



AGENDA
FOR AUDIT COMMITTEE MEETING TO BE HELD ON
15 NOVEMBER 2016 AT 6:30 PM
IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY

MEMBERS

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

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
General Manager City Development, Mr T Sutcliffe
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 11 October 2016.

PRESENTATIONS

PRES1 City Plan 2030 including Critical Actions

The Chief Executive Officer will present the City Plan 2030 including Critical Actions.

PRES2 Community Hub Project

The General Manager City Development will present the Community Hub Project.

REPORTS

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Outage on 28 September 2016 83

OTHER BUSINESS

CLOSE



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

11 OCTOBER 2016

MEMBERS PRESENT

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

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
Acting Manager Financial Services, Mr T Aplin
Assistant Accountant, Ms M Hamilton

The meeting commenced at 6.34 pm.

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

APOLOGIES

An apology was received from Mr P Brass.

LEAVE OF ABSENCE

Nil.

PRESENTATION OF MINUTES

Moved Ms K Briggs
Seconded Cr G Caruso

The Minutes of the Audit Committee Meeting held on 12 July 2016, be
taken and read as confirmed.

CARRIED

REPORTS

Administration

4.0.1 Future Reports for the Audit Committee of Council

Moved Cr G Reynolds

Seconded Cr G Caruso

1. The information be received.

CARRIED

Reports

4.2.1 FI End of Financial Year Statements and Analysis

Moved Cr G Reynolds

Seconded Cr G Caruso

1. The information be received.
2. In accordance with Section 126(4)(a) of the Local Government Act 1999 the Audit Committee advises that it has reviewed the annual financial statements of the Council for the year ended 30 June 2016 and is satisfied they present fairly the state of affairs of Council.
3. In accordance with Regulation 22 of the Local Government (Financial Management) Regulations 2011 clauses (3) (a) and (4), that the Chief Executive Officer and the Chair of the City of Salisbury Audit Committee sign the statement to certify the independence of the Council Auditor, Deloitte Touch Tohmatsu.

CARRIED

4.2.2 Financial Internal Controls Report 2016, prepared by Deloitte

Moved Cr G Caruso

Seconded Ms K Briggs

1. The information be received.

CARRIED

**4.2.3 Report to the Audit Committee for the year ended 30 June 2016,
prepared by Deloitte**

Moved Cr G Caruso

Seconded Cr G Reynolds

1. The information be received.

CARRIED

OTHER BUSINESS

Nil

The meeting closed at 7.39 pm.

CHAIRMAN.....

DATE.....

ITEM	4.0.1
	AUDIT COMMITTEE
DATE	15 November 2016
HEADING	Future Reports for the Audit Committee of Council
AUTHOR	Michelle Woods, Projects Officer Governance, CEO and Governance
CITY PLAN LINKS	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
SUMMARY	This item details reports to be presented to the Audit Committee of Council as a result of a previous Council resolution. If reports have been deferred to a subsequent meeting, this will be indicated, along with a reason for the deferral.

RECOMMENDATION

1. The information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 A list of resolutions requiring a future report to Council (via the Audit Committee) is presented 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:		20/10/16

INFORMATION ONLY 4.0.2

AUDIT COMMITTEE

DATE 15 November 2016

HEADING Proposed Audit Committee Meeting Schedule for 2017

AUTHOR George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance

CITY PLAN LINKS 4.3 Have robust processes that support consistent service delivery and informed decision making.

SUMMARY This report provides the proposed Audit Committee of Council meeting schedule for 2017. It should be noted that this schedule is provided for information only as it has not yet been endorsed by Council.

RECOMMENDATION

1. That the information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 Under section 87(1) of the *Local Government Act 1999* (the Act), Council must determine the time and place of ordinary meetings of a Council committee.
- 1.2 Section 87(2) of the Act provides that a Council or Council committee must, in appointing a time for the holding of an ordinary meeting of a Council committee, take into account;
 - 1.2.1 the availability and convenience of members of the committee; and
 - 1.2.2 the nature and purpose of the committee.
- 1.3 The Audit Committee is a standing committee of Council.
- 1.4 Meetings of the Audit Committee need to be arranged at suitable intervals to ensure that the Council remains sufficiently informed of its activities.

2. REPORT

- 2.1 The following dates have been proposed for the Audit Committee of Council meetings in 2017;
 - 2.1.1 Tuesday 14th February 2017
 - 2.1.2 Tuesday 11th April 2017
 - 2.1.3 Tuesday 11th July 2017
 - 2.1.4 Tuesday 10th October 2017 (financials only)
 - 2.1.5 Tuesday 14th November 2017

- 2.2 The start time of each meeting will be 6:30pm, which is consistent with Council's resolution for the commencement time of other standing committees of Council and is a change from the current 6pm start time. It is also proposed that an in camera session of the Audit Committee and the Internal and External Auditors will be held between 6pm and 6:30pm on Tuesday 10th October 2017.
- 2.3 Council is responsible for endorsing the official meeting schedule for 2017 and as such the above dates may be subject to change.

3. CONCLUSION / PROPOSAL

- 3.1 A proposed 2017 meeting schedule for the Audit Committee has been provided in this report for information purposes.

CO-ORDINATION

Officer: MG
Date:

ITEM	4.2.1
	AUDIT COMMITTEE
DATE	15 November 2016
HEADING	Audit Committee Self-Assessment Questionnaire and Process
AUTHOR	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
CITY PLAN LINKS	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
SUMMARY	Best practice indicates that the performance of the Audit Committee of Council should be reviewed on a regular basis. One method of doing this is through a self-assessment process. This report outlines the proposed methodology for self-assessment of the Audit Committee and seeks endorsement for the conduct of the assessment following the November 2016 Audit Committee Meeting.

RECOMMENDATION

1. The information be received.
2. The self-assessment questionnaire, as set out in Attachment 1 to this report (Item No. , Audit Committee, 15/11/2016) be issued to members of the Audit Committee for completion after the November 2016 meeting of the Audit Committee of Council, with results to be collated and presented at the Audit Committee of Council meeting in February 2017.

ATTACHMENTS

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

1. Audit Committee Self-Assessment Questionnaire

1. BACKGROUND

- 1.1 It is considered best practice to review the performance of an Audit Committee on a periodic basis. One method of conducting this performance review is through a self-assessment questionnaire, completed by the members of the Audit Committee of Council. This is the method that has been used for the previous 8 years at the City of Salisbury and it has been shown to be an effective tool over this period.
- 1.2 Self-assessment questionnaires are an efficient method for conducting the performance review because they can be completed at the convenience of the Audit Committee members, without the need to arrange or attend any additional meetings or interviews. The questionnaire also has the advantages of producing a collective Audit Committee response, without recourse to third parties, with the exception of the BA Internal Audit & Risk who will collate and present the results.

- 1.3 A significant amount of work was undertaken on the Audit Committee Self-Assessment Questionnaire earlier in 2016 and in the last few months of 2015, therefore no changes have been proposed to the questionnaire that was endorsed by the Audit Committee in February 2016. A copy of the proposed self-assessment questionnaire is provided as Attachment 1 to this report.
- 1.4 The self-assessment questionnaire is an annual process and was last completed for the 2015 calendar year. Audit Committee members completed the questionnaires for the 2015 calendar year after the Audit Committee meeting in February 2016. The results were collated and presented at the July 2016 Committee meeting.

2. REPORT

- 2.1 It is good practice to have an annual review of the Audit Committee's performance. Since it has been almost a year since the last review, which was conducted on the 2015 calendar year, a self-assessment questionnaire has been proposed that would enable the Audit Committee to review their performance for the 2016 calendar year.
- 2.2 The focus of the self-assessment questionnaire is primarily to drive continuous improvement in the performance and effectiveness of the Audit Committee. It is with this in mind that there is considerable space on the attached questionnaire for constructive comments and meaningful suggestions for improvements.
- 2.3 It is proposed that the attached self-assessment questionnaire be circulated to members of the Audit Committee for completion based on the 2016 calendar year, with the results collated and fed back to the Committee by the BA Internal Audit & Risk at the February 2017 meeting.
- 2.4 To achieve this timeline, the questionnaire would be circulated to members on 29 November 2016 (the day after the Council meeting which would endorse the Audit Committee's recommendation to undertake the self-assessment). Completed questionnaires would need to be returned no later than 20 January 2017 to enable results to be compiled and reported at the Audit Committee of Council meeting on 14 February 2017.

3. CONCLUSION / PROPOSAL

- 3.1 The attached self-assessment questionnaire is a useful tool for assessing the performance of the audit committee and identifying areas for improvement.
- 3.2 On the basis that it is good practice to conduct a self-assessment annually, it is proposed that the Audit Committee of Council complete the attached self-assessment questionnaire, with the results disseminated to the Audit Committee at the next meeting in February 2017.

CO-ORDINATION

Officer: MG
Date:

	2016
Audit Committee of Council Self-Assessment Questionnaire	

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.)?		



2016

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?		

	2016
Audit Committee of Council Self-Assessment Questionnaire	

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?		



2016

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

ITEM	4.2.2
	AUDIT COMMITTEE
DATE	15 November 2016
HEADING	Internal Audit Plan
AUTHOR	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
CITY PLAN LINKS	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
SUMMARY	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 updates have been made to the Internal Audit Plan since it was presented to the Audit Committee in July; 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 Plan including links to the Strategic Risk Register
2. Strategic Risk Register v2.2 September 2016
3. Payroll Audit Scope

1. BACKGROUND

- 1.1 Attachment 1 to this report details 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 by the Executive Group on a quarterly basis.
- 1.2 The purpose of this report is to inform the Audit Committee of the Internal Plan and the Strategic Risk Register and to highlight any changes made to them since they were last presented.

2. REPORT

2.1 The Strategic Risk Register

2.1.1 The Internal Audit Plan and Strategic Risk Register were presented at the July meeting of the Audit Committee, both documents are attached to this report. At the July meeting the Audit Committee made three suggestions regarding the Strategic Risk Register;

- Cyber security risks be added to the register,
- Control effectiveness ratings be included on the controls in the register; and
- A heat map of strategic risks be developed.

2.1.2 All three changes were considered by the Executive Group and were recommended for inclusion in the Strategic Risk Register. The Strategic Risk 10 now incorporates cyber security risks.

2.1.3 In addition to incorporating these changes the Executive Group also recommended the following changes to the Strategic Risk Register when it was reviewed in August;

- Incorporation of Strategic Risk 11, *Organisational Culture impedes the delivery of City objectives* into Strategic Risk 7, *Strategic and operational outcomes are not delivered*;
- Removal of Strategic Risk 12, *Lack of sustainable economic growth in the City*;
- Incorporation of Strategic Risk 13, *Lack of capacity to respond to social and societal changes*, into Strategic Risk 5, *Failure to manage the impact of environmental and social factors on Council infrastructure, assets and services*;
- A table of residual risk descriptors be added to the end of the Strategic Risk Register.

