHS policies and processes and the corresponding WHS legislation.
- The effectiveness and the efficiency of the event related WHS risk assessments conducted.
- Management of events and the financial and operational risks associated with areas such as; security, marketing and publicity, car parking and traffic management, contracting, insurance, volunteer management, clean-up activities, due diligence on artists, stall holders and suppliers.
- Reviewing the costing processes used in event management.

#### SCOPE

The audit will cover the management of different events organised by the City of Salisbury, focusing on those that pose the greatest risk to achievement of the City of Salisbury's objectives, specifically large scale events and events targeting vulnerable sectors of the community. Efficiency and effectiveness of the event management processes will also be considered, with suggestions for improvement made where identified.

#### BOUNDARIES

This audit will not include an audit of the WHS policies and procedures themselves, as these are audited independently by the Local Government Association Workers Compensation Scheme.

**CONDUCT OF THE REVIEW**

The nature of the audit will be a risk based compliance audit, it will involve a review of the applicable policies and processes, a sample of event WHS risk assessments, interviews with appropriate members of staff and an assessment of the management of relevant operational risks. Any areas for process improvement and efficiency savings should also be highlighted. The audit will be conducted in line with the Institute of Internal Auditors International Standards for Professional Practice of Internal Auditing and their Code of Ethics. Communication of findings and assessments will be an on-going process to ensure that there is a good understanding and acceptance of the rationale for audit opinions and recommendations.

**LOCATION**

The audit will be conducted predominantly at City of Salisbury offices (12 James Street, Salisbury, SA 5108).

**RESOURCING**

Estimated Hours	150 hours in total
Suggested Resourcing	The audit will be conducted by external consultants selected through a tendering process.  The participation of managers and staff in Community Development department will also be required.

**TIMING**

The audit will be conducted between May and the end of July 2016 at a mutually agreed time frame.

**AUDIT OUTPUT**

The output of the audit will be a report that is agreed and accepted by the General Manager Community Development containing:

- A one or two page Executive Summary;
- Detailed findings and recommendations, with a suitable audit trail evidencing the findings.

**REVIEW OUTCOMES**

The primary outcome of the audit will be an opinion on the management of risks associated with event management at the City of Salisbury, using City of Salisbury risk management terminology.

**APPROVED****APPROVED****APPROVED****APPROVED****APPROVED**


**Tami Norman**  
Manager  
Governance

13/4/16



**Pam Pindral**  
Manager Community  
Health & Wellbeing



**Pippa Webb**  
Manager Community  
Capacity and Learning



**Nichola Kapitza**  
Manager Community  
Planning & Vitality



**Jane Trotter**  
GM Community  
Development

<b>ITEM</b>	4.2.4
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	12 July 2016
<b>HEADING</b>	Internal Audit Annual Review and 2016/17 work schedule
<b>AUTHOR</b>	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	This report provides a summary of the internal audit activity completed in the 2015/16 financial year including internal audits, risk management activities and work on the financial internal controls framework. The report also provides details of the planned risk management and internal controls activities that are scheduled for the 2016/17 financial year and gives an update on the outstanding actions from internal audits.

## RECOMMENDATION

1. The information be received.
2. The schedule of Risk Management and Internal Controls Activities 2016-17, as set out in Attachment 2 to this report (Item No. 4.2.4, Audit Committee 12/07/2016), be endorsed.

## ATTACHMENTS

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

1. Annual Review of Internal Audit, Risk Management and Internal Controls Activities 2015-16
2. Proposed Risk Management and Internal Controls Activities 2016-17
3. Outstanding Actions

## 1. BACKGROUND

- 1.1 This report provides an annual review of the work undertaken by the BA Internal Audit & Risk in the 2015/16 financial year, including an update on outstanding audit actions. It also proposes a schedule of risk management and internal controls activities for the 2016/17 financial year. Both of these items are necessary to ensure that the Audit Committee of Council is kept fully informed of the current and proposed work of the BA Internal Audit & Risk.

## 2. REPORT

### 2.1 Annual Review of Internal Audit, Risk Management and Internal Controls Activities 2015-16

- 2.1.1 For ease of reporting all the internal audit, risk management and internal controls activities carried out in the 2015/16 financial year by the BA Internal Audit & Risk have been included in Attachment 1 to this report.
- 2.1.2 Changes to the status of items in this document since the last Internal Audit Update was provided to the Audit Committee in April 2016 include;
- The completion of the External Review of Internal Audit, details of which can be found in agenda item 4.2.1.
  - Completion of the report on the findings from the Audit Committee self-assessment questionnaires, details of which can be found in agenda item 4.2.2.
  - Completion of the revised Employee Gifts and Benefits Policy.
- 2.1.3 It is a requirement of the Institute of Internal Auditors that the Internal Auditor must “confirm to the board, at least annually, the organisational independence of the internal audit activity.” The internal audit activity at the City of Salisbury conforms to this standard.
- 2.1.4 What this standard means is that internal audit activity should be “free from interference in determining the scope of internal auditing, performing work, and communicating results.” Internal auditing at the City of Salisbury operates within this environment and as a result it is objective and free from undue influence.

