

## **AGENDA**

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

**11 APRIL 2017 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  
Manager Strategic Development Projects, Ms C Milton  
Manager Financial Services, Ms K George  
Business Analyst - Internal Audit & Risk, Mr G Kendall

### **APOLOGIES**

### **LEAVE OF ABSENCE**

### **PRESENTATION OF MINUTES**

Presentation of the Minutes of the Audit Committee Meeting held on 14 February 2017.

### **PRESENTATIONS**

1. External Audit Plan for Financial Year 2017 – Mr David Papa, Partner, Bentleys
2. Strategic Property – Ms Chantal Milton, Manager Strategic Development Projects

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**REPORTS**

*Administration*

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

*Reports*

4.2.1 Payroll Audit, Final Report ..... 9

4.2.2 Draft 2017/18 Annual Plan and Budget ..... 43

4.2.3 Audit Committee Work Program for 2017..... 45

4.2.4 Internal Audit Plan ..... 59

4.2.5 Update on Risk Management and Internal Controls Activities for the  
2016/17 financial year and outstanding actions from Internal Audits ..... 85

**DISCUSSION ON NEW AND EMERGING RISKS**

**OTHER BUSINESS**

**CLOSE**



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

**14 FEBRUARY 2017**

**MEMBERS PRESENT**

Mr P Brass (Chairman)  
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  
Acting Manager Governance, Ms J Rowett  
Business Analyst - Internal Audit & Risk, Mr G Kendall

The meeting commenced at 6:47pm.

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

**APOLOGIES**

Nil

**LEAVE OF ABSENCE**

Nil

**PRESENTATION OF MINUTES**

Moved Cr G Caruso  
Seconded Cr G Reynolds

The Minutes of the Audit Committee Meeting held on 15 November  
2016, be taken and read as confirmed.

**CARRIED**

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## 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 Event Management Audit, Final Report**

Moved Mr C Johnson  
Seconded Cr G Caruso

1. That the information be received.

**CARRIED**

#### **4.2.2 Results from the completed Audit Committee self-assessment questionnaires**

Moved Cr G Caruso  
Seconded Ms K Briggs

1. The information be received.

**CARRIED**

## **FURTHER RECOMMENDATION**

Mr C Johnson moved a FURTHER RECOMMENDATION that:

1. Council give consideration to facilitating remote access/attendance for Chairpersons at Committee Meetings.

Seconded Ms K Briggs

**CARRIED**

**4.2.3 The new City of Salisbury Risk Matrix**

Moved Mr C Johnson  
Seconded Cr G Caruso

1. The information be received.

**CARRIED**

**4.2.4 Internal Audit Plan**

Moved Cr G Caruso  
Seconded Cr G Reynolds

1. The information be received.

**CARRIED**

**4.2.5 Update on Risk Management and Internal Controls Activities for the 2016/17 financial year and outstanding actions from Internal Audits**

Moved Ms K Briggs  
Seconded Mr C Johnson

1. The information be received.

**CARRIED**

**4.2.6 New and Emerging Risks**

Moved Mr C Johnson  
Seconded Cr G Caruso

1. The information be received.

**CARRIED**

**OTHER BUSINESS**

Nil

The meeting closed at 8:29pm.

CHAIRMAN.....

DATE.....



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<b>ITEM</b>	4.0.1
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	11 April 2017
<b>HEADING</b>	Future Reports for the Audit Committee of Council
<b>AUTHOR</b>	Michelle Woods, Projects Officer Governance, CEO and Governance
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	This item details reports to be presented to the Audit Committee of Council as a result of a previous Council resolution. If reports have been deferred to a subsequent meeting, this will be indicated, along with a reason for the deferral.

#### **RECOMMENDATION**

1. The information be received.

#### **ATTACHMENTS**

There are no attachments to this report.

#### **1. BACKGROUND**

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

#### **2. REPORT**

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

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

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

#### **CO-ORDINATION**

Officer: Executive Group MG  
Date:



<b>ITEM</b>	4.2.1
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	11 April 2017
<b>HEADING</b>	Payroll Audit, Final Report
<b>AUTHOR</b>	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
<b>CITY PLAN LINKS</b>	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.
<b>SUMMARY</b>	<p>An internal audit on payroll was conducted to provide assurance on the management of Payroll risks by the People and Culture division, including but not limited to the payroll risks and controls in the better practice model. The risk in the Strategic Risk Register that this audit provided assurance on is risk number 8. <i>Organisation suffers detriment as a result of fraud, misconduct or maladministration.</i></p> <p>Galpins were engaged to conduct the audit and identified no high risk findings and no material weakness in internal controls. In Galpins opinion "the controls in relation to payroll are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with the law in all material respects".</p> <p>Recommendations have been made to improve the review of changes made to the payroll master file, strengthen the controls regarding the electronic funds transfer (EFT) file and in relation to IT access controls.</p>
<b>RECOMMENDATION</b>	<ol style="list-style-type: none"> <li>1. That the information be received.</li> </ol>
<b>ATTACHMENTS</b>	<p>This document should be read in conjunction with the following attachments:</p> <ol style="list-style-type: none"> <li>1. Payroll Audit, Final Report</li> </ol>
<b>1. BACKGROUND</b>	<ol style="list-style-type: none"> <li>1.1 Payroll risks are managed at the City of Salisbury by the People and Culture division, through the application of the relevant controls in the <i>Better Practice</i></li> </ol>

*Model – Financial Internal Controls for South Australian Councils*, established by the South Australian Local Government Financial Management Group.

- 1.2 Failure to adequately manage the risks associated with payroll could have an impact on the achievement of the objectives in the City Plan. The risk in the Strategic Risk Register that this audit provided assurance on is risk number 8. *Organisation suffers detriment as a result of fraud, misconduct or maladministration.*
- 1.3 Payroll perform a pay-run cycle each fortnight which processes the salary transactions of approximately 450 City of Salisbury employees using a combination of manual timesheet records and the Empower IT system.
- 1.4 The audit covered the management of the payroll processes, a review of compliance with the controls in the Better Practice Model and the interaction between Payroll and the IT systems used in the Payroll processes, specifically Empower. Efficiency and effectiveness of the payroll processes were also considered with suggestions for improvement made where deficiencies were identified.

## 2. CONSULTATION / COMMUNICATION

### 2.1 Internal

- 2.1.1 The cooperation of the following divisions was essential in completing this audit;
  - People and Culture
  - Business Systems and Solutions
- 2.1.2 The Managers of these divisions and the Manager Financial Services were all consulted as a part of the reporting process for this audit.

## 3. REPORT

- 3.1 The final report from the audit is attached to this report for information. Findings made in the attached report are listed in risk order, with the highest rated risks listed first. It is pleasing to note that there are no High risk findings, only Medium and Low risk findings. Findings have been grouped under seven headings and recommendations have been made against each of the findings;
  - 3.1.1 Audit trail of changes to the master file
  - 3.1.2 Uploading the EFT bank file
  - 3.1.3 IT access controls - review
  - 3.1.4 Salaries and wages reconciliation
  - 3.1.5 Termination payments
  - 3.1.6 IT access controls - responsibility
  - 3.1.7 Control self-assessment
- 3.2 An improvement opportunity was identified in relation to the storage of the electronic funds transfer (EFT) file on the Council's IT systems prior to being manually uploaded into the online banking system for payment. There is a possibility that this file could be amended prior to being uploaded to the banking

system for payment. A recommendation has therefore been made to either automate this process or to provide read-only access to the folder that the EFT file is stored in.

- 3.3 A recommendation has also been made to run and review a report detailing the significant changes performed in the payroll master file.
- 3.4 It was noted that there was no formal process to review the access rights to the Empower system, however access rights have been subsequently reviewed by the Manager People and Culture and the Manager Business Systems and Solutions. This review was conducted as part of the ongoing work to transition the administration of Empower from IT to People and Culture, and is in line with program review recommendations made for Business Systems and Solutions regarding the responsibility for systems administration of IT applications.
- 3.5 A recommendation was made to adopt more risk based approach to the control self-assessment process for payroll controls. Currently the City of Salisbury self-assesses all the controls in The Better Practice Model once a year. This approach is based on advice from Deloitte, the previous external auditors for City of Salisbury, who indicated that they expected all controls in The Better Practice Model to apply to a large Council like the City of Salisbury and that they should be self-assessed annually. Deloitte indicated that where a control does not apply or is not assessed then this should be explained with a file note. On this basis, every control in The Better Practice Model is currently either assessed annually or a file note is in place explaining the City of Salisbury approach to the control in place of the self assessment. A meeting will shortly be arranged with Bentleys, the recently appointed external auditors, to determine the approach they will be taking to audit of application of the Better Practice model and what they expect from the City of Salisbury in this area.
- 3.6 The Better Practice Model, including payroll controls, is currently being revised and is awaiting Ministerial approval. When the revised Better Practice Model is launched, the BA Internal Audit & Risk will review all controls in the revised Model, map them to existing controls, identify any gaps and seek a determination from the Executive Group on the adoption of a more risk based approach to the self-assessment process. If a more risk based approach is preferred then a feasibility study will be undertaken to determine whether this can be fully accommodated using the existing Control Track system.

#### **4. CONCLUSION / PROPOSAL**

- 4.1 This audit recommended several improvements to payroll processes at the City of Salisbury. In some instances, actions are already underway to address matters contained within the recommendations, for example the transition of administration of Empower. This work will continue and will consider the matters raised within the Payroll Audit to ensure robust systems and processes are in place. The agreed actions from this audit are all scheduled to be completed by the end of the current financial year.
- 4.2 Progress made in completing the outstanding actions from this audit will be monitored and followed up by the BA Internal Audit and Risk and reported routinely at each Audit Committee of Council meeting.

- 4.3 Overall, assurance has been given by Galpins that the City of Salisbury's payroll processes have no material weaknesses and that the payroll financial transactions have been conducted properly, and in accordance with the law in all material respects.

**CO-ORDINATION**

Officer: MG  
Date: 28/03/2017



## Internal Audit of Payroll

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### Final Report

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March 2017



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## Table of Contents

1. EXECUTIVE SUMMARY .....	3
1.1 Overall Review of the Council’s Payroll Internal Controls.....	3
1.2 Overall Review of the Payroll Process .....	4
1.3 Overall Objective .....	5
1.4 Context .....	5
1.6 Boundaries .....	5
1.7 Specific Tasks .....	5
1.8 City of Salisbury Risk Management Guide.....	6
1.9 Risk Rating of Key Findings .....	8
2. INTERNAL AUDIT FINDINGS AND RECOMMENDATIONS .....	9
2.1. Audit trail of changes to the master file.....	9
2.2. Uploading the EFT bank file .....	10
2.3. IT access controls - review .....	12
2.4. Salaries and wages reconciliation .....	14
2.5. Termination payments .....	16
2.6. IT access controls - responsibility.....	17
2.7. Control self-assessment .....	18
Appendix 1 – Payroll Internal Controls Framework - Better Practice Model .....	20
3. DISCLAIMERS .....	29

## 1. EXECUTIVE SUMMARY

### 1.1 Overall Review of the Council's Payroll Internal Controls

Section 125 of the Local Government Act 1999 ("the Act") requires that:

*"A council must ensure that appropriate policies, practices and procedures of internal controls are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records."*

Overall, the Council demonstrated a high level of compliance with s125 of the Act, with:

- 33 out of 48 controls in place and operating effectively;
- 15 out of 48 controls in place and operating partially effectively; and
- none of the 48 controls found to be operating ineffectively at the time of review.

The audit did not identify any high risk findings. The 15 controls rated as partially effective relate to 5 findings in this report, identified specifically in Appendix 1. A summary of all reviewed internal controls and their operating effectiveness can be found in Appendix 1.

In Galpins' opinion the findings of this audit, individually or in aggregate, do not present a material weakness in internal controls. As such, the controls in relation to payroll are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law in all material respects.

Council is performing self-assessment of all 48 controls listed in the Better Practice Model. A risk based approach would be a more efficient and effective process, performing self-assessment only for the key controls that address the highest risks. This would provide a more targeted allocation of resources, and may present cost savings to the Council.