2.2 The Internal Audit Plan

2.2.1 As a result of the changes to the Strategic Risk Register the audit on Organisational performance and culture, which was scheduled for the second quarter of 2018, has been removed. In its place will be an audit of Contract Management.

2.2.2 The Internal Audit Plan has been updated with the changes made to the Strategic Risk Register.

2.2.3 A draft report has been produced for the Event Management Audit and is currently being discussed with all the relevant stakeholders. The final report will be presented at the February 2017 meeting of the Audit Committee of Council.

2.2.4 The Payroll audit has been scoped and a copy of the scope is Attachment 3 to this report. Tenders were invited through the City of Salisbury's procurement process. The tenders have been evaluated and Galpins have been selected to undertake, and subsequently commenced work on, the audit.

3. CONCLUSION / PROPOSAL

- 3.1 Updates have been made to both the Internal Audit Plan and Strategic Risk Register since they were last presented to the Audit Committee in July 2016. These changes are highlighted in this report. The Internal Audit Plan and Strategic Risk Register will next be presented at the February 2017 Audit Committee meeting.

CO-ORDINATION

Officer: MG
Date: 21/10/2016

Internal Audit Plans - 1yr and 3yrs, Strategic Plan

					Key Divisions impacted by the audit																		
Audit Ref	Strategic Risk Number	Risk Description	Inherent Risk	Residual Risk	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, including Program Review findings	Areas of focus for the audit	Performance, compliance or risk-based audit?	2016	2017	2018	
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").	External Review of Internal Audit 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															Event Management 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 fraud, misconduct or maladministration	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.	Payroll Payroll processes and systems covering the 35 financial internal controls associated with payroll.	Compliance and Risk-Based				
4	10	Lack of alignment and integrity of IT systems and support with business needs	E	H														Business Systems and Solutions 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														Management of public health 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.	Capital Works Projects 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														Strategic Development Projects 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														Strategic reporting process Assurance on the processes and controls in place, specifically in relation					
9	7	Strategic and operational outcomes are not delivered	H	M														Contract Management Assurance on the efficiency and effectiveness of the current tools and processes that are used to manage contracts at the City of Salisbury, 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														Management of contaminated sites 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 and social factors on Council infrastructure, assets and services	M	M																			
11	6	City of Salisbury financial sustainability is compromised	H	M														Asset Management 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			●		A draft report has been produced and is being discussed with the relevant stakeholders.
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				●	A preferred supplier has been selected and work has commenced.
		Total							

Audit Ref	Strategic 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				●	
		Total							

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	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	7	Contract Management	There is a risk that City objectives are not achieved due to inadequate contract management and that contract management processes increase the risks that the City takes in achieving its objectives. This audit aims to provide assurance on the efficiency and effectiveness of the current tools and processes that are used to manage contracts at the City of Salisbury, 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				●	
		Total							

Strategic Risk Register

v2.2 September 2016

1	Event Description: Inadequate preparation and response to a business continuity event				
Responsible Managers: CEO, All General Managers, Manager Governance					
Contributory Factors (“root” causes / how and why the event arises): <ul style="list-style-type: none">• Lack of plans and procedures to inform response strategies when business continuity event occurs• Lack of communication/training for relevant staff required to respond to business continuity event• Information to facilitate action during business continuity not available		Impacts (risks): <ul style="list-style-type: none">• Service delivery to community compromised (loss of confidence)• Political/Public embarrassment• Uncertainty leads to loss of morale and resources and compromised regulatory decisions			
Likelihood: Almost Certain		Consequence: Critical	Inherent Risk Rating: Extreme		
Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details): <ul style="list-style-type: none">• Business Continuity Framework, 4• Business Continuity Plans, 4• Business Continuity Plan tests and walkthroughs (alternating annually), 4• Incident Management Team identified and trained, 4• Systems and processes to support response to BC event (e.g. staff contact information reports), 5• IT Disaster Recovery Plan in place, 4• Emergency Management procedures in place, 4• Zone Emergency Management Committees – Northern Area, 5• Adelaide and Mount Lofty Bushfire Committee, 4					
Likelihood: Possible		Consequence: Critical	Residual Risk Rating: High	Is the Residual Risk Rating acceptable? No	
Treatment Plan: <ul style="list-style-type: none">• I-Responda Framework being established (develops relationships with adjoining Councils to assist with response to critical events)			Responsibility: <ul style="list-style-type: none">• Manager Civil and Waste		Target Completion Date: <ul style="list-style-type: none">• 31 December 2016

Strategic Risk Register

v2.2 September 2016

2	Event Description: Inadequate prevention of and response to Contamination of Wetlands and/or the recycled water systems		
Responsible Managers: GM Business Excellence, GM City Infrastructure, Manager Salisbury Water, Manager Technical Services, Manager Civil & Waste			
Contributory Factors (“root” causes / how and why the event arises): <ul style="list-style-type: none">• Inadequate monitoring plans and sample testing• Failure to respond appropriately in the event of contamination• Wet weather could hamper clean-up operations or contribute to a contamination event		Impacts (risks): <ul style="list-style-type: none">• Financial cost of replacing supply with SA Water and clean-up costs• Legal cost of failure to deliver a water supply in line with contract• Political/Public embarrassment• Regulatory censure• Revenue reduction• Brand Impact• Health risk to staff• Health risk to community	
Likelihood: Possible	Consequence: Major	Inherent Risk Rating: Medium	
Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details): <ul style="list-style-type: none">• Salisbury Water Business Unit – monitoring plan and monitoring matrix, 4• Salisbury Water Business Unit – Recycled Water Risk-Based Management Plan including sample testing before water injections are commenced, 4• Supply contracts to customers contain Force Majeure clauses which limit liability to Council in the event that water cannot be supplied, 5• Response group (Council staff) in place to manage events that may lead to contamination of wetlands (24/7 support including after hours), 4• Employee Media Policy and Procedure and Elected Member Media Policy, 4• Regional Health Plan, 5			
Likelihood: Possible	Consequence: Major	Residual Risk Rating: Medium	Is the Residual Risk Rating acceptable? No
Treatment Plan:		Responsibility:	Target Completion Date:
• Implementing risk management plans for each of the Wetlands		• Manager Salisbury Water	• 31 December 2016
• Establish a partnership with key agencies, e.g. EPA, Department of Health, to facilitate information provision (consider also SA Public Health Act and Regional Health Plan)		• General Manager Business Excellence	• 31 January 2017
• Prepare and document a response strategy, including a check list of actions required, for use/reference in case of any further wetland contamination issues		• Manager Communications and Customer Relations	• 31 January 2017
• Give consideration to identification of 'emerging contaminants' to enable proactive changes to testing regime and communication with regulatory agencies as appropriate		• Manager Salisbury Water	• 31 January 2017

Strategic Risk Register

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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">Inadequate management, monitoring or testingFailure to respond appropriately in the event of an incident		Impacts (risks): <ul style="list-style-type: none">Legal cost of failure to prevent a health and safety incidentPolitical/Public embarrassmentRegulatory censureHealth risk to staffHealth risk to the community	
Likelihood: Likely	Consequence: Major	Inherent Risk Rating: High	
Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details): <ul style="list-style-type: none">Public Health Policies and Procedures, 5Immunisation Services, 5Animal Management Plan, 5Regional Health Plan, 5General Inspections, 5Dog Patrols, 5Food Act administration, 5Employee Media Policy and Procedure and Elected Member Media Policy, 4SA Public Health Act enforcement, 5Dog and Cat Management Act enforcement, 5Infrastructure maintenance activities, 5			
Likelihood: Possible	Consequence: Major	Residual Risk Rating: Medium	Is the Residual Risk Rating acceptable? Yes
Treatment Plan:		Responsibility:	Target Completion Date:

Strategic Risk Register

v2.2 September 2016

4	Event Description: Lack of management of a major event at a Council facility that affects public and staff safety			
Responsible Managers: 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				
Contributory Factors (“root” causes / how and why the event arises): <ul style="list-style-type: none">• Inadequate procedures and plans in place to prevent incidents• Failure to respond appropriately in the event of an incident• Lack of asset management and maintenance		Impacts (risks): <ul style="list-style-type: none">• Financial cost of clean-up• Legal cost of failure to prevent a health and safety incident• Political/Public embarrassment• Regulatory censure• Loss of staff• Injury to public		
Likelihood: Likely	Consequence: Critical	<i>Inherent Risk Rating:</i> Extreme		
Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details): <ul style="list-style-type: none">• Building Control and Inspections, 4• Evacuation procedures and testing, 4• Building safety systems – e.g. exit signs, fire extinguishers, wardens etc., induction process, 4				
Likelihood: Possible		Consequence: Critical	<i>Residual Risk Rating:</i> High	Is the Residual Risk Rating acceptable? No
Treatment Plan:		Responsibility:		Target Completion Date:
• I-Responda Framework being established (develops relationships with adjoining Councils to assist with response to critical events)		• Manager Civil and Waste		• 31 December 2016

Strategic Risk Register

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5	Event Description: Failure to manage the impact of environmental and social factors on Council infrastructure, assets and services		
Responsible Managers: GM City Development, GM City Infrastructure, GM Community Development, Manager Economic Development & Urban Policy, Manager Technical Services, Manager Parks & Landscape, Manager Communication & Customer Relations, Manager Community Capacity & Learning			
Contributory Factors (“root” causes / how and why the event arises): <ul style="list-style-type: none">• Inadequate understanding and planning for events impacting the environment• Failure to consider environmental consequences when planning and designing infrastructure• Q100 & Q300 flood modelling in place at individual house level, using digital terrain modelling• Inadequate infrastructure within the City to manage stormwater• Failure to monitor and forecast demographic changes in the City and adjust objectives and plans accordingly• City Plan becomes obsolete or fails to anticipate the financial impact of demographic changes		Impacts (risks): <ul style="list-style-type: none">• Financial cost of dealing with the consequences of frequent freak weather related events• Long term impact on infrastructure, its maintenance and replacement• Organisational plans and strategies are no longer valued or desired by the community• Failure to adapt to a changing external environment resulting in some services becoming irrelevant and others insufficient	
Likelihood: Possible	Consequence: Major		Inherent Risk Rating: Medium
Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details): <ul style="list-style-type: none">• Early warning system of text alerts based on Bureau of Meteorology data, implemented by DEWNR, 5• Regular monitoring of risk sites e.g. land fill sites, dams, 5• Extreme Heat response process (for residents), 4• Q100 and Q300 flood modelling in place at individual house level, using digital terrain modelling, 3• Bushfire Management Steering Group, 5• City Plan/Strategic Plans/Business Plans, 4• Bushfire Management Plan, 4• Undergrowth management procedures, 5• Asset Management infrastructure audits, 5• Climate Change Adaption Plan, 4• Emergency Management Plan, 4• Zone Emergency Management Committee – Northern Area, 5• Grant funding applications process and reviews, 5• Home Care Common Standards – Operating Manual, 5• Cultural Diversity Programs, 4• Learning and Community Centres business plan, 4			
Likelihood: Possible	Consequence: Major	Residual Risk Rating: Medium	Is the Residual Risk Rating acceptable? No
Treatment Plan:		Responsibility:	Target Completion Date:
• Growth Management Plan being development		• Manager Economic Development & Urban Policy	• 31 August 2016
• Social Infrastructure Plan		• Manager Economic Development & Urban Policy	• 31 August 2016
• Updated Flood mapping being developed		• Manager Technical Services	• 31 December 2016
• Bushfire management plan – due for review after the regional plan has been developed and implemented		• Manager Parks & Landscapes	• 30 September 2016
• I-Responda Framework being established (develops relationships with adjoining Councils to assist with response to critical events)		• Manager Civil and Waste	• 31 December 2016
• Test Emergency Management Plan to identify gaps and facilitate alignment with Business Continuity Plan & identify efficiencies/cross over between the two plans		• Manager Civil and Waste	• 30 April 2017