### 2.2 Proposed Risk Management and Internal Control Activities 2016-17

- 2.2.1 At the request of the Audit Committee, Internal Audits are reported separately through the Internal Audit Plan, which can be found in agenda item 4.2.3. Details of the proposed Internal Audits for 2016/17 can be found in the agenda item 4.2.3.
- 2.2.2 Internal Audit activities have been removed from the attached schedule of work for the 2016/17 financial year (see Attachment 2 of this report), which is comprised entirely of risk management and internal controls activities.
- 2.2.3 The activities in Attachment 2, some of which are already underway, have the overall aim of improving the effectiveness and efficiency of both the risk management and internal controls frameworks operated by the City of Salisbury. Improving risk management and internal controls should result in an increased likelihood of achieving organisational objectives and it should also make the City of Salisbury easier to manage.

### 2.3 Outstanding Actions

- 2.3.1 The table in Attachment 3 of this report provides an update on the state of all agreed action items arising from completed audit work.
- 2.3.2 All outstanding actions have been followed up with the relevant divisional managers.

### **3. CONCLUSION / PROPOSAL**

- 3.1 This report has provided a summary of the work completed by the BA Internal Audit & Risk in the 2015/16 financial year. It has also proposed a schedule of risk management and internal controls activities to be completed in the 2016/17 financial year. Further updates and any changes to the schedule of work will be provided at the November 2016 Audit Committee of Council meeting.

### **CO-ORDINATION**

Officer:	MG	Exec
Date:	28/6/16	5/7/16





Annual Review of Internal Audit, Risk Management and Internal Controls – July 2015 to June 2016

v1.3

Annual Review - 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 was 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	This work was 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 was delivered at the October 2015 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 were reported at the February 2016 meeting of the Audit Committee.

Annual Review of Internal Audit, Risk Management and Internal Controls – July 2015 to June 2016

v1.3

Annual Review - 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 was to deliver outputs which should support the Strategic Asset Management Lifecycle at the City of Salisbury. A final report has been produced and was presented to the Audit Committee at the April 2016 meeting.
Risk Management workshop	Risk Management	Internal	November 2015	Completed	Workshop held on the 24 <sup>th</sup> 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.

Annual Review of Internal Audit, Risk Management and Internal Controls – July 2015 to June 2016

v1.3

Annual Review - 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	Completed	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"). This work has been completed by Bentleys and a final report will be presented to the Audit Committee at the July 2016 meeting.

Annual Review of Internal Audit, Risk Management and Internal Controls – July 2015 to June 2016

v1.3

Annual Review - 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
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. The internal controls self-assessments have all been completed. In addition Inherent and Target risk assessments have been completed. All that is outstanding are a small number of Residual Risk assessments, which will be completed by the end of July.
Report on the findings of the Audit Committee self-assessments	Internal Audit, Risk Management and Internal Controls	Internal	March-June 2016	Completed	This work has been completed and a report will be presented to the Audit Committee at the July 2016 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 preferred tenderer has been selected to complete this work.
Revision of the Employee Gifts and Benefits Policy	Internal Controls	Internal	May 2016	Completed	This piece of work came as an action from the quarterly Employee Gifts and Benefits Review. The Employee Gifts and Benefits Policy has been amended 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. The amended policy has been approved by the Executive Group and communicated to all staff.

Annual Review of Internal Audit, Risk Management and Internal Controls – July 2015 to June 2016

v1.3

Annual Review - 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
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 and a rough initial draft of the Risk Appetite has been produced.
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.





Risk Management and Internal Controls Activities – July 2016 to June 2017

v0.1

Annual Plan - July 2016 to June 2017					
Activity	Type of Activity (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
External Audit of internal financial controls	Internal Controls	External	June-September 2016	In progress	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 2016 meeting of the Audit Committee.
Completion of Residual Risk Assessments in the Control Track system.	Internal Controls	Internal	July 2016	In progress	The external auditors expectations are that a risk assessment should also be conducted on internal financial controls. The internal controls self-assessments have all been completed. Inherent and Target risk assessments have also been completed. All that is outstanding are a small number of Residual Risk assessments, which will be completed by the end of July.
Cash Management	Internal Controls	Internal	July 2016	In progress	Work to be completed as a part of the internal controls framework, it includes end of year reconciliations of petty cash and till floats.
Review and revise the risk matrices used to assess risks at the City of Salisbury	Risk Management	Internal	July-October 2016	In progress	Work has begun on identifying and reviewing all the different risk matrices used to assess risks at the City of Salisbury.
Review of Legislative Reporting Obligations	Internal Controls	Internal	July-September 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.