This Audit has identified several examples of internal controls / processes assessed as demonstrating good practice including:

- ✓ Most of the controls listed in the Better Practice Model for payroll were operating effectively;
- ✓ Council performed a control self-assessment allocating an assessing officer and a reviewing officer for each of the payroll internal controls;
- ✓ Bona fide reports are sent to the managers of different reports to ensure the list of employees is valid and complete;
- ✓ Payroll checklists are used to ensure that all activities related to the payroll payment process are performed and all relevant reports are reviewed;
- ✓ Payroll clearing accounts are reconciled on a monthly basis;
- ✓ Empower system maintains good tracking and history of changes performed in the system; and
- ✓ A senior member of the Financial Services team (with appropriate authorisation under Council's banking policies) releases the funds.
- ✓ Payroll reports and reconciliation process provide sufficient information to ensure that the Actual Wages Declaration report is prepared in accordance with Return to Work SA reporting requirements.

This audit has identified 7 findings, and proposes a number of recommendations to improve the payroll process and reduce potential risk exposure for the City of Salisbury.

## 1.2 Overall Review of the Payroll Process

Payroll risks are managed at the City of Salisbury by the 'People and Culture' division via the application of the 'Better Practice Model – Financial Internal Controls for South Australian Councils' as established by the South Australian Local Government Financial Management Group Inc.

In the Better Practice Model, there are 10 risks associated with payroll, and 49 controls to mitigate those risks. Appendix 1 contains a summary of the payroll risks and recommended controls outlined in the Better Practice Model, as well as how the City of Salisbury is implementing the recommended controls in order to mitigate the identified risks.

Council has performed a review of all these controls in order to determine whether they are implemented effectively. The task of evaluating individual controls was assigned to an assessing officer and a reviewing officer. Effectiveness ratings were allocated to these controls on a scale from 1 – 5 (1 – ineffective, 2 – requires significant improvement, 3 – partially effective, 4 – majority effective, 5 – effective).

Council uses 'Empower' software to process its payroll payments. Field staff hours, overtime and leave are recorded in manual timesheets and leave booking forms which are approved by the supervisors / managers. Inside staff hours are recorded automatically in the system using the Autopay method (i.e. employees are paid normal FTE hours in accordance with their contract) unless leave is taken or the employee incurs any other different type of hours, such as overtime.

Leave and overtime hours for inside staff are managed electronically through the ESS system (e.g. booking, approvals, etc). These hours are imported into Empower before running the payroll for a specific fortnight.

The payroll administrators generate and file a number of reports before processing the payroll payments. These reports are listed in the payroll checklist together with a list of activities to be performed and signed as completed by the payroll administrator. These reports include:

- Summary Pay Calcs,
- Detailed Pay Calcs, and
- Gross Pay Comparisons.

Bona fide reports are sent to the managers for review and approval.

The EFT file is generated from Empower and uploaded into the NAB online banking system for automatic payment. The total pay as recorded on the EFT file is compared to the Pay Journal and the Summary Pay Calcs to ensure file integrity. The Summary Pay Calcs and the Pay Journal are signed by the payroll administrator (certifying that the administrator calculated and authorised the payment to each of the employees of the amounts as payable opposite their names) and by the finance officer (certifying that the officer witnessed and authorised the payment by EFT). The payment in the NAB online banking system is approved in accordance with the bank signatories.

The payroll administrator reconciles the payroll clearing accounts on a monthly basis. The payroll administrator also performs the calculation of the termination payments. Terminated employees are automatically made inactive in Empower after a termination payment is processed.

### 1.3 Overall Objective

The objective of the audit was to provide assurance on the payroll risks managed by the City of Salisbury, including but not limited to payroll risks and controls detailed in the Better Practice Model.

### 1.4 Context

Council follows the Better Practice Model – Financial Internal Controls for South Australian Councils as established by the South Australian Local Government Financial Management Group.

In the Better Practice Model there are 10 risks and 49 controls that apply to a payroll function. A copy of these risks and controls as per the Better Practice Model and the controls in place at City of Salisbury is provided in Appendix 1

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.

### 1.6 Boundaries

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

### 1.7 Specific Tasks

In addressing the overall objective, the audit included, but was not limited to, consideration of the following issues:

- ✓ The management of the payroll process
- ✓ Provide assurance on legislative compliance and on the relevant risks and controls in the Better Practice Model
- ✓ Identify 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
- ✓ The 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*)
- ✓ In collaboration with staff and management, identifying ways of improving customer service, efficiency, economy and effectiveness in operations.

## 1.8 City of Salisbury Risk Management Guide

Findings have been rated in accordance with the City of Salisbury Risk Management Guide, excerpts from which are provided in Tables 1, 2 and 3 below. Risk is measured in terms of the probability of the risk occurring (likelihood) and the impact on the City of Salisbury of that risk occurring (consequence).

To assist in the analysis of consequence, Table 1 contains consequence severity ratings across five areas of impact with examples for each. The likelihood analysis (Table 2) considers the frequency or probability of the risk occurring. Once the likelihood and consequence have been analysed, these can be chartered on the Risk Matrix (Table 3) to determine the risk rating.

**Table 1 – Consequence Ratings**

RATING	AREA OF IMPACT					
	Environment/ Political/ Community	Reputa tion	Finance	Legal/ Regulatory	Injury/Operational Management	Service Interruption
<b>1 Insignificant</b>	Nil	Nil	Less than \$20,000	None	Nil	Minor interruption to service provision capability, e.g. less than 4 hours.
<b>2 Minor</b>	Minor short-term environment, conservation, political or community issue.	Minor media interest	\$20,000 - \$100,000	Minor legal, regulatory or internal policy failure.	Unexpected/unplanned absence of a staff member. Potential for minor injury. First aid treatment required.	Limited disruption to service provision requiring altered operational arrangements for a short period, e.g. up to 1 day
<b>3 Moderate</b>	Environment, conservation, political or community incident requiring City intervention.	Moderat e media interest	\$100,000 - \$500,000	Limited legal, regulatory or internal policy failure.	Unexpected/unplanned absence of a key staff member.  Medical treatment required.	Some disruption to service provision capability requiring altered operational arrangements, e.g. between 1 day and 1 week.
<b>4 Major</b>	Medium-term issue with major environment, conservation, political or community impact.	High media interest	\$500,000 - \$1 million	Major legal, regulatory or internal policy failure.	Unexpected/unplanned absence of several key staff members from a single area.  Significant injury to staff disabling them/dangerous near miss.	Significant impairment of service provision (capability or period), e.g. between 1 week and 1 month.
<b>5 Catastrophic</b>	Long-term issue with major environment, conservation, political or community impact.	Public censure or govern ment inquiry	More than \$1 million	Critical legal, regulatory or internal policy failure.	Unexpected/unplanned absence 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. more than 1 month.

**Table 2 – Likelihood Ratings**

RATING	DESCRIPTION
<b>A – Rare</b>	The event may occur only in exceptional circumstances (i.e. probability of occurrence > 20 years)
<b>B – Unlikely</b>	The event could occur at some stage (i.e. probability of occurrence within 10 – 20years)
<b>C – Possible</b>	The event might occur at some time (i.e. probability of occurrence within 3 – 5 years)
<b>D – Likely</b>	The event will probably occur at most times (i.e. probability of occurrence within 2 years)
<b>E – Almost Certain</b>	The event is expected to occur in most times (i.e. probability of occurrence within 1 year)

**Table 3 - Risk Matrix**

<b>Likelihood</b>	<b>E Almost Certain</b>	<b>Medium</b>	<b>High</b>	<b>High</b>	<b>Very High</b>	<b>Very High</b>
	<b>D Likely</b>	<b>Medium</b>	<b>Medium</b>	<b>High</b>	<b>High</b>	<b>Very High</b>
	<b>C Possible</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>High</b>	<b>High</b>
	<b>B Unlikely</b>	<b>Low</b>	<b>Low</b>	<b>Medium</b>	<b>Medium</b>	<b>High</b>
	<b>A Rare</b>	<b>Low</b>	<b>Low</b>	<b>Medium</b>	<b>Medium</b>	<b>High</b>
		<b>1 Insignificant</b>	<b>2 Minor</b>	<b>3 Moderate</b>	<b>4 Major</b>	<b>5 Catastrophic</b>
	<b>Consequence</b>					

### 1.9 Risk Rating of Key Findings

Key Findings - Risk Table	Likelihood	Consequence	Residual Risk
2.1 Audit trail of changes to the master file	B	3	Medium
2.2 Uploading the EFT bank file	B	3	Medium
2.3 IT access controls - review	B	3	Medium
2.4 Salaries and wages reconciliation	B	3	Medium
2.5 Termination payments	B	1	Low
2.6 IT access controls - responsibility	N/A	N/A	Opportunity*
2.7 Control self-assessment	N/A	N/A	Opportunity*

\* The finding represents an opportunity for improved practice, rather than presenting a risk of negative consequences in the payroll process

**2. INTERNAL AUDIT FINDINGS AND RECOMMENDATIONS**

Finding and Recommendation	Management Response	Agreed Actions	Risk Assessment	Responsibility	Due Date
<b>2.1. Audit trail of changes to the master file</b>					
<p><b>Finding</b></p> <p>The Empower IT system is able to issue an audit trail report containing all changes to the payroll master file in relation to payment instructions (e.g. bank account details), employment salary, personnel details and regular allowance deductions.</p> <p>This audit trail report is not formally reviewed by Management.</p> <p>We acknowledge that source documentation supporting changes to the payroll master file data are filed with the payroll reports and are verified prior to each pay-run. This control partially address the risk of the payroll master file not remaining pertinent (as described in the Better Practice Model). There remains a residual risk of inappropriate changes to the master file (e.g. fraud) not being detected as any such change is unlikely to be formally documented and filed with the payroll reports.</p> <p>Combining this existing control with a formal review of the audit trail report will ensure a complete review of all changes to the master file data.</p> <p><b>Recommendations</b></p> <p>The audit trail report containing the significant changes performed in the payroll master file (e.g. employment salary, bank account details, allowances, deductions, etc) is run and formally reviewed on a fortnightly basis before processing each payroll payment.</p> <p>Preferably, this review should be performed by a person who does not have the ability to process changes to the master file.</p>	<p>Finding accepted</p>	<ol style="list-style-type: none"> <li>An audit report will be produced and work will be undertaken to determine how this will be validated.</li> <li>The production and validation of the report will be incorporated into standard procedures.</li> </ol>	<p>Medium</p>	<p>Manager People and Culture</p>	<p>30 June 2017</p>

Finding and Recommendation	Management Response	Agreed Actions	Risk Assessment	Responsibility	Due Date
<b>2.2. Uploading the EFT bank file</b>					
<p><b>Finding</b></p> <p>Audit reviewed the process of payroll payments and noted the following:</p> <p>The Empower IT system generates an EFT file which is stored on council’s internal drive prior to being manually uploaded into the online banking system. The EFT file can potentially be opened as a .TXT file and manually manipulated prior to being uploaded.</p> <p>There are three opportunities potentially enabling an officer who processes payroll payments to change key data such as bank account details when processing payroll payments:</p> <ul style="list-style-type: none"> <li>✓ changing the employee master file data in Empower;</li> <li>✓ changing the .TXT text file which is stored on council’s internal drive prior to being uploaded into the online banking system; and</li> <li>✓ changing the bank account details recorded in the online banking system.</li> </ul>					
<p><b>Recommendations</b></p> <p>People and Culture division liaises with the Business Systems and Solutions division to investigate the possibility of implementing a mechanism to enable a direct interface between Empower and the online banking system to avoid any manual upload.</p> <p>Alternatively, it may be possible for the Business Systems and Solutions division to automate the process of uploading the EFT banking file from a secure part of council’s network, without requiring manual intervention. This has been achieved by other metropolitan councils in SA.</p> <p>If these options cannot be implemented, Management should consider</p>	<p>Finding accepted</p>	<p>The possibility of the .TXT text file being stored in a read-only folder will be investigated and if possible actioned to address this finding. If this is not possible other options will be considered to respond to this finding.</p>	<p>Medium</p>	<p>Manager People and Culture</p>	<p>31 March 2017</p>

Finding and Recommendation	Management Response	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p>the following combined alternative controls:</p> <ul style="list-style-type: none"> <li>✓ Performing independent review of changes to the payroll master file data (as detailed in finding 2.1); and</li> </ul> <p>Comparing the bank account details provided by the online banking system to a register of employee’s bank accounts provided by Empower (payroll master file) before authorising the payment. This matching does not need to be a manual process as it can be automated, for example using an Excel spreadsheet. This has been achieved by other councils in SA.</p>					