Strategic Risk Register

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6	Event Description: City of Salisbury financial sustainability is compromised			
Responsible Managers: GM Business Excellence, GM City Infrastructure, GM City Development				
Contributory Factors (“root” causes / how and why the event arises): <ul style="list-style-type: none">• Reduction in grant funding• Inadequate revenue and a failure to maximise revenue from all sources• Unplanned spending• Inadequate valuation of assets or inaccurate depreciation• Inadequate planning for infrastructure repairs or upgrades• Changes to legislation/obligations imposed by other levels of government• Potential new revenue streams are not fully investigated• Inadequate economic development• Changes to roles and responsibilities assigned to City of Salisbury by federal or state government• Short term revenue is maximised at the expense of longer term revenue• Unknown consequences of new infrastructure provision from other levels of government or private sector investment• Failure to encourage investment in the City• Council business and service delivery doesn’t support business needs and expectations			Impacts (risks): <ul style="list-style-type: none">• Council ultimately becomes financially unsustainable• City revenue has to be raised increasingly through more traditional methods (rate rises)• Revenue from the sale of assets (land) is not invested for the longer term benefit of the community• Financial cost associated with falling rates revenue or increasing bad or doubtful debts	
Likelihood: Likely		Consequence: Major	Inherent Risk Rating: High	
Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details): <ul style="list-style-type: none">• Long term financial planning, 5• Asset Management Plans, 4• Quarterly Budget Review, 5• Annual Plan and Annual Report (reviewed by Audit Committee), 5• Elected Member Briefings, 5• Prudential Reviews, 5• Regular reviews of rating system fairness and equity, 3• Diversification of income (e.g. Water Business Unit, Strategic Property Development and Building Rules Certification Unit, Waste Transfer Station, Salisbury Memorial Park), 5• Program Review, 4• Budget Policies and Procedures, 5• Business Case Modelling, 4• Enhancement of economic base through initiatives – e.g. review of the ‘business friendly’ agenda, 4				
Likelihood: Possible		Consequence: Major	Residual Risk Rating: Medium	Is the Residual Risk Rating acceptable? No
Treatment Plan:		Responsibility:		Target Completion Date:
• Development of a consolidated system regarding the implementation of the Asset Management Process (Confirm Connect)		• GM City Infrastructure, GM Business Excellence		• October 2017
• Contracts and Procurement Review assessing capacity for more strategic procurement, enhancing commercial focus of procurement to ensure strategic alignment of procurement		• GM Business Excellence, Manager Contracts and Procurement		• October 2016
• Enhancing Grant Management process with a view to maximising grant income		• GM Business Excellence		• December 2016
• Assess the impact of NDIS/Home Community Support funding changes and develop response strategy		• GM Community Development/GM Business Excellence		• February 2017
• Review of the ‘Business Friendly’ Agenda		• GM City Development/Executive Group		• June 2017
• Conduct a Rate Review		• Manager Financial Services		• June 2017

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7	Event Description: Strategic and operational outcomes are not delivered		
Responsible Managers: CEO, All General Managers			
Contributory Factors (“root” causes / how and why the event arises): <ul style="list-style-type: none">• Inadequate performance measures which are not linked to objectives or strategies• Failure to monitor organisational performance against stakeholder expectations and to take action when necessary to correct it• Failure to deliver what is expected by the local community due to a lack of alignment of strategic plans• Limited meaningful corporate performance indicators in place• Inconsistent reporting and data collection of corporate performance indicators• Processes and systems fail to address customer needs• Unforeseen failure of infrastructure• Inadequate capability and capacity (e.g. workforce plans, training and development, technology, systems etc.)• Failure to engage with all stakeholders in developing the City Plan• Customer service is neither monitored or managed• Senior management and Elected Members fail to fully and appropriately demonstrate desired organisational values• Actual organisational structure, vision, values, norms, systems symbols, language, beliefs and habits are inconsistent with those desired.		Impacts (risks): <ul style="list-style-type: none">• Organisational performance is not adequately measured and therefore cannot be managed• Organisational plans and strategies are not achieved• Organisational resources are not used effectively• Organisational plans and strategies are not valued or desired by the community• Organisational plans and strategies are not delivered in a way that is consistent with the organisational values• Lack of customer / community engagement• Lack of employee engagement and commitment to City objectives• Poor customer service• Council lacks a coherent direction• Failure to meet legislative obligations• Not meeting community needs• Political and public embarrassment	
Likelihood: Possible		Consequence: Major	
Inherent Risk Rating: Medium			
Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details): <ul style="list-style-type: none">• Budget Process, 5• Annual Plan and Annual Report (Reviewed by Audit Committee), 5• City Plan – reviewed and approved by elected members, 5• Corporate Planning Framework• Community Engagement Framework, 4• Review of City Plan every 4 years, 5• Project Management Methodology, 3• Bi-annual customer satisfaction survey, 4• Program Reviews, 4• CEO Review, 4• Performance and Development Plans (PDP's), 4• Governance Framework and Statement, 5• OCI/ABEF survey process, 4• Strategic Project Reporting, 4• Skilled and experienced staff, 4• Contract Management, 4• Infrastructure Maintenance Activities, 5			
Likelihood: Unlikely		Consequence: Major	
		Residual Risk Rating: Medium	
		Is the Residual Risk Rating acceptable? No	
Treatment Plan:		Responsibility:	
OCI/LSI Action Plans		Target Completion Date:	
All GMs and Divisional Managers		30 September 2016	
Chief Executive Officer		28 February 2017	
Enhancement of evaluation of causes for delay on Strategic Projects and development of responses, including post implementation review process for key projects		Manager People and Culture	
December 2017		Review of staff recognition framework	
December 2017		Develop the Customer Service Framework	
31 December 2016		Manager Communications & Customer Relations	

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8	Event Description: Organisation suffers detriment as a result of fraud, misconduct or maladministration		
Responsible Managers: GM Business Excellence, Manager Financial Services, Manager Contract & Procurement Services, Manager Governance, CEO, GM City Infrastructure, GM Community Development, GM City Development			
Contributory Factors (“root” causes / how and why the event arises): <ul style="list-style-type: none">• Inadequate financial internal controls preventing or detecting fraud and corruption• Organisational culture fails to deter employees, contractors, volunteers or elected members from committing acts of fraud or corruption• Inadequate due diligence conducted on suppliers to the City of Salisbury• Inadequate fraud and corruption controls		Impacts (risks): <ul style="list-style-type: none">• An individual either inside or outside Council defrauds the organisation• An employee, contractor, volunteer or elected member uses their position or knowledge inappropriately for financial gain• Regulatory censure including an OPI / ICAC Investigation• Organisational reputation is damaged through the failure to prevent fraud• Ombudsman investigation results in negative findings for City of Salisbury• Political/Reputational damage	
Likelihood: Likely	Consequence: Major	Inherent Risk Rating: High	
Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details): <ul style="list-style-type: none">• Code of Conduct for Council Employees, 5• Code of Conduct for Elected Members, 5• Fraud Corruption and Prevention Framework, 5• Gifts and Benefits Policy and Register, 5• Procurement Policy and procedures (including Financial Delegations, Corporate Purchase Card Guidelines, Purchase Order Guidelines), 4• Procurement Steering Group, 4• Financial Internal Controls Annual Assessments and Reviews (in Control Track), 5• Internal Audit, 5• Policy for Assessment of Council Development, 5• Financial Internal Controls Framework, 5• External Audit, 5• Staff training and induction processes, 4• Code of Conduct Awareness Training (Annual), 5			
Likelihood: Possible	Consequence: Major	Residual Risk Rating: Medium	Is the Residual Risk Rating acceptable? Yes
Treatment Plan:		Responsibility:	Target Completion Date:

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9	Event Description: Failure to comply with WHS legislative obligations		
Responsible Managers: GM Business Excellence, Manager People and Culture, CEO, GM City Infrastructure, GM Community Development, GM City Development			
Contributory Factors (“root” causes / how and why the event arises): <ul style="list-style-type: none">• Inadequate controls in place to prevent incidents occurring• Insufficient reporting of incidents and near misses• Safe work practices not documented or communicated to employees• Inadequate induction, training and supervision• Inadequate hazard management system• Organisational safety attitude does not recognise the importance of following WHS policies and procedures		Impacts (risks): <ul style="list-style-type: none">• An employee, contractor, volunteer or elected member is injured or dies as a result of a preventable incident or accident• Potential financial consequences for the City of an incident affecting a member of staff including; medical / rehabilitation expenses, injury compensation claim, legal expenses, fines• Regulatory censure including a SafeWork SA Prohibition Notice, Improvement Notice or prosecution / conviction• Legal consequences for senior management should policies and procedures be determined as inadequate by SafeWork SA.• Organisational reputation is damaged through the failure to prevent an accident or injury occurring at work• Scheme losing self-insured status and resultant lack of financial sustainability	
Likelihood: Almost Certain	Consequence: Critical	Inherent Risk Rating: Extreme	
Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details): <ul style="list-style-type: none">• WHS training and e-learning (mandatorily required for all employees on commencement of employment and thereafter as necessary), 5• WHS Consolidated Program Event Matrix (One Page Plan) detailing; Audits, Policies and Procedures, 5• WHS Reviews, 4• Principal WHS Committee, 5• City Infrastructure WHS Committee, 5• JSA, work instructions and plant risk assessments, 4• Hazard and incident reporting and investigation procedures, 4• Members of the Local Government Workers Compensation Scheme, requiring annual external audits, 5• Work Health Safety representative structure team, 5• Support from LG Sector/other councils/private sector organisations with development/implementation of WHS policies/procedures (including benchmarking partners), 5• Contractual arrangements with external providers to assist compliance with WHS obligations, 4• Quarterly Executive Report highlighting trends, outstanding actions and high risk rating incidents or hazards			
Likelihood: Possible	Consequence: Critical	Residual Risk Rating: High	Is the Residual Risk Rating acceptable? No
Treatment Plan:		Responsibility:	Target Completion Date:
• Review of Hazard Management System		• Manager People and Culture	30 June 2017
• Review of Incident Investigation Process (including timeframes and reporting)		• Manager People and Culture	30 June 2017