Risk Management and Internal Controls Activities – July 2016 to June 2017

v0.1

Annual Plan - July 2016 to June 2017					
Activity	Type of Activity (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
Develop Operational Risk Register	Risk Management	Internal	October-December 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. The assessment of operational risks needs to be completed once the revised risk matrix has been produced.
Development of a Risk Appetite for the City of Salisbury	Risk Management	Internal	July – December 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 and a rough initial draft of the Risk Appetite has been produced.
Review of the Strategic Risk Register and Internal Audit Plan against the risk assessments completed on financial risks linked to internal financial controls	Risk Management	Internal	December 2016	Not yet commenced	An action arising from the External Review of Internal Audit proposed reviewing the Strategic Risk Register and Internal Audit Plan against the risk assessments made in Control Track on the financial risks linked to the internal financial controls. This review addresses this action.
Report on the findings of the Audit Committee self-assessments	Risk Management and Internal Controls	Internal	January-February 2017	Not yet commenced	The self-assessment questionnaire will be issued to the Audit Committee after the November 2016 meeting, with the results collated and fed back to the Committee at the February 2017 meeting.

Risk Management and Internal Controls Activities – July 2016 to June 2017

v0.1

Annual Plan - July 2016 to June 2017					
Activity	Type of Activity (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
Completion of Control Self-Assessments and Risk Assessments through the Control Track system, including external audit preparation	Internal Controls	Internal	March-May 2017	Not yet commenced	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.
Review of the Risk Management Charter and Risk Management Guide	Risk Management	Internal	March-June 2017	Not yet commenced	This review is necessary because it has been more than 2 years since these documents were last reviewed. In addition these documents will need to be reviewed once work on the risk appetite, risk matrix and operational risk register have been completed.
Business Continuity Plans Walkthrough	Internal Controls	Co-sourced	May 2017	Not yet commenced	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.



<b><i>Audit: Compliance With Building Inspections Policy</i></b>					
<b>Agreed Action</b>	<b>Risk Assessment</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Revised Date</b>	<b>Comments</b>
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"> <li>Specify additional selection criteria for the prioritisation of buildings for inspection</li> <li>Include guidelines on how inspections must be counted</li> <li>Provide additional guidance to inspectors as to the actions required of them in relation to managing inspections and complaints</li> <li>Introduce additional guidance detailing the expected extent of inspection to be undertaken</li> </ul>	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>

<b><i>Audit: Internal Control Framework – Substantive Testing</i></b>					
<b>Agreed Action</b>	<b>Risk Assessment</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Revised Date</b>	<b>Comments</b>
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.

<b>Audit: Procurement</b>						
<b>Agreed Action</b>		<b>Risk Assessment</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Revised Date</b>	<b>Comments</b>
A.2.1	Confirmation of the role of CPS (central)	High	General Manager Business Excellence  Procurement Steering Group / Executive Group	April 2015	July 2016	<ul style="list-style-type: none"><li>Procurement Program Review final report has been received and tabled with Executive Group. Due for submission to Program Review Sub-Committee in July.</li><li>The focus of the review has identified the need for Contracts &amp; Procurement to move to a more strategic and commercial focus while still ensuring the risks of Procurement Breaches are minimised.</li></ul>
	Report to PSG Confirmation of role/ compliance/ central/decentralised	High	General Manager Business Excellence  Procurement Steering Group / Executive Group	April 2015	Final Report proposed July 2016	<ul style="list-style-type: none"><li>Contracts and Procurement will remain as a central resource with a Business Partner model approach to ensure it meets the business needs.</li><li>Refer A2.1</li></ul>
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	Final Report proposed July 2016	<ul style="list-style-type: none"><li>Program Review has presented options for resourcing requirements. Council is proposing a hybrid model with a commercial and more strategic focus.</li><li>An outcome of the review has been a proposed new structure that maintains existing resources but clarifies roles across the strategic and operational areas. Further the Manager role will be revised to focus on these new skills and will be advertised</li></ul>
A.2.2	Refer A.2.1 in relation to structure and function delivered by	High	General Manager Business	April 2015	Final Report proposed	<ul style="list-style-type: none"><li>Refer A2.1</li><li>As part of the implementation of the new structure and roles appropriate training and support will be provided</li></ul>



Audit: Procurement						
Agreed Action		Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
	CPS and business areas (consideration will need to be given to ensuring appropriate staff skill set, controls and probity, if decentralisation is a preferred model)		Excellence		July 2016	to deliver on the expected outcomes, noting that a centralised model is preferred.
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"><li>• 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"><li>○ % of spend influenced/management by Procurement</li><li>○ Procurement cycle timelines – a report has been written in consult with C&amp;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 completion</li><li>○ Local buy / economic benefit (geographic spend) / local business economic assessment / local employment</li><li>○ Social inclusion entities/value Disadvantaged sector</li></ul></li></ul>

<b><i>Audit: Procurement</i></b>						
<b>Agreed Action</b>		<b>Risk Assessment</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Revised Date</b>	<b>Comments</b>
					July 2016	<ul style="list-style-type: none"> <li>Program review has sought leading practice input on recommended KPI's.</li> </ul>
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	July 2016	<ul style="list-style-type: none"> <li>ArcBlue projects underway providing:               <ul style="list-style-type: none"> <li>Spend Analysis reporting</li> <li>CoSol Forward Procurement Plan identification.</li> </ul> </li> <li>Council Solutions training was delivered September 2015 to develop analysis opportunities</li> <li>Further requirements for reporting to be presented to PSG as noted in A2.3.</li> </ul>