Finding and Recommendation	Management Response	Agreed Actions	Risk Assessment	Responsibility	Due Date
<b>2.3. IT access controls - review</b>					
<p><b>Finding</b></p> <p>Empower has a list of access rights templates which are allocated to a user of the system. The list of templates includes:</p> <ul style="list-style-type: none"> <li>✓ ITAdmin (IT Services)</li> <li>✓ NDSupport (Service Desk)</li> <li>✓ PayAdmin (Payroll Administrator)</li> <li>✓ HRAdmin (Human Resources)</li> <li>✓ HREnq (Human Resources)</li> <li>✓ LDAdmin (Learning &amp; Development)</li> <li>✓ ProcAdmin (Procurement)</li> <li>✓ GenEnq (General Enquiry User / Audit)</li> </ul> <p>Galpins performed a review of the key functions and screens allocated to the PayAdmin template (template allocated to the payroll administrator) and identified some instances where other templates (more specifically HRAdmin, ITAdmin and LDAdmin) also have access to some of these payroll functions and screens.</p> <p>Whilst a suitable process has been undertaken by the Business Systems and Solutions division to establish access rights, there is no formal process in place to ensure the regular, ongoing review of these access rights by other stakeholders.</p>					

Finding and Recommendation	Management Response	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>Recommendations</b></p> <p>Access rights are reviewed by Management together with the Business Systems and Solutions, Human Resources and Payroll divisions to ensure that they are adequate and appropriate in accordance with each division’s expectations.</p> <p>Ideally, this review should include procedures to ensure independence in the process, for example by ensuring that the reviewer is not the user who can access the template being reviewed.</p> <p>In addition, audit recommends that the Business Systems and Solutions division formally signs off the following access reports on a regular basis (e.g. annually, or following significant events such as a major system update or staffing changes):</p> <ul style="list-style-type: none"> <li>- Access reports containing detailed access rights for each template; and</li> </ul> <p>List of users allocated to a template detailing users that are active or suspended.</p>	<p>The Manager People and Culture and the Manager Business Systems and Solutions have already reviewed access rights as a part of transitioning system administration of the Empower system from Business Systems and Solutions division to People and Culture division.</p>	<p>The overall transition of system administration of the Empower system will be signed off by the Manager People and Culture, the Manager Business Systems and Solutions and the General Manager Business Excellence. It will only be signed off once all three parties are satisfied that the knowledge transfer has taken place, workloads have been balanced and no controls have been compromised.</p>	<p><b>Medium</b></p>	<p>Manager People and Culture and Manager Business Systems and Solutions</p>	<p>30 June 2017</p>

Finding and Recommendation	Management Response	Agreed Actions	Risk Assessment	Responsibility	Due Date
<b>2.4. Salaries and wages reconciliation</b>					
<p><b>Finding</b></p> <p>Council has not implemented a process to ensure that salaries and wages as per the payroll system are reconciled to the salaries and wages expenses recorded in the general ledger.</p> <p>This reconciliation should compare the total amounts recorded in the payroll system for a period (e.g. 12 months), against the total salaries and wages expense accounts recorded in the general ledger.</p> <p>Galpins acknowledges that the payroll clearing accounts are reconciled. Payroll clearing accounts are temporary accounts used to reconcile net payroll amounts paid to employees against net payments interfaced from the payroll system. If there is a discrepancy, this difference will remain in the payroll clearing account to be investigated.</p> <p>The payroll reconciliation to the salaries and wages expenses general ledger accounts and the reconciliation of the clearing accounts are two distinct controls that address different risks in the Better Practice Model.</p>					
<p><b>Recommendation</b></p> <p>Management implements a reconciliation between salaries and wages in the payroll system and the salaries and wages expenses as per the general ledger. At a minimum, this reconciliation should form part of the financial year end process.</p>	<p>The payroll system generates a payment file which is submitted into our online banking system for payment. Financial Services division act as second authoriser in the banking system, and cash is then distributed to individual bank</p>	<p>No further action necessary</p>	<p>Medium</p>	<p>N/A</p>	<p>N/A</p>

Finding and Recommendation	Management Response	Agreed Actions	Risk Assessment	Responsibility	Due Date
	<p>accounts. This amount is then allocated during the bank reconciliation process to payroll suspense account. Empower generates a detailed costing which is loaded into Technology one, and this allocates amounts across different accounts. This disbursement clears the funds from the payroll suspense account, and should this not match the salaries and wages clearing account the balance would then be investigated. A reconciliation is currently performed for each Payroll on a monthly basis and is reviewed independently by the Financial Services division.</p>				

Finding and Recommendation	Management Response	Agreed Actions	Risk Assessment	Responsibility	Due Date
<b>2.5. Termination payments</b>					
<p><b>Finding</b> Termination payments are processed by the payroll administrators through Empower. Better practice is for Management to perform an independent review given the significance of the amounts paid and the potential complexity of calculations. Such a review is not currently performed.</p> <p><b>Recommendations</b> Management considers allocating a manager independent from the payroll function to review and approve termination payments.</p>	Finding accepted	A new process will be created for reviewing and approving termination payments	Low	Manager People and Culture	30 June 2017

Finding and Recommendation	Management Response	Agreed Actions	Risk Assessment	Responsibility	Due Date
<b>2.6. IT access controls - responsibility</b>					
<p><b>Finding</b></p> <p>From discussions with management, we understand that consideration is being given to transferring responsibility for managing IT access templates away from the Business Systems and Solutions division to the People and Culture division.</p> <p><b>Recommendations</b></p> <p>The administration and maintenance of access rights is a technical task requiring understanding of back-end system functions, often making these tasks inherently more suited to IT departments. Additionally, there is a level of independence inherent to IT departments due to their removal from the council's general operations.</p> <p>For these reasons, it is important that council carefully evaluates the pros and cons of removing this responsibility from IT staff. Such a transfer may have risk and control implications, and as such it is important that a strong business case is in place justifying the benefits of this transfer in responsibility.</p> <p>Relevant factors to consider in this evaluation include specialist knowledge requirements and knowledge transfer, current workloads, potential conflict of interests and cost benefit analysis.</p>	<p>The system administration function for the Empower system will transition to People and Culture division. Sign off of access templates is a shared responsibility between People and Culture and Business Systems and Solutions divisions.</p>	<p>The overall transition of system administration of the Empower system will be signed off by the Manager People and Culture, the Manager Business Systems and Solutions and the General Manager Business Excellence. It will only be signed off once all three parties are satisfied that the knowledge transfer has taken place, workloads have been balanced and no controls have been compromised.</p>	<p><b>Opportunity</b></p>	<p>Manager People and Culture and Manager Business Systems and Solutions</p>	<p>30 June 2017</p>

Finding and Recommendation	Management Response	Agreed Actions	Risk Assessment	Responsibility	Due Date
<b>2.7. Control self-assessment</b>					
<p><b>Finding</b></p> <p>In the Better Practice Model there are 10 risks and 49 controls that apply to a payroll function (see Appendix 1). City of Salisbury performs a controls self-assessment for all of these controls.</p> <p>Compliance with the Better Practice Model does not necessarily require implementing all of the controls from the Better Practice Model. The Better Practice Model identifies possible controls, but no individual control is mandatory.</p> <p>Whilst it has always been intended that the Better Practice Model encourages a risk based approach, the Revised Better Practice Model (expected to be approved mid-2017) will make this intension more explicit.</p> <p>A risk based approach would be a more efficient and effective process, performing self-assessment only for the key Payroll controls that address the highest risks. This would provide a more targeted allocation of resources, and may present cost savings to the Council.</p>					
<p><b>Recommendations</b></p> <p>Council adopts a risk based approach to the control self-assessment process for Payroll Controls.</p>	Any consideration of adoption of a risk based approach to the control	Action in response to this finding will be deferred until the revised Better Practice Model is launched. At that time the BA	Opportunity	Manager Governance	N/A

Finding and Recommendation	Management Response	Agreed Actions	Risk Assessment	Responsibility	Due Date
	<p>self-assessment should be considered for all controls in the Better Practice Model. As a new model is currently awaiting Ministerial approval, it is prudent to await the launch of the new model before commencing any further work on this area.</p>	<p>Internal Audit &amp; Risk will review all controls in the revised Model, map them to existing controls, identify any gaps and seek a determination from the Executive Group on the adoption of a more risk based approach to the self-assessment process. This work will be included in the 2017-18 Risk Management and Internal Control Activities, but is dependent on the launch of the new model.</p>			

Appendix 1 – Payroll Internal Controls Framework - Better Practice Model

Control Ref	Payroll Risk as per BPM	Payroll Control as per BPM	Control at City of Salisbury	Control Type	Effectiveness
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.	(A) Time Sheet & Leave Request - Inside employees record their time through the Cosflex flexi time recording system. Field staff and casuals record their times on written time sheets. Requests Overtime, Additional hours, allowances, time sheet claims and leave requests can either submitted electronically or in writing.  (B) Review and Approve – All claim requests and leave requests must be reviewed and approved by a delegate/manager before being sent to payroll for processing. Where not approved the claims are sent back for the employee to correction and resubmission.	Additional	Effective
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.	Bona – Fide reports are reviewed and exceptions are reported to payroll and actioned accordingly if required correction and resubmission of timesheet/leave maybe required.	Additional	Effective
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.	Leave taken and leave balances are shown on payslips employees review payslips to ensure leave and timesheet requests have been action. Employees will contact manager or payroll in the event of "exceptions" resubmission of timesheet and leave request may be required.	Additional	Effective
LIA-EMP-0004	Payroll master file does not remain pertinent.	Access to payroll/provision master file is restricted to authorised officers only.	The following documents evidence these controls be detailing who has what access to the Empower system used for Payroll, these procedures are currently under review; <ul style="list-style-type: none"> <li>• Menu Access Reports – these detail who and what people have access to in Empower (Desktop)</li> <li>• Step-by-step for anyone creating new Users in Empower (Desktop).</li> </ul>	Core	Partially effective Finding 2.1 Finding 2.3
LIA-EMP-0010	Payroll master file does not remain pertinent.	Any changes to the payroll master files are approved by management.	Payroll change requests come from the Manager / Delegate of respective budget areas or from the employees themselves. Individual Employees change requests include items such as bank details, personal information, Tax Declaration and deduction requests. Manager & Delegates change requests include items such as New Employee, higher duties, secondments, and position movement. Changes to an employee's salary or roster must be approved.	Core	Effective
LIA-EMP-0007	Payroll master file does not remain pertinent.	Payroll master file data is periodically reviewed for accuracy and pertinence.	(C) Pay-run Process – Pay Calc Detail reports are used for Data Validation / "sanity check" prior to commencement of the pay-run, exception reporting highlights exceptional hours and pay amounts for verification against data changes and source documentation prior to pay-run, anomalies are investigated.	Additional	Partially Effective Finding 2.1

Control Ref	Payroll Risk as per BPM	Payroll Control as per BPM	Control at City of Salisbury	Control Type	Effectiveness
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.	(E) Review of Payroll Output (Payslips & Bona Fide & Workforce Profile Reports) : Individual Employees are responsible for the review of payslips to ensure accuracy and to report exceptions. Where a query or issue exists communication with Payroll occurs which may result in a "new" Payroll Change Request where the process repeats. Where query or issue is resolved to satisfaction the process has ended. Managers & Delegates are responsible for the review of the Bona Fide and Workforce Profile reports for their budgeted area to ensure accuracy and to report exceptions. Where a query or issue exists communication with Payroll occurs which may result in a "new" Payroll Change Request where the process repeats. Where query or issue is resolved to satisfaction the process has ended.	Additional	Effective
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.	Request to change Payroll – Payroll change requests come from the Manager / Delegate of respective budget areas or from the employee themselves. Individual Employees - Change requests from Employees include items such as Bank Details, Personal Information, Tax Declaration and deduction requests. Managers & Delegates - Change requests from Manager/ Delegates such as New Employee, higher duties, secondments, and Position Movement; these require processing and approvals through the HR process. Changes in roster can be sent to payroll direct by the delegate. Changes to an employee's salary or roster must be approved by the appropriate delegate/manager and supported with appropriate documentation and approval in order to be processed by payroll.	Additional	Effective
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.	Payroll change requests come from the Manager / Delegate of respective budget areas or from the employees themselves. Individual Employees change requests include items such as bank details, personal Information, Tax Declaration and deduction requests. Manager & Delegates change requests include items such as New Employee, higher duties, secondments, and position movement. Changes to an employee's salary or roster must be approved.	Core	Effective
EXP-PAY-0002	Payroll disbursements are made to incorrect or fictitious employees.	All employee deductions must be substantiated with documented approval provided by employee.	Payroll change requests come from the Manager / Delegate of respective budget areas or from the employees themselves. Individual Employees change requests include items such as bank details, personal Information, Tax Declaration and deduction requests. Manager & Delegates change requests include items such as New Employee, higher duties, secondments, and position movement. Changes to an employee's salary or roster must be approved.	Core	Effective
EXP-PAY-0003	Payroll disbursements are made to incorrect or fictitious employees.	Independent review of proposed payments by an authorised officer prior to the	Segregation of duties is used in the authorisation process whereby files uploaded for payment by payroll must be reviewed and authorised by finance for payment to occur. Once authorised and	Additional	Partially Effective Finding 2.2