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10	Event Description: Lack of alignment and integrity of IT systems and support with business needs		
Responsible Managers: GM Business Excellence, Manager Information Services			
Contributory Factors (“root” causes / how and why the event arises): <ul style="list-style-type: none">• Failure to adequately involve IT when developing plans, strategies and projects• Failure to consider all options when improving a system or process• Organisational change is not conducted in a structured and logical manner• Failure to support the skill set of individuals responsible for the delivery of business processes• Lack of business engagement and clarity of roles• External pressure for changes to systems/processes• Lack of plans and procedures to inform response strategies when a cybersecurity incident occurs• Lack of monitoring of cybersecurity threats to organisational assets• Lack of communication/training for all staff regarding information security• Information to facilitate action during a cybersecurity incident is not available		Impacts (risks): <ul style="list-style-type: none">• Organisational plans and strategies are not achieved due to a lack of IT support or infrastructure• Council operations pause resulting in financial loss• Failure to adapt to a changing external environment• Inefficient and ineffective use of organisational resources• Poor service delivery• Political/Public embarrassment• Costs of litigation and restoration of services	
Likelihood: Almost Certain		Consequence: Major	
Inherent Risk Rating: Extreme			
Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details): <ul style="list-style-type: none">• Applications Committees (x5), 3• IS Strategy 2014-17, 4• IT Governance Framework, 3• Programmed testing of systems for security and reliability, 4• Business Process Improvement program, 3• Information Security Policies and Procedures, 4• IT Disaster Recovery Plan, 4• Business Continuity Plans, 4• Incident Management Team identified and trained, 4• Building security and access controls, 5• User access system controls, 4• Patch management and software maintenance procedures, 4			
Likelihood: Likely		Consequence: Major	
		Residual Risk Rating: High	
		Is the Residual Risk Rating acceptable? No	
Treatment Plan:		Responsibility:	
Target Completion Date:			
• Delivery of IS Strategy 2014-17 and the projects that are a part of it		• Manager Business Systems and Solutions	• 31 December 2017
• Review of IT Governance Framework		• Manager Business Systems and Solutions	• 31 December 2017
• Delivery of outcomes from IS Program Review		• GM Business Excellence	• 30 June 2017
• Develop digital strategy to enhance engagement with community and customer service		• Manager Business Systems and Solutions	• 30 June 2017
• Conduct a Cyber Security Risk Assessment		• Manager Business Systems and Solutions	• 31 December 2016
• Develop the Business Improvement Framework		• Manager Business Systems and Solutions	• 31 December 2016

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Table 1 – Residual Consequence Ratings

RATING	AREA OF IMPACT				
	Political/Social/ Environmental	Economic/ Financial	Legal/Regulatory	Organisational Management/Human Factors	Customer Service/Business Continuity
1 Minor	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"> Unexpected/unplanned loss of a staff member. Potential for minor injury (however no injury occurred). 	Minor interruption to service provision capability, e.g. less than 4 hours.
2 Moderate	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"> Unexpected/unplanned loss of a key staff member. Minor injury, no lost time or other ramifications. 	Limited disruption to service provision capability requiring altered operational arrangements for a short period, e.g. between 4 and 8 hours.
3 Major	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"> Unexpected/unplanned loss of several key staff members from a single area. Significant injury to staff/ dangerous near miss. 	Significant impairment of service provision (capability or period), e.g. between 1 and 2 days.
4 Critical	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"> Unexpected/unplanned loss of a significant number of staff, e.g. during a pandemic. Death / critical injury to staff. 	Total loss of service provision capability for extended period, e.g. in excess of 2 days.

Table 2 – Residual Likelihood Ratings

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

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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				

Table 4 - Residual Risk Descriptors

Extreme	<ul style="list-style-type: none"> Risk mitigation plans required to immediately reduce current residual risk level (or where unable to reduce rating consider cessation of activity). Success in reducing this level of residual risk to be reported to the Executive on an ongoing basis until the level has been reduced.
High	<ul style="list-style-type: none"> Relevant business area to undertake regular monitoring (e.g. on a quarterly basis) of the effectiveness of current controls and assessment of residual risk required. Consideration may be given to the development and implementation of additional risk mitigation strategies.
Medium	<ul style="list-style-type: none"> Periodic monitoring (e.g. at least annually) of the effectiveness of current controls and assessment of residual risk to ensure rating does not increase over time.
Low	<ul style="list-style-type: none"> Consideration given to streamlining of excessive or redundant controls.

Strategic Risk Register**v2.2 September 2016****Table 5 - Control Effectiveness Ratings**

Each existing control/mitigating practice is assessed by the relevant General Manager(s) and the CEO each quarter. The rating given in the Strategic Risk Register for each existing control/mitigating practice is an overall average rating based on the rating given by each General Manager and the CEO.

The following defines the meaning of the control effectiveness ratings;

0 n/a or not rated: no rating as not relevant or not implemented.

1 Ineffective: During the period, the control has not been implemented as described. Urgent management action is required to implement the described control processes.

2 Requires significant improvement: During the period, the control has been implemented as described, but with significant deficiencies in the consistency or effectiveness of implementation. Significant management action required to implement processes to improve the effectiveness of the control.

3 Partially effective: During the period, the control has been implemented as described, but with some deficiencies in the consistency and/or effectiveness in which it has been applied.

4 Majority effective: During the period, the control has been implemented as described and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.

5 Effective: During the period, the control as described has been fully implemented and has in all cases has been consistently and/or effectively applied.

Source: Control Activity Owner Instruction Manual, ControlTrack®

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Table 6 - Heat Map of the City of Salisbury Strategic Risks

Residual Risk Ratings			
Extreme	High	Medium	Low
	1	3	
	9	6	
	4	8	
	10	2	
		5	
		7	

No.	Risk Description	Inherent Risk Rating	Residual Risk Rating	Rating Acceptable	Treatment Plan
1	Inadequate preparation and response to a business continuity event	Extreme	High	No	Yes
9	Failure to comply with WHS legislative obligations	Extreme	High	No	Yes
4	Lack of management of a major event at a Council facility that affects public and staff safety	Extreme	High	No	Yes
10	Lack of alignment and integrity of IT systems and support with business needs	Extreme	High	No	Yes
3	Lack of management of public and environmental health risks	High	Medium	Yes	No
6	City of Salisbury financial sustainability is compromised	High	Medium	No	Yes
8	Organisation suffers detriment as a result of fraud, misconduct or maladministration	High	Medium	Yes	No
2	Inadequate prevention of and response to contamination of Wetlands and/or the recycled water systems	Medium	Medium	No	Yes
5	Failure to manage the impact of environmental and social factors on Council infrastructure, assets and services	Medium	Medium	No	Yes
7	Strategic and operational outcomes are not delivered	Medium	Medium	No	Yes



AUDIT OF PAYROLL

Audit Scope

OVERALL OBJECTIVE AND RISKS

To provide assurance on payroll risks that are managed by the People & Culture Division, including but not limited to payroll risks and controls detailed in the Better Practice Model.

BACKGROUND

The Payroll Team is a centralised team of 2 people with a notional headcount of 1.6, which is located in the People & Culture Division (P&C) of the City of Salisbury. During each fortnightly pay-run cycle there are approximately 450 City of Salisbury employees whose salary transactions are processed through a combination of manual timesheet records and the use of the Empower IT system.

The South Australian Local Government Financial Management Group (SALGFMG) has produced a Better Practice Model – Financial Internal Controls for South Australian Councils and the City of Salisbury follow this model. In the Better Practice Model there are 10 risks and 49 controls that apply to a payroll function and a copy of them is provided at the end of the Audit of Payroll Audit Scope document. It should be noted that the controls highlighted in grey are where the City of Salisbury has alternative arrangements in place to comply with this control.

SPECIFIC OBJECTIVES

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

- The management of the payroll process.
- Providing assurance on legislative compliance and on the 10 risks and 49 controls that are listed at the end of the Audit of Payroll Audit Scope document.
- Identifying any improvements or efficiencies that can be made to the payroll process including any payroll controls that are duplicated or superfluous under the Better Practice Model.
- Test for compliance with approved payroll policies, procedures and best practice.
- Segregation of duties with regards to the payroll process and other HR processes.
- The interaction between Payroll and relevant IT systems.
- Review the payroll reconciliation process to ensure it meets legislative compliance requirements (including the *Return To Work Act 2014*).

BOUNDARIES

The audit will not review the Confirm system or the implications of the Asset Management Improvement Project for the recording of time / work by field staff.

CONDUCT OF THE REVIEW

The nature of audit will be a risk based compliance audit, it should involve a review of the applicable policies and processes, together with relevant samples from these processes, interviews with appropriate members of staff and an assessment of the management of relevant risks and compliance with relevant legislation. Any areas for process improvement and efficiency savings should also be highlighted. The audit should 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, including quality assurance on the audit work and audit outputs.
Suggested Resourcing	The audit will be conducted by external consultants selected through a tendering process. The participation of managers and staff involved in payroll processes will also be required.

TIMING

The audit will be conducted between 1st October 2016 and 31st December 2016 at a mutually agreed timescale.





AUDIT OUTPUT

The output of the audit will be a report that is agreed and accepted by the Manager People & Culture 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(s) on the management of risks associated with Payroll, using City of Salisbury risk management terminology.

APPROVED DATE 29/8/16	APPROVED DATE 30/8/16	APPROVED DATE 30/8/16	APPROVED DATE 29/8/16
			
Tami Norman Manager Governance	Gail Page Manager People & Culture	David Bevan Manager Business Systems and Solutions	Charles Mansueto GM Business Excellence

PAYROLL FINANCIAL RISKS AND INTERNAL CONTROLS FROM THE BETTER PRACTICE MODEL – FINANCIAL INTERNAL CONTROLS FOR SOUTH AUSTRALIAN COUNCILS

Control Track Reference	Payroll Risk	Payroll Control	Core or Additional
LIA-EMP-0001	Employee provisions are either inaccurately recorded or not recorded at all.	Management must approve all staff requests for leave and leave taken is recorded by somebody independent from the approval.	Additional
LIA-EMP-0002	Employee provisions are either inaccurately recorded or not recorded at all.	Reconciliation of employee provisions performed on a regular basis and these are independently reviewed and signed off by managers responsible for leave approvals.	Additional
LIA-EMP-0006	Employee provisions are either inaccurately recorded or not recorded at all.	Leave balances are recorded on pay advices for verification by staff.	Additional
LIA-EMP-0004	Payroll master file does not remain pertinent.	Access to payroll/provision master file is restricted to authorised officers only.	Core
LIA-EMP-0010	Payroll master file does not remain pertinent.	Any changes to the payroll master files are approved by management.	Core
LIA-EMP-0007	Payroll master file does not remain pertinent.	Payroll master file data is periodically reviewed for accuracy and pertinence.	Additional
LIA-EMP-0008	Payroll master file does not remain pertinent.	Departmental managers periodically review listings of current employees within their departments and notify the personnel department of necessary changes.	Additional
LIA-EMP-0009	Payroll master file does not remain pertinent.	Recorded changes to the payroll master files are compared to authorised source documents to ensure accurate input.	Additional
EXP-PAY-0001	Payroll disbursements are made to incorrect or fictitious employees.	Employees are not added to the payroll records or paid without receipt of the appropriate forms duly authorised by responsible Council Officers.	Core
EXP-PAY-0002	Payroll disbursements are made to incorrect or fictitious employees.	All employee deductions must be substantiated with documented approval provided by employee.	Core
EXP-PAY-0003	Payroll disbursements are made to incorrect or fictitious employees.	Independent review of proposed payments by an authorised officer prior to the payment being released.	Additional
EXP-PAY-0004	Payroll disbursements are made to incorrect or fictitious employees.	Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements.	Core
EXP-PAY-0005	Payroll disbursements are made to incorrect or fictitious employees.	Officers responsible for originating/preparing payroll disbursements are precluded from authorising transfer of same.	Core
EXP-PAY-0007	Payroll disbursements are made to incorrect or fictitious employees.	Any non-routine payroll queries or queries of a managerial/strategic nature are investigated by Senior Management.	Core
EXP-PAY-0008	Payroll disbursements are made to incorrect or fictitious employees.	Employees made inactive in payroll records immediately upon termination. Termination report provided as supporting documentation with request for an EFT. Comparison of subsequent current employee listings made	Core

		by independent person to verify correctness.	
EXP-PAY-0003	Payroll disbursements are made to incorrect or fictitious employees.	Independent review of proposed payments by an authorised officer prior to the payment being released.	Additional
EXP-PAY-0006	Payroll disbursements are made to incorrect or fictitious employees.	Payees identified on pay slips by employee number and name. All employees paid by EFT (manual cheque when necessary) into authorised a/c. EFT listing must be reconciled to: Net pay total of payroll journal; No. of employees paid; Listing received from Council's bank.	Additional
EXP-PAY-0011	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.	Total of payment summaries for the year is reconciled to general ledger and payroll.	Core
EXP-PAY-0009	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.	All time sheets are checked and verified by the payroll officer with evidence of processing.	Additional
EXP-PAY-0010	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.	An exception report showing all deductions and allowances is to be printed and checked by an authorised officer before pay slips are processed.	Additional
EXP-PAY-0012	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.	Payment summaries that are returned or unclaimed are received and investigated by an authorised officer.	Additional
EXP-PAY-0025	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.	Time recording and attendance exceptions based on expectations established by management are identified, monitored and corrected.	Additional
EXP-PAY-0039	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.	Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the supervisor/manager.	Core
EXP-PAY-0013	Payroll expense is inaccurately calculated. / Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.	Timesheets are reconciled regularly to the payroll reports to ensure that all time entered manually into the payroll system is accurate.	Additional
EXP-PAY-0017	Payroll expense is inaccurately calculated.	Standard programmed formulae perform payroll calculations.	Core
EXP-PAY-0018	Payroll expense is inaccurately calculated. / Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.	Overtime hours worked and payments for such overtime are authorised by management for all eligible employees.	Core
EXP-PAY-0016	Payroll expense is inaccurately calculated. / Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.	Salary and hourly payroll reports are reviewed and approved by management.	Additional
EXP-PAY-	Payroll expense is	Non-standard pays checked by a person	Additional

0019	inaccurately calculated.	independent from the calculation process.	
EXP-PAY-0020	Payroll expense is inaccurately calculated.	Amounts paid to employees are regularly reconciled to the General Ledger accounts.	Additional
EXP-PAY-0021	Payroll expense is inaccurately calculated.	Actual payroll expense is compared to budget by management; significant variances are investigated and approved by management.	Additional
EXP-PAY-0022	Payroll disbursements are made to incorrect or fictitious employees.	The transfer of the bank file should be restricted to authorised officers who are not be involved in the preparation of the pay run.	Core
EXP-PAY-0023	Payroll disbursements are made to incorrect or fictitious employees.	Managers perform a regular review of report detailing all employees listed on payroll master file; all unusual items are investigated.	Additional
EXP-PAY-0024	Payroll disbursements are made to incorrect or fictitious employees.	Payroll system generates exception reports detailing all payroll changes that are regularly reviewed by management who investigate & approve variances.	Core
EXP-PAY-0029	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.	Significant changes (supported by adequate audit trail) to the payroll master files approved by management.	Core
EXP-PAY-0014	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.	Any adjustments to employee records are not permitted without written authorisation of the employee.	Additional
EXP-PAY-0026	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.	Managers periodically review listings of current employees within their departments and notify the personnel department of necessary changes.	Additional
EXP-PAY-0027	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.	The ability to view, modify, or transfer information contained in the payroll master files is restricted to authorised personnel.	Additional
EXP-PAY-0028	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.	Variations between payroll master files and time recording system are investigated and appropriate action taken.	Additional
EXP-PAY-0038	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.	All payroll suspense accounts are reconciled and reviewed by management or other supervisory personnel on a timely basis. Transactions recorded in the payroll suspense accounts are proper suspense items; other items are investigated and resolved in a timely manner.	Core
EXP-PAY-0040	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.	Payroll master file data is reviewed for accuracy and employee validation, identified errors are corrected.	Additional
EXP-PAY-0030	Voluntary and statutory payroll deductions are	All payroll deductions must be approved by the relevant employee.	Core

	inaccurately processed.		
EXP-PAY-0031	Voluntary and statutory payroll deductions are inaccurately processed.	Access to the payroll deduction listing is restricted to authorised officers.	Core
EXP-PAY-0015	Voluntary and statutory payroll deductions are inaccurately processed.	The listing of payroll deductions is periodically reviewed by management for accuracy, compliance with statutory requirement and ongoing pertinence with changes compared to authorised source documents to ensure that they were input accurately.	Core
EXP-PAY-0032	Salary sacrifice transactions are inaccurately processed.	All original salary sacrifice transactions must be approved by the relevant employee. Payroll staff must ensure that such approval has been obtained prior to processing transactions into the payroll system.	Core
EXP-PAY-0033	Salary sacrifice transactions are inaccurately processed.	Management reviews a selection of salary sacrifice calculations for accuracy and compliance with statutory requirements; identified errors are promptly corrected.	Additional
EXP-PAY-0034	Employees are terminated in breach of statutory and enterprise agreements.	Establish employee termination policies and procedures, including statutory regulation and union requirements. Regularly review and update these policies and procedures.	Core
EXP-PAY-0035	Employees are terminated in breach of statutory and enterprise agreements.	A legal due diligence process is established to ensure issues with termination of employees are promptly identified and resolved.	Additional
EXP-PAY-0037	Employees are terminated in breach of statutory and enterprise agreements.	Regular review by management of compliance with employee termination policies and procedures, including compliance with statutory regulation and union requirements.	Additional

ITEM	4.2.3
	AUDIT COMMITTEE
DATE	15 November 2016
HEADING	Update on Risk Management and Internal Controls Activities for the 2016/17 financial year
AUTHOR	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
CITY PLAN LINKS	4.3 Have robust processes that support consistent service delivery and informed decision making.
SUMMARY	This report provides a summary of the planned risk management and internal controls activities to be completed in the 2016/17 financial year. The report also includes an update on the outstanding actions from internal audits.

RECOMMENDATION

1. The information be received.

ATTACHMENTS

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

1. Risk Management and Internal Controls Activities 2016-17 v1.1
2. Outstanding Actions

1. BACKGROUND

- 1.1 This report is necessary in order to provide an update to the Audit Committee of Council on the risk management and internal controls activities to be undertaken in the 2016/17 financial year by the BA Internal Audit & Risk.

2. REPORT

- 2.1 Changes to the status of items in the Risk Management and Internal Control Activities 2016-17 document since the last Internal Audit Update was provided to the Audit Committee in July 2016 include:
 - 2.1.1 The completion of the External Audit of internal financial controls, details of which were presented at the October meeting of the Audit Committee.
 - 2.1.2 Completion of the residual risk assessments in the Control Track system.
 - 2.1.3 Completion of Cash Management internal controls checks as a part of the internal controls framework that was externally audited.

- 2.1.4 Completion of a revised risk matrix for the City of Salisbury, the results of which have been endorsed by the Executive Group and will be presented to the Audit Committee in February 2017.
- 2.1.5 The Risk Management Guide has also been reviewed and revised as a result of the new risk matrix. This revised Risk Management Guide has been endorsed by the Executive Group and will be presented to the Audit Committee at the next meeting in February 2017.

2.2 Outstanding Actions

- 2.2.1 The table in Attachment 2 of this report provides an update on the status of all agreed action items arising from completed internal audit work.
- 2.2.2 All outstanding actions have, and will continue to be, followed up with the relevant Divisional Manager by the BA Internal Audit & Risk.

3. CONCLUSION / PROPOSAL

- 3.1 This report has provided a summary of the risk management and internal controls work completed to date by the BA Internal Audit & Risk in the 2016/17 financial year. Further updates and any changes to the schedule of work will be provided at the February 2017 Audit Committee of Council meeting.

CO-ORDINATION

Officer: MG
Date: 02/11/2016

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

v1.1

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	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 2016 meeting of the Audit Committee.
Completion of Residual Risk Assessments in the Control Track system.	Internal Controls	Internal	July 2016	Completed	The external auditors expectations are that a risk assessment should also be conducted on internal financial controls. The residual risk assessments were all completed before the end of July 2016.
Cash Management	Internal Controls	Internal	July 2016	Completed	Work completed as a part of the internal controls framework, it included end of year reconciliations of petty cash and till floats. This work was completed before the end of July 2016.
Review and revise the risk matrices used to assess risks at the City of Salisbury	Risk Management	Internal	July-October 2016	Completed	A revised single risk matrix has been endorsed by the Executive Group and will be presented to the Audit Committee for information at the February 2017 meeting of the Audit Committee.
Review of Legislative Reporting Obligations	Internal Controls	Internal	July-December 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

v1.1

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-January 2017	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 – January 2017	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

v1.1

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	January-June 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	In progress	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. Work on the Risk Management Guide has been completed and approved by the Executive Group. It will be presented to the Audit Committee at the February 2017 meeting.
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.