Control Ref	Payroll Risk as per BPM	Payroll Control as per BPM	Control at City of Salisbury	Control Type	Effectiveness
		payment being released.	payment occurs general ledger is updated to reflect payment information.		
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.	Change requests written or electronic are received and processed into the pay system, communication between parties occurs to resolve complexities that may arise. Change requests are archived against the individual employee. Data Work file or against the pay run fortnightly checklist.	Core	Effective
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.	Segregation of duties is used in the authorisation process whereby files uploaded for payment by payroll must be reviewed and authorised by finance for payment to occur. Once authorised and payment occurs general ledger is updated to reflect payment information.	Core	Partially Effective Finding 2.2
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.	Any non-routine payroll queries or queries of a managerial / strategic nature are forwarded by the Payroll Administrator to the People and Culture Manager or their designate for investigation or for a decision. There is no formally documented process for this procedure because by their nature these queries are neither routine nor common.	Core	Effective
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 by independent person to verify correctness.	Individual Employees are responsible for the review of payslips and report exceptions. Where a query or issue exists communication with Payroll occurs which may result in a "new" Payroll Change Request where the process repeats. Managers & Delegates are responsible for the review of the bona fide and workforce profile reports for their budgeted area to ensure accuracy and to report exceptions. Where a query or issue exists communication with Payroll occurs which may result in a "new" Payroll Change Request where the process repeats.	Core	Effective
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.	Segregation of duties is used in the authorisation process whereby files uploaded for payment by payroll must be reviewed and authorised by finance for payment to occur.	Additional	Partially Effective Finding 2.2
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.	Change Requests Processed: Approved payroll change requests are received and actioned by payroll. Any concerns or discrepancies are raised back to originator of request. Pre Pay Run Reporting: Pre pay data validation occurs through the exception reporting of the Pay Calc Details and Gross Pay Comparison reports. Payroll officers share the task of checking. Exceptions are investigated for processing error, where required enquiry is made back to originator of change request. Pay run: Current Payroll Data is converted to unchangeable pay history as part of the pay run process. Payroll output reporting: - bona fides and payslips for review and investigation by	Additional	Effective

Control Ref	Payroll Risk as per BPM	Payroll Control as per BPM	Control at City of Salisbury	Control Type	Effectiveness
			<p>employees and delegates (as described in the Master data change process and the Timesheet and Leave booking process.</p> <ul style="list-style-type: none"> <li>- Net pay bank files used for NAB net banking system</li> <li>- Pay reconciliation, Pay journal and Pay Calc summary reports which are used to validate net pay file.</li> <li>- Finance one payroll import file used to update General Ledger with Payroll Information.</li> </ul>		
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.	A direct reconciliation of Payment Summaries against the General Ledger does not occur. However Payroll reconciliation against the GL occurs on a monthly basis being part of the Pay-run and Reconciliation process. Payment Summaries are reconciled against Payroll at the End of Year as part of the End of Financial Year process.	Core	Partially Effective Finding 2.4
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.	Timesheet claims are either entered electronically through ESS (Employee Self Service) or keyed manually. During the Pay run process exception reporting highlights exceptional hours and pay amounts for verification against timesheets prior to pay-run, anomalies are investigated.	Additional	Effective
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.	The Pay Calc details report is run and checked alongside a Gross Pay Variance report, prior to the finalisation of the pay-run (as part of the pay run process). All payments, allowances, and deductions are listed within the pay calc details report rather than exceptions. These reports are used together to give a "sanity" spot check for unusual variances or unusually large amounts. When exceptions are identified, investigation against previous records occurs, corrective action if required is performed against said source documents.	Additional	Effective
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.	An Amended – Returned – Problem Payment Summary Register is located within the following folder path P:\PAC\Payroll\PAYROLL\EOY\Amended Returned Payment Summary Register.xls . The register is used to capture problems with payment summaries with notations. Returned payment summaries should be registered within the spreadsheet. As a note generally replacement payment summaries are generally greater than misplaced summaries which have been returned to CoS. Replacements and their requests are not registered / recorded.	Additional	Effective
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.	Timesheet claims are either entered electronically through ESS (Employee Self Service) or keyed manually. During the Pay run process exception reporting highlights exceptional hours and pay amounts for verification against timesheets prior to pay-run, anomalies are investigated.	Additional	Effective
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.	(A) Time Sheet & Leave Request - Inside employees record their time through the Cosflex flexi time recording system. Field staff and casuals record their times on written time sheets. Requests Overtime, Additional hours, allowances, time sheet claims and leave requests can either submitted electronically or in writing.	Core	Effective

Control Ref	Payroll Risk as per BPM	Payroll Control as per BPM	Control at City of Salisbury	Control Type	Effectiveness
			(B) Review and Approve – All claim requests and leave requests must be reviewed and approved by a delegate/manager before being sent to payroll for processing. Where not approved the claims are sent back for the employee to correction and resubmission.		
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.	Timesheet claims are either entered electronically through ESS (Employee Self Service) or keyed manually. During the Pay run process exception reporting highlights exceptional hours and pay amounts for verification against timesheets prior to pay-run, anomalies are investigated.	Additional	Effective
EXP-PAY-0017	Payroll expense is inaccurately calculated.	Standard programmed formulae perform payroll calculations.	The Empower Application steering committee is responsible for the guidance of testing and validation of the Empower payroll application. Implementation of any system changes does not occur without thorough testing. The Testing plan incorporates all the facets of the product impacted by the proposed change. Testing of the payroll function including calculations, processes and reporting is performed to ensure that business function are not compromised. Testing is designed to uncover gaps in expected application outcomes against business processes and practices. The results of testing are recorded against the test plan and archived, and are also reported back through to the system Administrator for addressing before being raised back to the Steering committee.	Core	Effective
EXP-PAY-0018	Payroll expense is inaccurately calculated. / Time and/or attendance data is either invalid, inaccurately	Overtime hours worked and payments for such overtime are authorised by management for all eligible employees.	(A) Time Sheet & Leave Request - Inside employees record their time through the Cosflex flexi time recording system. Field staff and casuals record their times on written time sheets. Requests Overtime, Additional hours, allowances, time sheet claims and leave requests can either submitted electronically or in writing.  (B) Review and Approve – All claim requests and leave requests must be reviewed and approved by a delegate/manager before being sent to payroll for processing. Where not approved the claims are sent back for the employee to correction and resubmission.	Core	Effective
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.	Bona – Fide reports are reviewed and exceptions are reported to payroll and actioned accordingly if required correction and resubmission of timesheet/leave maybe required.	Additional	Effective
EXP-PAY-0019	Payroll expense is inaccurately calculated.	Non-standard pays checked by a person independent from the calculation process.	Pay Run Process - Pay Calc Detail reports are used for Data Validation / "sanity" check prior to commencement of the pay run, exception reporting highlights exceptional hours and pay amounts for verification against data changes and source documentation prior to pay-run, anomalies are investigated.	Additional	Effective
EXP-PAY-0020	Payroll expense is inaccurately calculated.	Amounts paid to employees are regularly reconciled to the General Ledger	Monthly reconciliation of general ledger occurs matching payroll information against payments raised, discrepancies are investigated. Payroll notifies deductions authorities of amounts remitted.	Additional	Partially Effective Finding 2.4

Control Ref	Payroll Risk as per BPM	Payroll Control as per BPM	Control at City of Salisbury	Control Type	Effectiveness
		accounts.			
EXP-PAY-0021	Payroll expense is inaccurately calculated.	Actual payroll expense is compared to budget by management; significant variances are investigated & approved by management.	Bona – Fide reports are reviewed and exceptions are reported to payroll and actioned accordingly if required correction and resubmission of timesheet/leave may be required	Additional	Effective
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.	Segregation of duties is used in the authorisation process whereby files uploaded for payment by payroll must be reviewed and authorised by finance for payment to occur.	Core	Partially Effective Finding 2.2
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.	Managers & Delegates are responsible for the review of the Bona Fide and Workforce Profile reports for their budgeted area to ensure accuracy and to report exceptions. Where a query or issue exists communication with Payroll occurs which may result in a “new” Payroll Change Request where the process repeats.	Additional	Effective
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.	Bona Fide reports and Workforce Profile reports are instead utilised by management to monitor expected changes and to maintain and report exceptions as part of the current Master Data Change Process.  Where exceptions are noted these are then reported to HR/Payroll and followed up with appropriate action, where action has been required either old documentation or new correcting documentation forms the basis for any corrections made. Where action has been required the details of action/exception are recorded.	Core	Effective
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.	Individual Employees change requests include items such as Bank Details, Personal Information, Tax Declaration and deduction requests. Managers & Delegates - change requests include items such as New Employee, higher duties, secondments, and Position Movement. Changes to an employee’s salary  Change requests Written or electronic are received and processed into the pay system, communication between parties occurs to resolve complexities that may arise. Change requests are archived against the individual employee Data Work file or against the pay-run fortnightly Checklist.	Core	Partially Effective Finding 2.1
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.	Individual Employees change requests include items such as Bank Details, Personal Information, Tax Declaration and deduction requests. Change requests Written or electronic are received and processed into the pay system, communication between parties occurs to resolve complexities that may arise. Change requests are archived against the individual employee Data Work file or against the pay-run fortnightly Checklist. Further, employees are able to personally modify certain details (bank accounts etc.) through the	Additional	Partially Effective Finding 2.1

Control Ref	Payroll Risk as per BPM	Payroll Control as per BPM	Control at City of Salisbury	Control Type	Effectiveness
			ESS system.		
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.	Managers & Delegates are responsible for the review of the Bona Fide and Workforce Profile reports for their budgeted area to ensure accuracy and to report exceptions. Where a query or issue exists communication with Payroll occurs which may result in a "new" Payroll Change Request where the process repeats.	Additional	Effective
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.	IT designed access rights around 8 templates. Payroll Admin is the only template that grants access to payroll deduction listing.	Additional	Partially Effective Finding 2.3
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.	Bona – Fide reports are reviewed and exceptions are reported to payroll and actioned accordingly if required correction and resubmission of timesheet/leave may be required.	Additional	Effective
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.	Monthly Reconciliation: Monthly reconciliation of general ledger occurs matching payroll information against payments raised, discrepancies are investigated. Payroll notifies deductions authorities of amounts remitted.  Reconciliation & Budget Review: Finance reviews reconciliation items along with issues raised against budget.	Core	Effective
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.	Managers & Delegates are responsible for the review of the Bona Fide and Workforce Profile reports for their budgeted area to ensure accuracy and to report exceptions. Where a query or issue exists communication with Payroll occurs which may result in a "new" Payroll Change Request.	Additional	Partially Effective Finding 2.1
EXP-PAY-0030	Voluntary and statutory payroll deductions are inaccurately processed.	All payroll deductions must be approved by the relevant employee.	Payroll change requests come from the Manager / Delegate of respective budget areas or from the employee themselves. Individual Employees change requests include items such as Bank Details, Personal Information, Tax Declaration and deduction requests. Managers & Delegates - change requests include items such as New Employee, higher duties, secondments, and Position Movement. Changes to an employee's salary or roster must be approved.	Core	Effective
EXP-PAY-0031	Voluntary and statutory payroll deductions are inaccurately processed.	Access to the payroll deduction listing is restricted to authorised officers.	IT designed access rights around 8 templates. Payroll Admin is the only template that grants access to payroll deduction listing.	Core	Partially Effective Finding 2.3