<i>Audit: Compliance With Building Inspections Policy</i>					
Agreed Action	Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
2.8.2 Review and consider revising the planning inspection targets to either a lower percentage target, or to an achievable and appropriate absolute number of inspections per planning officer.	Low	Manager Development Services	June 2015	Completed	
2.9 As a part of the next policy review consider the following changes; <ul style="list-style-type: none"> Specify additional selection criteria for the prioritisation of buildings for inspection Include guidelines on how inspections must be counted Provide additional guidance to inspectors as to the actions required of them in relation to managing inspections and complaints Introduce additional guidance detailing the expected extent of inspection to be undertaken 	Low	Manager Development Services	March 2015	Completed	

<i>Audit: Internal Control Framework – Substantive Testing</i>					
Agreed Action	Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
1. For the uploaded data to the Pathway system the details of individual transactions are not stored. The system has an audit trail when the individual transactions are entered individually; however it does not when they are entered as a batch and needs to do so.	N/A	To be tracked by BA Internal Audit & Risk	Q3 2015	Q2 2017	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 due for release and implementation in March 2017, a precise date is not known at this time, nor are the specifications. The issue has been escalated with Infor by City of Salisbury’s IT team.

<i>Audit: Procurement</i>						
Agreed Action		Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
A.2.1	Confirmation of the role of CPS (central)	High	General Manager Business Excellence Procurement Steering Group / Executive Group	April 2015	Completed	
	Report to PSG Confirmation of role/ compliance/ central/decentralised	High	General Manager Business Excellence Procurement Steering Group / Executive Group	April 2015	Completed	
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	Completed	

<i>Audit: Procurement</i>						
Agreed Action		Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
A.2.2	Refer A.2.1 in relation to structure and function delivered by CPS and business areas (consideration will need to be given to ensuring appropriate staff skill set, controls and probity, if decentralisation is a preferred model)	High	General Manager Business Excellence	April 2015	TBD	<ul style="list-style-type: none"> As part of the implementation of the new structure and roles appropriate training and support will be provided to deliver on the expected outcomes, noting that a centralised model is preferred.

Audit: Procurement						
Agreed Action		Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
A2.3	Through the Procurement Steering Group (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	March 2017	<ul style="list-style-type: none"> KPI paper presented to PSG for consideration and input August 27. Revised paper presented to PSG Nov 30 agreed on four key KPIs: <ul style="list-style-type: none"> % of spend influenced/management by Procurement Procurement cycle timelines – a report has been written in consult with C&PS which captures the majority of timelines through the PCMS system: Acquisition commencement → AP approval AP approval → market release Evaluation period → Tender Recommendation Tender Recommendation → Contract Award Contract Award → Contract Execution Contract start → Contract completion Local buy / economic benefit (geographic spend) / local business economic assessment / local employment / Social inclusion entities/value
					March 2017	<ul style="list-style-type: none"> The Manager Strategic Procurement will be assessing appropriate KPIs to align with Program Review outcomes.

<i>Audit: Procurement</i>						
Agreed Action		Risk Assessment	Responsible Officer	Target Date	Revised Date	Comments
B.2.9	Review existing reporting regime and identify opportunities to enhance reporting.	Medium	Manager, Contract & Procurement Services BA Internal Audit & Risk Procurement Steering Group / Executive Group	April 2015	March 2017	<ul style="list-style-type: none"> • ArcBlue projects underway providing: <ul style="list-style-type: none"> ○ Spend Analysis reporting ○ CoSol Forward Procurement Plan (FPP) identification. • Council Solutions training was delivered September 2015 to develop analysis opportunities • Further requirements for reporting to be presented to Procurement Steering Group as noted in A2.3.

Review: External Review of Internal Audit				
Opportunity for Improvement	Responsible Officer	Target Date	Revised Date	Comments
5. Strategic risk not included in the Internal Audit Plan 2016-2018. Agreed Action; 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.	BA Internal Audit & Risk	Completed		
6. Risk assessment for Financial Controls within Control Track is not complete Agreed Action; 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.	BA Internal Audit & Risk	31 January 2017		

INFORMATION ONLY 4.2.4

AUDIT COMMITTEE

DATE 15 November 2016

HEADING Local Government Association Mutual Liability Scheme Annual Risk Review 2016

AUTHOR George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance

CITY PLAN LINKS 4.3 Have robust processes that support consistent service delivery and informed decision making.

SUMMARY The Local Government Association Mutual Liability Scheme (LGA MLS) conducts an annual risk review on the City of Salisbury's management of risk. A summary of the findings is presented in this report.

RECOMMENDATION

1. That the information be received.

ATTACHMENTS

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

1. LGA MLS Risk Profile Review - Data Report 2016

1. BACKGROUND

- 1.1 Each year the Local Government Association Mutual Liability Scheme (LGA MLS) conducts a review to assess the City of Salisbury's management of risk. The results of the review together with the City of Salisbury's last 7 years claims experience are used to calculate the bonus applied as a discount to the next year's premium, which is referred to on the attachment as "Performance Bonus". Claims experience is still the main factor in determining the amount of bonus; however the LGA MLS continue to review the bonus structure.
- 1.2 The City of Salisbury has consistently performed well in past reviews due to the processes in place to manage risk. Results of the 2015 risk review were not circulated by the LGA MLS and as a result there is no Risk Profile Review Score for 2015. The methodology for calculating this score was changed by the LGA MLS in 2016, so the 2016 figure is not directly comparable with previous year's scores.

2. REPORT

- 2.1 Attachment 1 details the City of Salisbury's Risk Profile Review Data Report for 2016. This year the City has once again achieved a positive outcome in terms of the risk management components of the review. As a result the City will receive a performance bonus of \$106,982 (up significantly from \$83,938 in 2015).
- 2.2 These results represent a 25% performance bonus, which has been discounted from the City's overall contribution of \$527,682 for 2016/17. The City's net contribution for the 2016/17 year is therefore \$420,700 which is a 3% decrease on the 2015/16 net contribution of \$434,924.
- 2.3 The risk profile review was conducted across 10 risk management areas;
 - 2.3.1 Reputation and Integrity
 - 2.3.2 Strategic Risk and Governance
 - 2.3.3 Procurement, Contract Management Systems
 - 2.3.4 Volunteers/Vulnerable Groups/Committees
 - 2.3.5 People
 - 2.3.6 Environment/Vegetation/Trees
 - 2.3.7 Emergency Management
 - 2.3.8 Community Land Recreation/Leisure Services
 - 2.3.9 Road and Footpath Management
 - 2.3.10 Use by Other Parties – Facilities/Land
- 2.4 Across all the above categories, the City of Salisbury scored higher than the metropolitan average in 6 categories, in line with the metropolitan average in 1 category and below the metropolitan average in 3 categories. Of the 3 areas that were below average, the primary reason for the reduced scores in the 2 areas of Strategic Risk and Governance, and People categories was because the City of Salisbury does not currently use an operational risk register. This will be addressed and is currently on the schedule of risk management work to be completed by the BA Internal Audit & Risk in 2016/17. The reason for the reduced score in the Emergency Management category was because the City has yet to fully implement i-Responda.
- 2.5 The i-Responda Framework has been developed by the Local Government Association (LGA), to assist Councils in the planning and implementation of their response to emergency incidents. In these situations, Councils are sometimes asked to volunteer plant, equipment and personnel to assist the authority responsible for managing the incident. The framework is not mandatory; however the City of Salisbury has chosen to implement it. Implementation is scheduled for completion by the 31 December 2016 and it is also a treatment plan for Strategic Risk 1, *Inadequate preparation and response to a business continuity event*. This treatment plan is monitored through the Strategic Risk Register.
- 2.6 Overall the City of Salisbury's 2016 score for the risk profile review of 80.5 across all 10 categories compares favorably against the metropolitan average of 77.6 and the local government average of 63.5.

3. CONCLUSION / PROPOSAL

- 3.1 Once again the City of Salisbury has achieved a good result from the LGA MLS Annual Risk Review. This excellent result has led to the City receiving a performance bonus of \$106,982 for the 2016/17 financial year.
- 3.2 Actions are in place to ensure that risk management continues to improve at the City of Salisbury.

CO-ORDINATION

Officer: MG
Date: 19/10/2016



2016 LGA MUTUAL LIABILITY SCHEME

CITY OF SALISBURY

RISK PROFILE – REVIEW DATA REPORT

MONDAY, 04 JULY 2016

1

LOCAL GOVERNMENT ASSOCIATION MUTUAL LIABILITY SCHEME

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

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

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

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

S142—Duty to insure against liability

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

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

The purpose of the LGAMLS is -

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

AUDIT COMMITTEE

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

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

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

In particular, the Audit Committee shall:

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

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

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

2016 AUDIT COMMITTEE / EXECUTIVE REPORTS

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

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

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

CLAIMS

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

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

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

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

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

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

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

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

RISK MANAGEMENT AWARDS HISTORY

MUTUAL LIABILITY SCHEME

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

WORKERS COMPENSATION SCHEME

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

A NEW LOOK - 2016

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

Governance/Finance/People

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

Operations/Services/Functions

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

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

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

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

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

CITY OF SALISBURY

CONTRIBUTION/ BONUS HISTORY

	2011/12	2012/13	2013/14	2014/15	2015/16
Contribution gross	\$462,415	\$482,761	\$496,278	\$507,196	\$518,862
Bonus	\$57,752	\$78,098	\$80,285	\$82,051	\$83,938
Contribution net	\$404,663	\$404,663	\$415,993	\$425,145	\$434,924
Spec Distribution (MLS)	\$81,751	\$61,313	\$61,324	\$61,324	\$112,251*
Total (inc discount)	\$322,912	\$343,350	\$354,669	\$363,821	\$322,673

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

RISK PROFILE REVIEW SCORE HISTORY

	2010	2011	2012	2013	2014
City of Salisbury	96.1%	94.7%	95.3%	93.7%	93.7%
Metro Average	94.2%	92.5%	92.6%	93.0%	93.0%
Regional Average	83.5%	80.5%	81.4%	80.8%	80.8%
LG Average	86.2%	83.5%	84.2%	83.9%	83.9%

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

2016/17 MEMBERSHIP YEAR**REVISED LGAMLS PERFORMANCE BONUS SYSTEM**

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

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

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

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



Local Government Association
Mutual Liability Scheme

2016/17 CONTRIBUTION

Council: City of Salisbury

GROSS Contribution: \$ 527,682

7 Years Contributions for Period: \$ 2,891,731

7 Years Total Claim Costs for Period : \$ 715,408

Loss Ratio: 25%

Performance Bonus TOTAL: \$ 106,982

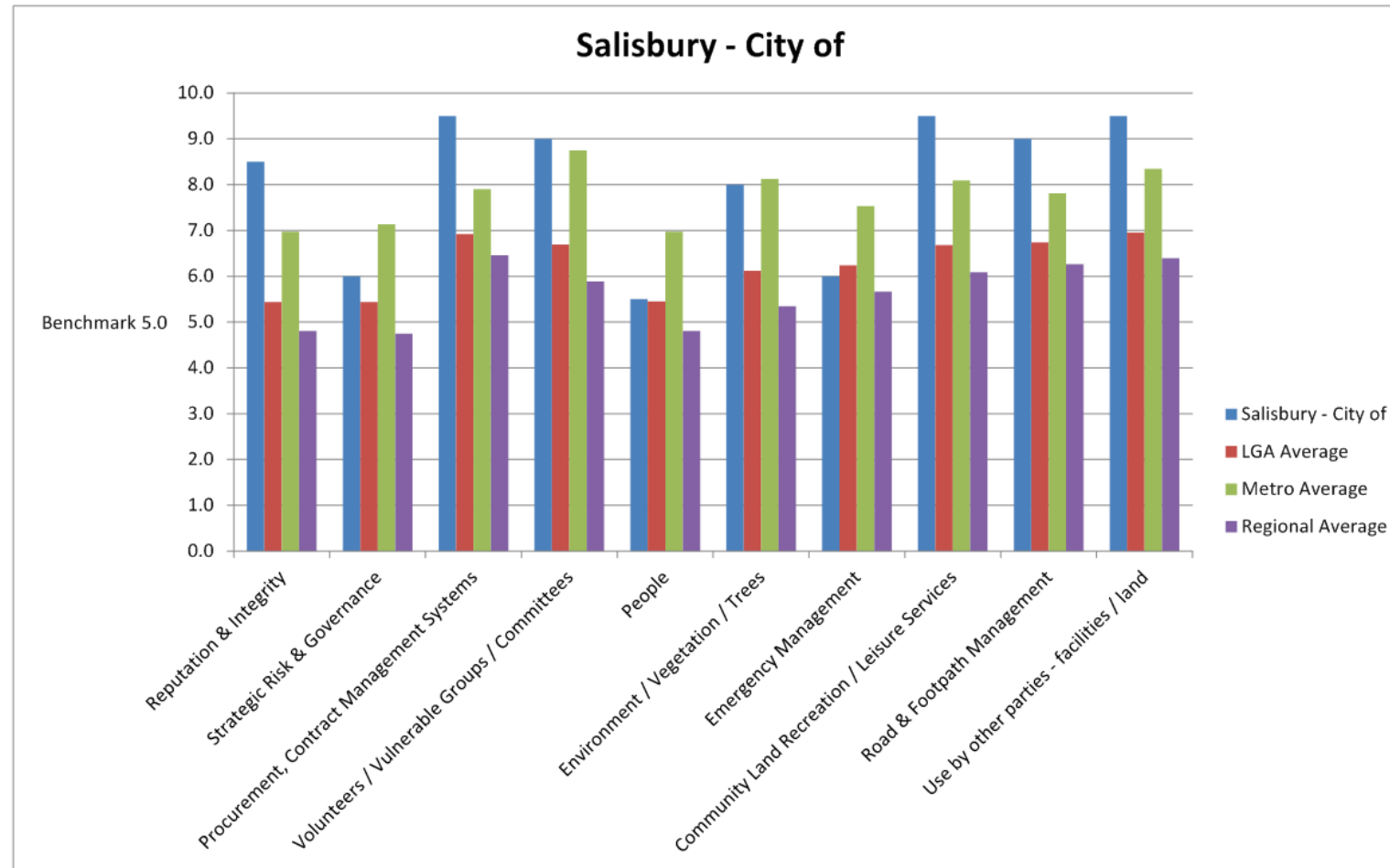
NET Contribution: \$ 420,700

(Gross less Performance
Bonus & excl GST)

2016 RISK PROFILE – REVIEW

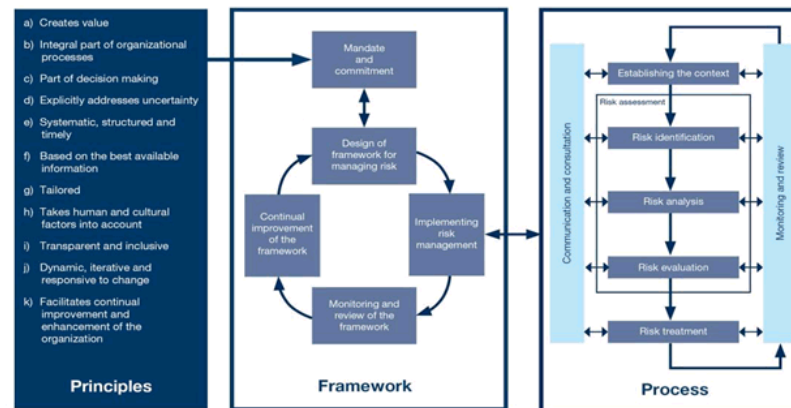
Section	City of Salisbury	Metro Average	Regional Average	LG Average
Reputation & Integrity	8.5	7.0	5.0	5.4
Strategic Risk & Governance	6.0	7.1	4.9	5.4
Procurement, Contract Management Systems	9.5	7.9	6.6	6.9
Volunteers/ Vulnerable Groups/ Committees	9.0	8.8	6.1	6.7
People	5.5	7.0	5.0	5.4
Environment/ Vegetation/ Trees	8.0	8.1	5.5	6.1
Emergency Management	6.0	7.5	5.8	6.2
Community Land Recreation/ Leisure Services	9.5	8.1	6.2	6.7
Road & Footpath Management	9.0	7.8	6.4	6.7
Use by other parties – facilities/ land	9.5	8.3	6.5	7.0
Total	80.5	77.6	59.2	63.5

BENCHMARKING



ACTION PLANS

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



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

ITEM	4.2.5
	AUDIT COMMITTEE
DATE	15 November 2016
HEADING	New and Emerging Risks
AUTHOR	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
CITY PLAN LINKS	4.3 Have robust processes that support consistent service delivery and informed decision making. 4.2 Develop strong capability and commitment to continually improve Council's performance.
SUMMARY	In response to a request from the Audit Committee of Council at the July 2016 meeting, a report highlighting new and emerging risks will now be presented at each Audit Committee meeting. This report is the first of those reports and outlines new and emerging risks identified for the City of Salisbury, together with responses to these risks.

RECOMMENDATION

1. The information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 To assist with risk identification, monitoring and management by the Audit Committee a regular report will now be presented that highlights new and emerging risks for the City of Salisbury.
- 1.2 The consideration of this report will also provide the opportunity for Audit Committee members to contribute information regarding emerging issues/risks based on their broader audit/risk management activities that warrant consideration by the City of Salisbury.
- 1.3 This report sets out new and emerging risks identified for the City of Salisbury, together with the responses to those risks.

2. CONSULTATION / COMMUNICATION

2.1 Internal

- 2.1.1 Discussions were held with the CEO, General Managers and specific Divisional Managers regarding the identification of any new and emerging risks facing the City of Salisbury, and the controls/responses that are in place to mitigate those risks.

2.2 External

- 2.2.1 Discussions on new and emerging risks were also undertaken with risk management functions at many other South Australian Councils, through networks and forums such as the Local Government Risk Managers' Network and the Risk Managers' Group.

3. **REPORT**

- 3.1 Four new/emerging risks have been identified from discussions with senior management and industry peers. The following risks are listed in no specific order.

3.1.1 **Risks related to the City of Salisbury Community Hub Project**

A presentation on the Community Hub Project will be given to the Audit Committee by the General Manager City Development at the November 2016 meeting.

The scope and scale of this project is such that risk management will play an important part in the delivery of the project in line with the expectations of all stakeholders. Risks associated with this project range from the design of the Hub and ensuring it meets the expectations of the community, staff and elected members; to the cost of the project, which is considerable and the ambitious timescale for the delivery of the project. Key controls for the management of risks associated with this project include:

- A well-defined governance structure with a Project Control Group which includes experienced external advisers.
- Break points in the project and in the contracts associated with it, which give the Council the option to stop the project without penalty at each key decision point.
- Regular reporting by the project to the Executive Group and to Council.
- A detailed risk management plan.

3.1.2 **Social Media Risks**

There are risks associated with the use of social media by staff, elected members and also by the community. These range from the potential reputational risk or the legal/regulatory/financial risk that could result if a member of staff were to post something on social media which was either inappropriate or confidential; to the risk that a minor operational issue becomes a major issue because the City of Salisbury is slow to react to comments made by residents on social media platforms. The current controls in place to respond to these risks include:

- The Media Policy and Procedure, which details how staff are expected to respond to media enquiries and how they can use social media tools in both an official and personal capacity.
- An Elected Member Media Policy, which is similar to the staff Media Policy and details how Elected Members should respond to the media and use social media.

- Information Security policies and procedures such as the Internet Use Policy.
- A Digital Communications Officer who monitors incoming social media posts on the City of Salisbury's social media accounts during work hours.

3.1.3 Risk of Contamination of Salisbury Water

The Department of Defence (Defence) provided advice to the City of Salisbury that they were investigating the possible occurrence of Per- and Polyfluoroalkyl substances (PFAS) contaminants on and around RAAF Base Edinburgh, as part of an Australia wide review of this issue. Subsequent advice from Defence is that a detailed environmental investigation at the RAAF Base Edinburgh will be undertaken November 2016 to identify the extent and levels of PFAS on, and in the vicinity of, the Base.

The proximity of the Kurna Park and Edinburgh South wetlands to the RAAF Base Edinburgh prompted City of Salisbury to sample stormwater in the drains, wetlands and aquifer used for stormwater recharge in the catchment directly below the Base. City of Salisbury also took the precautionary decision to turn off all recycled stormwater (Salisbury Water) sourced from the affected areas following receipt of advice of the possible contamination from Defence.

Testing conducted by the City of Salisbury detected several parts per billion of PFAS in two Salisbury Water schemes in the vicinity of the RAAF base at Edinburgh. Whilst the levels detected were still below the interim guidelines for safe levels in drinking water, as set by the Environmental Health Standing Committee (enHealth), this remains a risk for Salisbury Water and a strategic risk for the City of Salisbury.