Control Ref	Payroll Risk as per BPM	Payroll Control as per BPM	Control at City of Salisbury	Control Type	Effectiveness
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.	<p>A review of the deduction listing occurs when bulk changes are received or a notification of change of statutory requirement. However a review is not normally against original source documentation as the original source documentation usually does not detail future changes, rather the review is to give a reasonableness check, where exceptions are investigated.</p> <p>When the union fees increase, employees with this deduction setup are included for change/increase. Validation against the employee's original source documentation does not occur.</p>	Core	Effective
EXP-PAY-0032	Salary sacrifice transactions are inaccurately processed.	All original salary sacrifice transactions must be approved by the relevant employee. Approval is obtained prior to processing transactions into the payroll system.	All requests for Salary Sacrifice are requested with authority from the employee in writing or electronic (email). Members of the Employer default Statewide Superannuation fund complete a Making Contribution form which is actioned by payroll, archived and then on-forwarded to the fund.	Core	Effective
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.	<p>Upon receiving resignation letter:</p> <ol style="list-style-type: none"> <li>1. Send acknowledgement                             <ul style="list-style-type: none"> <li>o Inside staff – Produce Email (PAC/HR Administration/ STANDARD/ Emails/ Resignation Acknowledgement)</li> <li>o Field Staff – Produce Letter (PAC/HR Administration/ STANDARD/ Letters/ Resignation Acknowledgement Letter) save letter (PAC/End of Employment/Resignation/Year)</li> <li>o Send email or post letter</li> </ul> </li> <li>2. Complete Staff Movements form                             <ul style="list-style-type: none"> <li>o Fill in staff movements form (PAC/ HR Administration/ STANDARD/ Forms/ Staff Movements Form – Employee Conditions Change)</li> <li>o Save under (PAC/ Staff/ Help Desk Advice/ Year)</li> <li>o Email to Staff Movements Group</li> </ul> </li> <li>3. Organise Appointment for Exit Interview                             <ul style="list-style-type: none"> <li>o Send employee and HR Officer appointment for exit interview – copy and paste Standard Exit Interview Email into appointment text (PAC/ Hr Administration/ STANDARD/ Emails/ Exit Interview Email) and attach Exit Interview Form text (PAC/ Hr Administration/ STANDARD/ Emails/ Exit Interview Form)</li> </ul> </li> <li>4. Dataworks all Paperwork                             <ul style="list-style-type: none"> <li>o Resignation                                     <ul style="list-style-type: none"> <li>• Email - register as per HR Documents Register Guide</li> <li>• Letter – Place original copy into scanning folder</li> </ul> </li> <li>o Acknowledgement Letter or Email                                     <ul style="list-style-type: none"> <li>• Register as per HR Documents Register Guide</li> </ul> </li> <li>o Staff Movements Form                                     <ul style="list-style-type: none"> <li>• Register as per HR Documents Register Guide</li> </ul> </li> </ul> </li> </ol>		Partially Effective Finding 2.5

Control Ref	Payroll Risk as per BPM	Payroll Control as per BPM	Control at City of Salisbury	Control Type	Effectiveness
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.	<p>Framework in place outlining the council's approach to managing issues related to work performed. The council requires their employees to conduct themselves in a certain manner, and will enact 'Formal performance management' to correct or change unsatisfactory behaviour (unless there is serious or wilful misconduct warranting a summary dismissal).</p> <p>The formal performance management has three stages: Verbal warning, written warnings, and termination of employment. Advice must be sought from People and Culture (HR) before steps are undertaken to terminate employment, and the employee is given the opportunity to respond to any written allegations.</p> <p>The employee is advised in writing that termination is being considered due to unsatisfactory performance, including specific details.</p> <p>If the employee's explanations are unacceptable, they are advised that their employment is terminated with immediate effect and that they will be paid all of their entitlements including pay in lieu of the appropriate notice period.</p>		Effective
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.	<p>It is expected that employees checking their payslips will notify payroll in the event of errors.</p> <p>Salary Sacrifice contributions are set up (using the Salary Sacrifice Superannuation work guide (P:\PAC\Payroll\PAYROLL\Superannuation\Salary Sacrifice) as a percentage with a control table governing what is salary sacrifice-able. Review of control tables occurs when there is a variance to the governing legislation / regulations. The payroll automatically calculates salary sacrifice contributions based on employees' salaries /allowances (control table governed) and the regular salary sacrifice contribution percentage.</p> <p>Salary Sacrifice contributions are reconciled against amounts paid as part of the monthly reconciliation process.</p>	Additional	Effective
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.	See EXP-PAY-0034	Additional	Partially Effective Finding 2.5

### 3. DISCLAIMERS

#### 3.1 Inherent Limitations

This report has been prepared for the information and internal use of the City of Salisbury in accordance with the scope and objectives outlined in the Executive Summary of this report. The services provided in connection with this engagement comprise an advisory engagement which is not subject to the Australian Auditing Standards or the Australian Standards on Review and Assurance Engagements. Consequently, no express opinions or conclusions have been drawn or intended to convey assurance. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

#### 3.2 Third party reliance

This report is solely for the purpose set out in the Executive Summary of this report and for the City of Salisbury's information, and is not to be used for any other purpose or distributed to any other party without Galpins' prior written consent. This internal audit report has been prepared at the request of the City of Salisbury or its delegate in connection with our engagement to perform internal audit services. Other than our responsibility to City of Salisbury, neither Galpins nor any member or employee of Galpins undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the City of Salisbury's external auditor, on this internal audit status report. Any reliance placed is that party's sole responsibility.



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<b>ITEM</b>	4.2.2
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	11 April 2017
<b>HEADING</b>	Draft 2017/18 Annual Plan and Budget
<b>AUTHOR</b>	Kate George, Manager Financial Services, Business Excellence
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	The draft Annual Plan is to be released for Public Consultation and will be presented to Council for consideration and endorsement in April.

### **RECOMMENDATION**

1. The information be received

### **ATTACHMENTS**

There are no attachments to this report.

## **1. BACKGROUND**

- 1.1 The Annual Budget process is in progress with Council, with workshops during February and March, and the utilisation of the Budget and Finance Committee Meetings.
- 1.2 A Draft 2017/18 Annual Plan and Budget has been developed for Council's consideration prior to circulating for public consultation.

## **2. CONSULTATION / COMMUNICATION**

### 2.1 Internal

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

### 2.2 External

- 2.2.1 Nil

### **3. REPORT**

#### **3.1 Budget Update**

- 3.1.1 A verbal briefing on the current state of budget preparations will be provided to members at the Audit Committee meeting. The draft budget position will be formally presented to the Budget and Finance Committee on 18 April 2017.

#### **3.2 Annual Plan**

- 3.2.1 The Draft Annual Plan and Budget 2017/18 is to be presented to the Budget and Finance Meeting on 18 April 2017. Public consultation will be conducted during May with the closing date for submissions being Friday 26 May 2017. Time will be made available at the commencement of the Council Meeting on the 22 May 2017 for verbal representations.
- 3.2.2 Advertising will be placed in the Messenger on Wednesday 3 May 2017, and copies of the Annual Plan will be made available on the City of Salisbury website and at Recreation Centres, Libraries and Community Centres. Public comment is invited either by letter, email, phone or attendance at the May Council meeting. Additionally the website provides the option to make a submission or to ask a question in relation to the Annual Plan by clicking on an embedded link.

### **4. CONCLUSION / PROPOSAL**

- 4.1 We are well placed for the budget and annual plan to be considered and endorsed in April for public consultation in May, and we would welcome feedback from the Audit Committee prior to seeking this endorsement of Council.

### **CO-ORDINATION**

Officer:

Date:

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<b>ITEM</b>	4.2.3
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	11 April 2017
<b>HEADING</b>	Audit Committee Work Program for 2017
<b>AUTHOR</b>	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	<p>The purpose of this report is to link the responsibilities of the Audit Committee of Council, as defined in the Terms of Reference for the Committee; to the schedule of Committee meetings to identify in advance which matters will be considered and when, by the Committee.</p> <p>The Audit Committee Work Plan for 2017 shows that each meeting of the Audit Committee considers a number of responsibilities required by the Terms of Reference. The October Audit Committee meeting deals with the majority of the Committee's responsibilities, in particular the review of the audited Financial Statements and Financial Internal Controls.</p>

## RECOMMENDATION

1. The information be received.

## ATTACHMENTS

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

1. Audit Committee of Council Terms of Reference
2. Audit Committee Work Program 2017

## 1. BACKGROUND

- 1.1 The Audit Committee of Council Terms of Reference (ToR) (refer Attachment 1) is approved by Council at the beginning of each 4 year Council term. Thereafter the ToR is reviewed at least biennially, with changes made to it as necessary.
- 1.2 Contents of the ToR are based on a combination of legislative responsibilities, best practice and practical arrangements for City of Salisbury Committees of Council. The responsibilities of the Audit Committee are detailed in section 6 of the attached ToR. Section 6.1 of the ToR reflects the requirements of section 126(4) of the *Local Government Act 1999*. Section 6.2 of the ToR lists additional responsibilities of the Audit Committee as determined by Council and Section 6.3

of the ToR contains practical considerations which assist the Committee in discharging its other responsibilities.

## 2. REPORT

- 2.1 Attachment 2 of this report sets out the responsibilities of the Audit Committee mapped against the meetings of the Committee. The majority of those (16 responsibilities out of 24), are addressed at the October meeting of the Audit Committee, which deals entirely with the externally audited Financial Statements and Financial Internal Controls information. The October meeting of the Committee is a particularly important meeting because not only does it address the majority of the responsibilities of the Committee, it is also necessary to enable the audited Financial Statements to be endorsed within the regulatory timeframes for submission of the statements to the Minister, and the Presiding Member of the South Australian Local Government Grants Commission.
- 2.2 Several other responsibilities are addressed at each Audit Committee meeting or as and when necessary. The ToR includes a provision whereby the Audit Committee of Council may undertake the functions of a subsidiary's audit committee in circumstances where the City of Salisbury has exempted that subsidiary from having its own Audit Committee.
- 2.3 Currently the City of Salisbury has an interest in two regional subsidiaries;
  - 2.3.1 Northern Adelaide Waste Management Authority (NAWMA), and
  - 2.3.2 Council Solutions.

Both of these entities have their own Audit Committees, so there is currently no requirement for the Audit Committee of Council to act in that capacity.

## 3. CONCLUSION / PROPOSAL

- 3.1 The responsibilities of the Audit Committee of Council, as set out in the Terms of Reference, are capable of being addressed over the scheduled Committee meetings throughout the year. Each meeting of the Audit Committee provides the opportunity to address several responsibilities, with the October meeting addressing the majority, due to the fact that it deals with the audited Financial Statements and Financial Internal Controls.
- 3.2 Based on the current Audit Committee meeting schedule, and the allocation of consideration of responsibilities from the Terms of Reference to those meetings, the Audit Committee is provided with the necessary opportunities to address the responsibilities as detailed in the Terms of Reference, subject to each scheduled meeting of the committee occurring as planned.

### CO-ORDINATION

Officer: MG  
Date: 05/04/2017



## Audit Committee of Council

- Terms of Reference -

**Endorsed by Council:** 22 February 2016

**Review Date:** January 2018

### **1. Purpose**

- 1.1 In line with section 125 of the *Local Government Act 1999* (the Act) the committee will, with the adoption of a strategic risk outlook:
- Satisfy itself that appropriate policies, practices and procedures of internal control are implemented and maintained.
  - Ensure that these controls are appropriate for achieving the council's goals and objectives, safeguarding the council's assets and as far as possible maintaining the accuracy and reliability of council records.
  - Satisfy itself that the organisation is meeting its fiduciary and legislative responsibilities.

### **2. Status and Term of the Committee**

- 2.1 The Committee is mandated under section 126 of the Act.
- 2.2 This Committee will exist for the term of the Council.

### **3. Authority**

- 3.1 The Audit Committee can request the conduct of investigations into any matters within the scope of its responsibility. It is empowered to:
- Recommend to Council the appointment and oversee the work of any external auditor appointed by the City of Salisbury.
  - Resolve any disagreements between management and the external auditor regarding financial reporting.
  - Pre-approve all auditing and non-audit services.
  - Request through the Chief Executive Officer (CEO) the right to retain independent counsel, accountants or others to advise the committee or assist in the conduct of an investigation.
  - Seek any information it requires from anyone employed by City of Salisbury, all of whom are directed to cooperate with the committee's requests or those of external parties acting on behalf of the committee.
  - Meet with City of Salisbury employees or the appointed external auditors as necessary.