As a consequence of the above, the risk of contamination from PFAS, which are a diverse group of compounds resistant to heat, water, and oil; which have for decades been used in hundreds of industrial applications and consumer products, has been identified in addition to the strategic risk already contained with the Strategic Risk Register.

The controls currently in place to respond to this risk include;

- Supply of water from the two Salisbury Water schemes that are in proximity to the RAAF base at Edinburgh will continue to be withheld until the Department of Defence has completed their investigation into this issue.
- Additional testing for PFAS substances at all Salisbury Water sites on top of the monitoring regime already in place.
- City of Salisbury does not supply water to any customer for drinking purposes.
- Currently, all recycled water that City of Salisbury is providing is being sourced from the Little Para River and Dry Creek Catchments, which have tested clear of PFAS.

3.1.4 **Risk of being forced to take ownership of infrastructure assets in poor condition**

With the new Northern Connector project the Department of Transport, Planning and Infrastructure (DPTI) will own the new Expressway (M20) between Wingfield and the Max Fatchen Expressway. There will, however, be significant pieces of infrastructure connecting to this new Expressway that will ultimately be owned by the City of Salisbury. DPTI has the legal authority to impose ownership of infrastructure assets that it has built to connect to DPTI owned infrastructure (such as the new Expressway) on the City of Salisbury. There is therefore a risk that the quality of the infrastructure that the City of Salisbury will inherit will be poor, which could ultimately affect the financial sustainability of the City of Salisbury. Controls that are in place to respond to this risk include:

- A 2 year defects period for the new infrastructure has been agreed, during which time extensive assessments will be undertaken on the inherited infrastructure to judge its condition.
- An ongoing dialogue is being maintained with DPTI to minimise the possibility of misunderstandings.
- Should discrepancies be identified between the infrastructure that was supposed to have been built and the infrastructure that is actually inherited, action can be taken against DPTI.

As we gain further information about the nature and costs of the assets that will transfer to Council, these will be incorporated into our long term financial plan for asset value, depreciation and maintenance aspects.

4. **CONCLUSION / PROPOSAL**

- 4.1 This report outlines four new/emerging risks that have the potential to affect the City of Salisbury and its operations. It is not intended to be an exclusive or an exhaustive list of new risks, simply those emerging risks that have the greatest potential to impact upon the City's objectives.
- 4.2 Local and industry forums will continue to be monitored to identify risks that are of concern to other Councils and South Australian organisations. Ongoing risk discussions are held with Divisional and General Managers in order to understand the risks that they face.
- 4.3 This report is the first of a regular series of reports to the Audit Committee identifying new and emerging risks that the City of Salisbury is responding to. The next report on new and emerging risks will be provided at the February 2017 Audit Committee meeting.

CO-ORDINATION

Officer: MG
Date:

INFORMATION ONLY	4.2.6
	AUDIT COMMITTEE
DATE	15 November 2016
HEADING	Review of the Management of the Storm Event and Statewide Power Outage on 28 September 2016
AUTHOR	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
CITY PLAN LINKS	4.2 Develop strong capability and commitment to continually improve Council's performance. 4.3 Have robust processes that support consistent service delivery and informed decision making.
SUMMARY	On 28 September 2016 an unprecedented storm event hit South Australia which resulted in significant disruption and a state wide power outage. This report summarises the events that occurred and City of Salisbury's response to them.

RECOMMENDATION

1. That the information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 A one in 50 year storm was forecast to hit the Adelaide metropolitan area in the early afternoon on 28 September 2016. Forecasts predicted strong to gale force south-westerly winds averaging 50-60 kph, with gusts up to 90-100 kph expected to develop behind the storm front. Between 50-100mm of rain was also forecast for Adelaide.
- 1.2 This report provides a chronological summary of the series of events as they relate to City of Salisbury operations, as well as the actions that were taken by the City of Salisbury in anticipation of, and response to, the storm event and subsequent power outage.

2. REPORT

A chronology of events is set out below.

2.1 Tuesday 27 September 2016

- 2.1.1 Operations Centre staff prepared for the forecast storm by putting sandbags on pallets, checking specific storm water drains, preparing signage for road closures and liaising with the State Emergency Service (SES).

2.2 Wednesday 28 September 2016

- 2.2.1 Sand was provided to the SES Edinburgh region and organised for delivery to St Kilda.
- 2.2.2 The CEO called a meeting of the Business Continuity Incident Management Team (IMT) at 11:08am. While the IMT was convened, the Business Continuity Plan was not activated. At this meeting the following items were discussed/decided for action:
- The General Manager City Infrastructure advised that the Operations Centre staff had just been recalled (11:04am).
 - A banner was to be placed on the City of Salisbury website and posts to be made on social media outlining contact details for agencies/assistance residents could use in an emergency.
 - An email was to be issued to elected members informing them of the situation and the Mayor was to be briefed by the CEO.
 - An email was to be issued to all staff allowing them to return home in order to prepare for the storm, if it was necessary and safe for them to do so.
 - Uninterruptable power supplies were confirmed as already in place at both the Operations Centre and at James Street, which allowed for a controlled shut down of systems in the event of a power cut.
 - Customer Services Staff who could locate to the Operations Centre if necessary, were identified.
 - The GM Business Excellence was appointed the CEO's delegate, in the event that the CEO could not be contacted and a decision was necessary.
 - The Chief Warden was invited to attend the meeting and was tasked with briefing the Wardens and First Aid Officers, as well as checking the list of people who need assistance in evacuating the building.
- 2.2.3 The CEO called a further meeting of the IMT, including the Chief Warden at 2:00pm. At this meeting the following issues were discussed/decided for action:
- Operations Centre staff had gone out at 1:30pm to check specific sites that were prone to flooding.
 - Some incidents of localised flooding were being reported.
 - Customer Service Centre staff were advised of a script to be used, should it become necessary to transfer calls to the Operations Centre.
 - PCs and phones for Customer Service Centre staff were organised at the Operations Centre.
 - Parafield Gardens Recreation Centre and Ingle Farm Recreation Centre were nominated as emergency relief centres and Belgravias were informed.

- Morella Community Centre and Parafield Gardens Recreation Centre were also nominated for use by Housing SA, should the need arise for emergency housing for their tenants.
 - All remote sites were confirmed as still operational.
 - It was confirmed that Fire Wardens and First Aid Officers had been briefed.
 - A building assessment was scheduled to be undertaken on key City of Salisbury buildings before staff attended work on 29 September 2016.
 - Weather warnings continued to be monitored.
- 2.2.4 At approximately 4:00pm the power supply was lost across all of South Australia. The uninterruptable power supply was activated automatically at the Operations Centre and the James Street buildings and staff were asked to leave the City of Salisbury buildings and go home at this time.
- 2.2.5 An orderly shutdown of the IT systems commenced shortly after 4:00pm and was completed by approximately 4:30pm.
- 2.2.6 Power started to return to the City of Salisbury at approximately 8:00pm.
- 2.2.7 Approximately 30mm of rain fell during the night.
- 2.2.8 Work commenced at approximately 10:30pm on re-starting and restoring the City of Salisbury's IT systems in James Street and work commenced on the IT systems at the Operations Centre at around 6am the following morning.

2.3 Thursday 29 September 2016

- 2.3.1 By 7:30am all of the main City of Salisbury IT systems had been restored and were back online. No server based work was lost and there were no hardware failures.
- 2.3.2 The CEO convened the IMT at 8:00am on 29 September 2016. At the meeting the following items were discussed:
- The CEO thanked those staff that had worked through the night restoring IT systems or responding to issues in the community.
 - It was confirmed that the main City of Salisbury buildings had all been inspected and no issues were identified except for a minor leak at the Bagsters Road Community Centre.
 - Operations Centre staff had commenced the cleanup, including the removal of debris on roadways.
 - Optus and Telstra networks went down overnight.
 - Calls were transferred to the out of hours centre overnight due to the Optus and Telstra networks being down.
 - The City of Salisbury Facebook page was updated after the communications systems were checked and confirmed as operational.

- Only emergency issues were referred to the Operations Centre for action on the 29 September 2016 to allow field staff to focus on clean up work.
- A watching brief was to be kept on the wind storm expected on 29 September 2016.
- GMs were authorised to determine whether to send their non-core staff home before the forecast storm arrived.

2.3.3 The forecast storm did not transpire as forecast and therefore staff were not sent home.

2.4 Debrief on the Storm Event on 11 October 2016

2.4.1 On 11 October the CEO chaired a debrief meeting on the storm event with the IMT and the Chief Warden. Prior to the meeting attendees were requested to provide feedback on the event and any learning points or actions required to address issues identified. The following issues and actions were discussed:

- The Customer Centre phone network requires specific software to be installed onto workstations in order to function. This software therefore needs to be pre-installed onto specific workstations at the Operations Centre in readiness for any transfer of Customer Centre functions to that site. These workstations need to be identified and maintained accordingly.
- In relation to the Operations Centre:
 - A sign in process for field staff needs to be implemented, similar to the one used for inclement weather events, to confirm that all field staff have returned after being recalled.
 - Procedures need to be put in place to ensure agency field staff are provided with appropriate inclement weather clothing.
 - Procedures need to be in place to ensure that general staff and call-out staff always go out in pairs in weather events, particularly at night.
- Emergency management plans need to make reference to power outage and thought needs to be given as to where Assembly Areas should be in the event of heavy rain and storms.
- Consideration will be given to purchasing a generator for the Globe Derby site.
- Procedures need to be in place to communicate to staff when they are required to go home.
- Procedures to secure sites could be improved.
- A check on the IT system re-start process needs to be undertaken to confirm whether the re-start followed the documented plan.
- The Incident Management Team Business Continuity Plan was referred to during the event, which identified it requires updating to reflect changes in personnel.

- 2.4.2 Actions listed above will be followed up by the BA Internal Audit and Risk to confirm completion.
- 2.4.3 A desk top walk-through based on this incident will also be scheduled by the BA Internal Audit and Risk for February 2017. This walk-through will provide ongoing exposure to the application of business continuity procedures for relevant staff and enable conformation that all the relevant documents and procedures have been updated.

3. CONCLUSION / PROPOSAL

- 3.1 Overall the City of Salisbury managed to minimise the potential for disruption to operations caused by the storm event and subsequent power outage. Key aspects to the successful management of this event were the decisions and actions taken at the appropriate time by senior management, divisional managers and staff members.
- 3.2 The amount of additional and out-of-hours work undertaken by some staff during events of this nature should not be underestimated. As a result of efforts applied during the storm event hazards were monitored and minimised, systems were re-instated quickly and the public were kept informed of the status of Council operations.
- 3.3 As a result of the storm event several opportunities to improve systems, processes and documentation were identified. These opportunities will be worked on by the relevant process owners and incorporated into the desk top walk-through in February 2017.

CO-ORDINATION

Officer: MG
Date: 03/11/2016