## Audit Committee of Council

### - Terms of Reference -

**Endorsed by Council:** 22 February 2016

**Review Date:** January 2018

#### **4. Meeting Details**

- 4.1 The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- 4.2 Meetings will be scheduled on a day of the week convenient to the committee members, but will commence no earlier than 5pm on the day of the meeting.
- 4.3 Meetings of the committee will be held in the Council Offices at 12 James Street, Salisbury, under normal circumstances.
- 4.4 In accordance with Section 87 of the Act, a minimum of three clear days notice of an ordinary meeting, together with an agenda and supporting papers will be provided to members of the committee.
- 4.5 The attendance of the following City of Salisbury staff will be required at each committee meeting, together with any staff member deemed appropriate by the committee:
  - CEO
  - General Manager Business Excellence
  - Manager Governance
  - Internal Auditor
- 4.6 Administrative support for the committee will be resourced by City of Salisbury.
- 4.7 Public notice of meetings will be given through publication of the annual meeting schedule on the City of Salisbury website.
- 4.8 A copy of the Notice of Meeting and Committee Agenda will also be displayed on a monthly basis at 12 James Street, Salisbury.
- 4.9 Members of the public are able to attend all meetings of the committee, unless prohibited by resolution of the committee under the confidentiality provisions of section 90 of the Act.

#### **5. Membership**

- 5.1 Section 126(2) of the Act and s.17(1) of the Local Government (Financial Management) Regulations 2011, (the Regulations), state that the membership of the Audit Committee;



## Audit Committee of Council

### - Terms of Reference -

**Endorsed by Council:** 22 February 2016

**Review Date:** January 2018

- May include persons who are not members of the council.
- May not include an employee of the council (although an employee may attend if appropriate).
- May include or be comprised of Audit Committee members from another council.
- Must be between three and five members.
- Must include at least one person who is not a member of the council and who is determined by the council to have financial experience relevant to the functions of the audit committee.
- Must not include, as a member, the council's external auditor.

5.2 In line with the requirements of the Act and the Regulations, the Audit Committee of Council;

- Will consist of five members, three of whom will be independent of the council and City of Salisbury and will have the necessary skills, knowledge and experience (including recent, relevant financial experience), to ensure the effective discharge of the responsibilities of the committee.
- The other members of the committee will come from the elected members of the council, they will be selected by the council and will possess the necessary understanding of the role of the committee and such skills, knowledge and experience to enable them to function effectively as a member of the committee.
- Members will be appointed to the Audit Committee for the term of council. Members may, at the discretion of the council, be elected for subsequent terms.
- Independent members of the Audit Committee will be paid suitable remuneration for the provision of their services; this will be set by council and reviewed by council at the time of establishment of each new committee term.
- All members must attend the meeting and where unable to do so, must provide an apology prior to the meeting.
- Members of the committee must comply with the conduct and conflict of interest provisions of the Local Government Act. In particular, Sections 62 (general duties), 63 (code of conduct) and 73-74 (conflict of interest, members to disclose interests) must be adhered to.
- The Chairman of the committee will be appointed by the council from the independent members.



## Audit Committee of Council

### - Terms of Reference -

**Endorsed by Council:** 22 February 2016

**Review Date:** January 2018

#### **6. Responsibilities**

6.1 Section 126(4) of the Act articulates the role of the Audit Committee, which includes:

- Reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
- Proposing and providing information relevant to, a review of the council's strategic management plans or annual business plan; and
- Proposing and reviewing the exercise of powers under section 130A of the Act; and
- If the council has exempted a subsidiary from the requirement to have an audit committee, undertake the functions that would, apart from the exemption, have been performed by the subsidiary's audit committee; and
- Liaising with the council's external auditor; and
- Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of council on a regular basis.

6.2 City of Salisbury also considers the following to be critical components of the role of the Audit Committee:

- Reviewing significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, significant changes in accounting policies or their application, recent professional and regulatory pronouncements and their corresponding impact on the financial statements.
- Reviewing all reports on the council's operations from the external auditor and monitoring management responsiveness to the external auditor's findings and recommendations.
- Reviewing the annual financial statements and considering whether they are complete and consistent with information known to committee members and that they reflect appropriate accounting principles.
- Reviewing other sections of the annual report and related regulatory filings before approval and considering the accuracy and completeness of the information.
- Understanding how management develops interim financial information and the nature and extent of internal and external



## Audit Committee of Council

- Terms of Reference -

**Endorsed by Council:** 22 February 2016

**Review Date:** January 2018

audit involvement in this process.

- Reviewing council arrangements for dealing with public information provided under the whistle-blower legislation; and
- Considering and making recommendations on the program of internal audits; and
- Reviewing the operation and effectiveness of the internal audit function and all reports on the council's operations from the Internal Auditor, including the monitoring of management responses to the Internal Auditor's findings and recommendations; and
- Providing guidance and overseeing the supply of non-audit services by the external auditor; and
- Reviewing the appropriateness and effectiveness of the council's internal controls and risk management frameworks.
- Instituting and overseeing special investigations as and when necessary.

6.3 The committee will also:

- Review the statements to be included in the annual report concerning internal audit and risk management.
- Review the internal audit plan and all significant changes to the plan.
- Monitor the external auditor's rotation of audit partners.
- Meet with the external auditor, in camera, once per year.
- Meet with the Internal Auditor, in camera, when necessary to discuss confidential issues.
- Have access to reasonable resources in order to carry out its duties.
- Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

### **7. Voting Rights**

- 7.1 All members have equal voting rights.
- 7.2 A question arising for a decision will be decided by a majority of votes cast by all members present.



## **Audit Committee of Council**

### **- Terms of Reference -**

**Endorsed by Council:** 22 February 2016

**Review Date:** January 2018

- 7.3 Each member must vote on a question arising for a decision.
- 7.4 The Chairman has a deliberative vote, but does not have a casting vote in the event of an equality of votes.
- 7.5 In the event of an equality of votes, the matter must be referred to council for decision.

#### **8. Meeting Procedures, Minutes and Documents**

- 8.1 All meetings of the committee will be held in accordance with the Act (and relevant Regulations), the City of Salisbury Code of Practice for Meeting Procedures and the City of Salisbury Code of Practice for Access to Meetings and Documents.
- 8.2 Minutes will be kept of the proceedings at each committee meeting.
- 8.3 Members of council will be provided with a copy of all minutes of the proceedings of this committee within five days after a meeting.
- 8.4 Members of the public have access to all documents relating to the committee and committee meetings unless prohibited by resolution of the committee under the confidentiality provisions of section 91 of the Act.

#### **9. Quorum**

- 9.1 A quorum shall consist of three members, at least two of whom will be independent members.
- 9.2 Meetings are to be rescheduled where there is no quorum.

#### **10. Reporting Requirements**

- 10.1 The Audit Committee reports directly to council and shall make whatever recommendations to the council it deems appropriate on any area within its Terms of Reference where in its view action or improvement is needed.
- 10.2 Recommendations made by the committee will be referred to the next council meeting, through the presentation of minutes, for final resolution.



## **Audit Committee of Council**

- Terms of Reference -

**Endorsed by Council:** 22 February 2016

**Review Date:** January 2018

- 10.3 The Audit Committee will provide to council an annual report on its activities, performance and achievements, as well as any other reports it deems necessary.



### City of Salisbury Audit Committee Work Program 2017

The document lists the Audit Committee of Council's responsibilities, as defined in section 6 of the Terms of Reference, together with the Committee meeting that the activity occurs in. Each X in the table below denotes which meeting a responsibility of the Audit Committee is addressed in.

Activity – Audit Committee Terms of Reference section:	Audit Committee Meeting					Comments
	Feb	Apr	July	Oct	Nov	
<b>6.1 Section 126(4) of the Local Government Act (the Act) articulates the role of the Audit Committee, which includes the following:</b>						
• Reviewing annual financial statements to ensure that they present fairly the state of affairs of the council				X		
• Proposing and providing information relevant to, a review of the council's strategic management plans or annual business plan	X	X	X	X	X	Changes to strategic management plans are presented to the Committee when they are made.
• Proposing and reviewing the exercise of powers under section 130A of the Act				X		
• If the council has exempted a subsidiary from the requirement to have an audit committee, undertake the functions that would, apart from the exemption, have been performed by the subsidiary's audit committee	N/A	N/A	N/A	N/A	N/A	Council has not currently exempted a subsidiary from the requirement to have an audit committee, this is therefore not applicable at present.
• Liaising with the council's external auditor				X		
• Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of council on a regular basis				X		
<b>6.2 City of Salisbury also considers the following to be critical components of the role of the Audit Committee:</b>						
• Reviewing significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, significant changes in accounting policies or their application, recent professional and regulatory pronouncements and their corresponding impact on the financial statements				X		
• Reviewing all reports on the council's operations from the external auditor and monitoring management responsiveness to the external auditor's findings and recommendations				X		

• Reviewing the annual financial statements and considering whether they are complete and consistent with information known to committee members and that they reflect appropriate accounting principles				X		
• Reviewing other sections of the annual report and related regulatory filings before approval and considering the accuracy and completeness of the information				X		
• Understanding how management develops interim financial information and the nature and extent of internal and external audit involvement in this process				X		
• Reviewing council arrangements for dealing with public information provided under the whistle-blower legislation					X	The Council's Whistle-blower Protection Policy is reviewed biennially.
• Considering and making recommendations on the program of internal audits	X	X	X		X	
• Reviewing the operation and effectiveness of the internal audit function and all reports on the council's operations from the Internal Auditor, including the monitoring of management responses to the Internal Auditor's findings and recommendations	X	X	X		X	
• Providing guidance and overseeing the supply of non-audit services by the external auditor				X		Letter of independence is presented by the external auditor to the Audit Committee.
• Reviewing the appropriateness and effectiveness of the council's internal controls and risk management frameworks	X	X	X	X	X	
• Instituting and overseeing special investigations as and when necessary						The nature of this task is "when necessary".
<b>6.3 The committee will also:</b>						
• Review the statements to be included in the annual report concerning internal audit and risk management			X			The timing of this item is dependent upon when the annual report is produced and whether or not the report includes any statements on internal audit and risk management.
• Review the internal audit plan and all significant changes to the plan	X	X	X		X	
• Monitor the external auditor's rotation of audit partners				X		

• Meet with the external auditor, in camera, once per year				X		This is usually arranged for a timeslot quarter of an hour before the Audit Committee meeting.
• Meet with the Internal Auditor, in camera, when necessary to discuss confidential issues				X		This is usually arranged for a timeslot half an hour before the Audit Committee meeting.
• Have access to reasonable resources in order to carry out its duties	X	X	X	X	X	
• Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members						Training is provided as and when necessary.



<b>ITEM</b>	4.2.4
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	11 April 2017
<b>HEADING</b>	Internal Audit Plan
<b>AUTHOR</b>	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	The Internal Audit Plan outlines the internal 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 February; the changes are highlighted in this report.

## **RECOMMENDATION**

1. The information be received.

## **ATTACHMENTS**

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

1. Internal Audit Plan including links to the Strategic Risk Register
2. Strategic Risk Register v2.6 March 2017

## **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 Audit Plan and the Strategic Risk Register and to highlight any changes made to these documents since they were last presented at the February 2017 meeting.

## **2. REPORT**

### **2.1 The Strategic Risk Register**

- 2.1.1 Attachment 2 is the latest version of the Strategic Risk Register. As a result of a review of the Strategic Risk Register by the Executive Group in February 2017 the following changes have been made to the Register;

- A treatment plan regarding establishing the I-Responda Framework has been removed from Strategic Risk 1, *Inadequate preparation and response to a business continuity event*, as it has been completed.
- A treatment plan regarding the response strategy for further wetland contamination issues has been removed from Strategic Risk 2, *Inadequate prevention of and response to contamination of Wetlands and/or recycled water systems*, as it has been completed.
- An Existing Control/Mitigating Practice has been added regarding the Mosquito Control Program for Strategic Risk 3, *Lack of management of public and environmental health risks*.
- The description of Strategic Risk 4, *Lack of management of a major incident at a Council facility that affects public and staff safety*, has been changed to; *Lack of management of a major incident at a Council facility and/or event that affects public and staff safety*. Existing Controls/Mitigating Practices have also been added to this risk including; Emergency Management Committee, Event Management Plans and Event Management Procedures. A treatment plan regarding the establishment of the I-Responda Framework has been removed as it has been completed. Treatment plans have been added to this risk regarding the roll out of Event Management Procedures, Ensuring Field Services works are coordinated with the Events Calendar and Appropriate contractual processes in place for service providers at events.
- In Strategic Risk 5, *Failure to manage the impact of environmental and social factors on Council infrastructure, assets and services*, effectiveness ratings were added to the following Existing Controls/Mitigating Practices; Wellbeing Strategy, Learning Strategy, Multicultural Strategy, Social Infrastructure Assessment Framework and Planning Controls. A treatment plan regarding the establishment of the I-Responda Framework has been removed as it has been completed.
- In Strategic Risk 6, *City of Salisbury financial sustainability is compromised*, effectiveness ratings were added to the following Existing Controls/Mitigating Practices; Regular reviews of the rating system, Grant Management Process, Growth Action Plan and China Strategy. An Existing Control/Mitigating Practice has been added regarding the Northern Economic Plan and a treatment plan regarding Conducting a Rate Review has been removed.
- An Existing Control/Mitigating Practice has been added regarding the Business Case development for aged care services in Strategic Risk 7, *Strategic and operational outcomes are not delivered*. Treatment plans have also been added to this risk regarding the Change Management Framework and Reviewing the Customer Service Framework.
- An effectiveness rating was added to the Existing Control/Mitigating Practice of the Continuous Improvement Framework in Strategic Risk 10, *Lack of alignment and integrity of IT systems for support of*

*business needs.* A treatment plan has also been added to this risk regarding the Delivery of the IT component of the Community Hub.

**2.2 The Internal Audit Plan**

- 2.2.1 A final report has been produced for the Payroll Audit and is presented as a separate item on the agenda of this meeting.
- 2.2.2 At the time of writing this report tenders received for the Business Systems and Solutions audit were being evaluated in accordance with the City of Salisbury's procurement process.
- 2.2.3 A scope for the Audit of the Management of Public and Environmental Health was being drafted for circulation to all the relevant stakeholders for approval, prior to invitations for tenders being issued.

**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 February 2017. These changes are highlighted in this report. The Internal Audit Plan and Strategic Risk Register will next be presented at the July 2017 Audit Committee meeting.
- 3.2 Members of the Audit Committee are asked to consider this update report and to identify any areas of risk that may warrant further consideration.

**CO-ORDINATION**

Officer: MG  
Date: 05/04/2017



Audit Ref	Strategic Risk Number	Risk Description	Inherent Risk	Residual Risk	Key Divisions impacted by the audit											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		
					People & Culture	Community Planning & Vitality	Community Capacity & Learning	Governance	Technical Services	Business Systems and Solutions	Business Support	Environmental Health & Safety	Projects	Strategic Development Projects	Financial Services							Communications & Customer R	Salisbury Water
1	N/A	N/A																It is a requirement of the Institute of Internal Auditors that internal audit functions are externally assessed at least once every five years by a qualified, independent assessor or assessment team from outside the organisation (Attribute Standard 1312 "External Assessments").	<b>External Review of Internal Audit</b> The internal audit function, its processes and interactions with the Audit Committee and the Executive.	Compliance	●		
2	9	Failure to comply with WHS legislative obligations	Very High	High	●	●	●										●		<b>Event Management</b> The application of WHS processes at major events organised by the City of Salisbury.	Compliance and Risk-Based	●		
	4	Lack of management of a major incident at a Council facility that affects public and staff safety	Very High	High																			
3	8	Organisation suffers detriment as a result of fraud, misconduct or maladministration	High	High	●				●									Payroll has more applicable financial internal controls under the Better Practice Model - Financial Internal Controls for South Australian Councils than any other process.	<b>Payroll</b> Payroll processes and systems covering the 35 financial internal controls associated with payroll.	Compliance and Risk-Based	●		
4	10	Lack of alignment and integrity of IT systems for support of business needs	Very High	High					●										<b>Business Systems and Solutions</b> The implementation of the Information Services Strategy mitigating the risk of a lack of alignment between IT and business needs. In addition, assurance on risks regarding loss of a software supplier and loss of data should be included in the scope of the audit.	Risk-Based		●	
5	3	Lack of management of public and environmental health risks	High	High									●						<b>Management of public health</b> Assurance that the services provided by City of Salisbury are managing public health risks in the most efficient and effective manner.	Compliance and Risk-Based		●	
6	7	Strategic and operational outcomes are not delivered	High	Medium									●					The City of Salisbury undertakes approximately 700 capital works projects with an approximate value of \$30-40 million each year.	<b>Capital Works Projects</b> Assurance on the effectiveness of the processes that are in place to manage risks on capital works projects.	Risk-Based		●	
7	7	Strategic and operational outcomes are not delivered	High	Medium									●						<b>Strategic Development Projects</b> Assurance on the management of risks taken in the development of residential land and buildings.	Risk-Based		●	
8	7	Strategic and operational outcomes are not delivered	High	Medium										●	●				<b>Strategic reporting process</b> Assurance on the processes and controls in place, specifically in relation to the City Plan, Business Planning and Annual Planning.				●
9	7	Strategic and operational outcomes are not delivered	High	Medium									●	●					<b>Contract Management</b> 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	High	High					●								●		<b>Management of contaminated sites</b> Assurance that the controls in place to prevent and manage contamination incidents/sites are robust.	Risk-Based			●
	5	Failure to manage the impact of environmental and social factors on Council infrastructure, assets and services	High	High																			
11	6	City of Salisbury financial sustainability is compromised	High	High					●	●	●				●				<b>Asset Management</b> Review of the proposed processes and system changes in asset management operationalisation.	Risk-Based			●



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	●				Completed
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			●		Completed
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				●	Final report to be presented at the April 2017 Audit Committee meeting.
		<b>Total</b>							



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

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	●				The conduct of this audit was put out to tender and the submitted tenders are being evaluated.
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		●			A scope is currently being drafted.
6	7	Capital Works Projects	The City of Salisbury undertakes approximately 700 capital works projects with an approximate value of \$30-40 million each year. Processes are in place to manage risks in projects and this audit should provide assurance that risks are being managed in capital projects.	Co-sourced			●		
7	7	Strategic Development Projects	A strategy within "The Living City" key direction is to facilitate access to affordable housing. The Strategic Development Projects division do this by developing residential land and buildings for sale to developers and to the community. This audit should provide assurance on the management of risks taken in the development of residential land and buildings.	Co-sourced				●	
		<b>Total</b>							



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

Audit Ref	Strategic Risk Number	Internal Audit Project	Rationale for Audit	Internal / External or Co-sourced	2018				Current Status
					Q1	Q2	Q3	Q4	
8	7	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				●	
		<b>Total</b>							



**Strategic Risk Register**

v2.6 March 2017

<b>1</b>	<b>Event Description:</b> Inadequate preparation and response to a business continuity event		
<b>Responsible Managers:</b> CEO, All General Managers, Manager Governance, Manager Business Systems and Solutions, Manager Communications & Customer Relations, Manager People and Culture			
<b>Contributory Factors ("root" causes / how and why the event arises):</b>		<b>Impacts (risks):</b>	
<ul style="list-style-type: none"> <li>Lack of plans and procedures to inform response strategies when business continuity event occurs</li> <li>Lack of communication/training for relevant staff required to respond to business continuity event</li> <li>Information to facilitate action during business continuity not available</li> </ul>		<ul style="list-style-type: none"> <li>Service delivery to community compromised (loss of confidence)</li> <li>Political/Public embarrassment</li> <li>Uncertainty leads to loss of morale and resources and compromised regulatory decisions</li> </ul>	
<b>Likelihood:</b> Almost Certain	<b>Consequence:</b> Catastrophic	<b>Inherent Risk Rating: Very High</b>	
<b>Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details):</b>			
<ul style="list-style-type: none"> <li>Business Continuity Framework, 4</li> <li>Business Continuity Plans, 4</li> <li>Business Continuity Plan tests and walkthroughs (alternating annually), 4</li> <li>Incident Management Team identified and trained, 4</li> <li>Systems and processes to support response to BC event (e.g. staff contact information reports), 5</li> </ul>		<ul style="list-style-type: none"> <li>IT Disaster Recovery Plan in place, 4</li> <li>Emergency Management procedures in place, 4</li> <li>Zone Emergency Management Committees – Northern Area, 5</li> <li>Adelaide and Mount Lofty Bushfire Committee, 4</li> </ul>	
<b>Likelihood:</b> Possible	<b>Consequence:</b> Catastrophic	<b>Residual Risk Rating: High</b>	<b>Is the Residual Risk Rating acceptable? No</b>
<b>Treatment Plan:</b>		<b>Responsibility:</b>	<b>Target Completion Date:</b>
I-Responda Training to be organised for relevant staff.		Manager People and Culture and Manager Field Services	30 April 2017
Develop a process for ensuring that Business Continuity Plan owners update their plans when necessary.		Manager Governance and BA Internal Audit & Risk	30 June 2017

Item 4.2.4 - Attachment 2 - Strategic Risk Register v2.6 March 2017

**Strategic Risk Register**

v2.6 March 2017

<b>2</b>	<b>Event Description:</b> Inadequate prevention of and response to Contamination of Wetlands and/or the recycled water systems		
<b>Responsible Managers:</b> GM Business Excellence, GM City Infrastructure, Manager Salisbury Water, Manager Technical Services, Manager Field Services, Manager Communications and Customer Relations			
<b>Contributory Factors ("root" causes / how and why the event arises):</b>		<b>Impacts (risks):</b>	
<ul style="list-style-type: none"> <li>Inadequate monitoring plans and sample testing</li> <li>Failure to respond appropriately in the event of contamination</li> <li>Wet weather could hamper clean-up operations or contribute to a contamination event</li> </ul>		<ul style="list-style-type: none"> <li>Financial cost of replacing supply with SA Water and clean-up costs</li> <li>Legal cost of failure to deliver a water supply in line with contract</li> <li>Political/Public embarrassment</li> <li>Regulatory censure</li> <li>Revenue reduction</li> <li>Brand Impact</li> <li>Health risk to staff</li> <li>Health risk to community</li> </ul>	
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b> High	
<b>Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details):</b>			
<ul style="list-style-type: none"> <li>Salisbury Water Business Unit – monitoring plan and monitoring matrix, 4</li> <li>Salisbury Water Business Unit – Recycled Water Risk-Based Management Plan including sample testing before water injections are commenced, 4</li> <li>Supply contracts to customers contain Force Majeure clauses which limit liability to Council in the event that water cannot be supplied, 5</li> <li>Response group (Council staff) in place to manage events that may lead to contamination of wetlands (24/7 support including after hours), 4</li> <li>Employee Media Policy and Procedure and Elected Member Media Policy, 4</li> <li>Regional Health Plan, 5</li> </ul>			
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b> High	<b>Is the Residual Risk Rating acceptable?</b> No
<b>Treatment Plan:</b>		<b>Responsibility:</b>	<b>Target Completion Date:</b>
Give consideration to identification of 'emerging contaminants' to enable proactive changes to testing regime and communication with regulatory agencies as appropriate		Manager Salisbury Water	30 June 2017
Develop a strategy on the actual and perceived risks of emerging pollutants.		Manager Salisbury Water	30 June 2017

**Strategic Risk Register**

v2.6 March 2017

<b>3</b>	<b>Event Description:</b> Lack of management of public and environmental health risks		
<b>Responsible Managers:</b> GM City Development, Manager Environmental Health and Safety			
<b>Contributory Factors ("root" causes / how and why the event arises):</b>		<b>Impacts (risks):</b>	
<ul style="list-style-type: none"> <li>• Inadequate management, monitoring or testing</li> <li>• Failure to respond appropriately in the event of an incident</li> </ul>		<ul style="list-style-type: none"> <li>• Legal cost of failure to prevent a health and safety incident</li> <li>• Political/Public embarrassment</li> <li>• Regulatory censure</li> <li>• Health risk to staff</li> <li>• Health risk to the community</li> </ul>	
<b>Likelihood:</b> Likely	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b> High	
<b>Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details):</b>			
<ul style="list-style-type: none"> <li>• Public Health Policies and Procedures, 5</li> <li>• Immunisation Services, 5</li> <li>• Animal Management Plan, 5</li> <li>• Regional Health Plan, 5</li> <li>• General Inspections, 5</li> <li>• Dog Patrols, 5</li> </ul>		<ul style="list-style-type: none"> <li>• Food Act administration, 5</li> <li>• Employee Media Policy and Procedure and Elected Member Media Policy, 4</li> <li>• SA Public Health Act enforcement, 5</li> <li>• Dog and Cat Management Act enforcement, 5</li> <li>• Infrastructure maintenance activities, 5</li> <li>• Mosquito Control Program, 4</li> </ul>	
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b> High	<b>Is the Residual Risk Rating acceptable?</b> Yes
<b>Treatment Plan:</b>		<b>Responsibility:</b>	<b>Target Completion Date:</b>

Item 4.2.4 - Attachment 2 - Strategic Risk Register v2.6 March 2017

## Strategic Risk Register

v2.6 March 2017

<b>4</b>	<b>Event Description:</b> Lack of management of a major incident at a Council facility and/or an event, that affects public and staff safety		
<b>Responsible Managers:</b> GM City Development, GM City Infrastructure, GM Community Development, GM Business Excellence, Manager Development Services, Manager Field Services, Manager Property & Buildings, Manager People and Culture			
<b>Contributory Factors ("root" causes / how and why the event arises):</b>		<b>Impacts (risks):</b>	
<ul style="list-style-type: none"> <li>Inadequate procedures and plans in place to prevent incidents</li> <li>Failure to respond appropriately in the event of an incident</li> <li>Lack of asset management and maintenance</li> </ul>		<ul style="list-style-type: none"> <li>Financial cost of clean-up</li> <li>Legal cost of failure to prevent a health and safety incident</li> <li>Political/Public embarrassment</li> <li>Regulatory censure</li> <li>Loss of staff</li> <li>Injury to public</li> </ul>	
<b>Likelihood:</b> Likely	<b>Consequence:</b> Catastrophic	<b>Inherent Risk Rating:</b> Very High	
<b>Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details):</b>			
<ul style="list-style-type: none"> <li>Building Control and Inspections, 4</li> <li>Evacuation procedures and testing, 4</li> <li>Building safety systems – e.g. exit signs, fire extinguishers, wardens etc., induction process, 4</li> <li>Emergency Planning Committee, 4</li> </ul>		<ul style="list-style-type: none"> <li>Asset management plans, 4</li> <li>Business Continuity Framework, 4</li> <li>BCP test/walk through, 4</li> <li>Zone Emergency Management Committee – Northern Area, 5</li> <li>Event Management Plans, 4</li> <li>Event Management Guidelines, 3</li> </ul>	
<b>Likelihood:</b> Possible	<b>Consequence:</b> Catastrophic	<b>Residual Risk Rating:</b> High	<b>Is the Residual Risk Rating acceptable?</b> No
<b>Treatment Plan:</b>		<b>Responsibility:</b>	<b>Target Completion Date:</b>
I-Responda Training to be organised for relevant staff.		Manager People and Culture and Manager Field Services	30 April 2017
Event Management Guidelines are launched		GM Community Development	30 June 2017
Ensuring Field Services works are coordinated with the events in the Events Calendar		GM Community Development	30 September 2017
Ensuring appropriate contractual processes are in place with service providers at events		GM Community Development	30 September 2017

## Strategic Risk Register

v2.6 March 2017

<b>5</b>	<b>Event Description:</b> Failure to manage the impact of environmental and social factors on Council infrastructure, assets and services		
<b>Responsible Managers:</b> GM City Development, GM City Infrastructure, GM Community Development, Manager Economic Development & Urban Policy, Manager Technical Services, Manager Field Services, Manager Communications & Customer Relations, Manager Community Capacity & Learning			
<b>Contributory Factors ("root" causes / how and why the event arises):</b>		<b>Impacts (risks):</b>	
<ul style="list-style-type: none"> <li>Inadequate understanding and planning for events impacting the environment</li> <li>Failure to consider environmental consequences when planning and designing infrastructure</li> <li>Inadequate Q100 &amp; Q300 flood modelling in place at individual house level, using digital terrain modelling</li> <li>Inadequate infrastructure within the City to manage stormwater and sea level rises due to storm events</li> <li>Failure to monitor and forecast demographic changes in the City and adjust objectives and plans accordingly</li> <li>City Plan becomes obsolete or fails to anticipate the financial impact of demographic changes</li> </ul>		<ul style="list-style-type: none"> <li>Financial cost of dealing with the consequences of frequent freak weather related events</li> <li>Long term impact on infrastructure, its maintenance and replacement</li> <li>Organisational plans and strategies are no longer valued or desired by the community</li> <li>Failure to adapt to a changing external environment resulting in some services becoming irrelevant and others insufficient</li> <li>Coastal inundation and impact on biodiversity</li> </ul>	
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major		<b>Inherent Risk Rating:</b> High
<b>Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details):</b>			
<ul style="list-style-type: none"> <li>Early warning system of text alerts based on Bureau of Meteorology data, implemented by DEWNR, 5</li> <li>Regular monitoring of risk sites e.g. land fill sites, dams, 5</li> <li>Extreme Heat response process (for residents), 4</li> <li>Q100 and Q300 flood modelling including tidal info. in place at individual house level, using digital terrain modelling, 3</li> <li>Bushfire Management Steering Group, 5</li> <li>City Plan/Strategic Plans/Business Plans, 4</li> <li>Bushfire Management Plan, 4</li> <li>Watercourse Management capital program, 4</li> </ul>		<ul style="list-style-type: none"> <li>Undergrowth management procedures, 5</li> <li>Asset Management infrastructure audits, 5</li> <li>Climate Change Adaption Plan, 4</li> <li>Emergency Management Plan, 4</li> <li>Zone Emergency Management Committee – Northern Area, 5</li> <li>Grant funding applications process and reviews, 5</li> <li>Home Care Common Standards – Operating Manual, 5</li> <li>Learning Strategy, Wellbeing Strategy &amp; Multicultural Strategy, 3</li> <li>Social Infrastructure Assessment Framework, 3</li> <li>Planning controls, 4</li> </ul>	
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major		<b>Residual Risk Rating:</b> High
		<b>Is the Residual Risk Rating acceptable?</b> No	
<b>Treatment Plan:</b>		<b>Responsibility:</b>	<b>Target Completion Date:</b>
Updated Flood Mapping developed and communicated		Manager Technical Services	30 June 2017
Revised Bushfire Management Plan development and implementation		Manager Field Services	30 June 2017
I-Responda Training to be organised for relevant staff.		Manager People and Culture and Manager Field Services	30 April 2017
Incorporate flood mapping into the development planning process		Manager Economic Development & Urban Policy	30 June 2018

## Strategic Risk Register

v2.6 March 2017

<b>6</b>	<b>Event Description:</b> City of Salisbury financial sustainability is compromised		
<b>Responsible Managers:</b> GM Business Excellence, GM City Infrastructure, GM City Development			
<b>Contributory Factors ("root" causes / how and why the event arises):</b>			<b>Impacts (risks):</b>
<ul style="list-style-type: none"> <li>Reduction in grant funding</li> <li>Inadequate revenue and a failure to maximise revenue from all sources</li> <li>Unplanned spending</li> <li>Inadequate valuation of assets or inaccurate depreciation</li> <li>Inadequate planning for infrastructure repairs or upgrades</li> </ul>	<ul style="list-style-type: none"> <li>Changes to legislation/obligations imposed by other levels of government</li> <li>Potential new revenue streams are not fully investigated</li> <li>Inadequate economic development</li> <li>Changes to roles and responsibilities assigned to City of Salisbury by federal or state government</li> <li>Short term revenue is maximised at the expense of longer term revenue</li> </ul>	<ul style="list-style-type: none"> <li>Unknown consequences of new infrastructure provision from other levels of government or private sector investment</li> <li>Failure to encourage investment in the City</li> <li>Council business and service delivery doesn't support business needs and expectations</li> </ul>	<ul style="list-style-type: none"> <li>Council ultimately becomes financially unsustainable</li> <li>City revenue has to be raised increasingly through more traditional methods (rate rises)</li> <li>Revenue from the sale of assets (land) is not invested for the longer term benefit of the community</li> <li>Financial cost associated with falling rates revenue or increasing bad or doubtful debts</li> </ul>
<b>Likelihood:</b> Likely	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b> High	
<b>Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details):</b>			
<ul style="list-style-type: none"> <li>Long term financial planning, 5</li> <li>Asset Management Plans, 4</li> <li>Quarterly Budget Review, 5</li> <li>Annual Plan and Annual Report (reviewed by Audit Committee), 5</li> <li>Elected Member Briefings, 5</li> <li>Prudential Reviews, 5</li> <li>Regular reviews of rating system fairness and equity, 4</li> <li>Grant Management Process, 3</li> </ul>	<ul style="list-style-type: none"> <li>Diversification of income (e.g. Water Business Unit, Strategic Property Development and Building Rules Certification Unit, Waste Transfer Station, Salisbury Memorial Park), 5</li> <li>Program Review, 4</li> <li>Budget Policies and Procedures, 5</li> <li>Business Case Modelling, 4</li> <li>Growth Action Plan, 4</li> <li>China Strategy, 3</li> <li>Northern Economic Plan, 3</li> </ul>		
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b> High	<b>Is the Residual Risk Rating acceptable?</b> No
<b>Treatment Plan:</b>		<b>Responsibility:</b>	<b>Target Completion Date:</b>
Development of a business case for the full implementation of the Asset Management Process (Confirm Connect)		GM City Infrastructure, GM Business Excellence	31 October 2017
Completion of the Strategic Procurement Objectives – Road to Excellence		GM Business Excellence, Manager Strategic Procurement	31 October 2018
Assess the impact of NDIS/Home Community Support funding changes and develop response strategy		GM Community Development	30 April 2017
Review of the 'Business Friendly' Agenda		GM City Development/Executive Group	30 June 2017

## Strategic Risk Register

v2.6 March 2017

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

**Strategic Risk Register**

v2.6 March 2017

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

Strategic Risk Register

v2.6 March 2017

<b>9</b>	<b>Event Description:</b> Failure to comply with WHS legislative obligations		
<b>Responsible Managers:</b> GM Business Excellence, Manager People and Culture, CEO, GM City Infrastructure, GM Community Development, GM City Development			
<b>Contributory Factors ("root" causes / how and why the event arises):</b>		<b>Impacts (risks):</b>	
<ul style="list-style-type: none"> <li>• Inadequate controls in place to prevent incidents occurring</li> <li>• Insufficient reporting of incidents and near misses</li> <li>• Safe work practices not documented or communicated to employees</li> <li>• Inadequate induction, training and supervision</li> <li>• Inadequate hazard management system</li> <li>• Organisational safety attitude does not recognise the importance of following WHS policies and procedures</li> </ul>		<ul style="list-style-type: none"> <li>• An employee, contractor, volunteer or elected member is injured or dies as a result of a preventable incident or accident</li> <li>• Potential financial consequences for the City of an incident affecting a member of staff including; medical/rehabilitation expenses, injury compensation claim, legal expenses, fines</li> <li>• Regulatory censure including a SafeWork SA Prohibition Notice, Improvement Notice or prosecution/conviction</li> </ul>	
<b>Likelihood:</b> Almost Certain		<b>Consequence:</b> Catastrophic	
<b>Inherent Risk Rating: Very High</b>			
<b>Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details):</b>			
<ul style="list-style-type: none"> <li>• WHS training and e-learning (mandatorily required for all employees on commencement of employment and thereafter as necessary), 5</li> <li>• WHS IM Business Plan, 5</li> <li>• WHS Reviews, 4</li> <li>• Principal WHS Committee, 5</li> <li>• City Infrastructure WHS Committee, 5</li> <li>• JSA, work instructions and plant risk assessments, 4</li> </ul>		<ul style="list-style-type: none"> <li>• Hazard and incident reporting and investigation procedures, 4</li> <li>• Members of the Local Government Workers Compensation Scheme, requiring annual external audits, 5</li> <li>• Work Health Safety representative team, 5</li> <li>• Support from LG Sector/other councils/private sector organisations with development/implementation of WHS policies/procedures (including benchmarking partners), 5</li> <li>• Contractual arrangements with external providers to assist compliance with WHS obligations, 4</li> <li>• Quarterly Executive Report highlighting trends, outstanding actions and high risk rating incidents or hazards, 4</li> </ul>	
<b>Likelihood:</b> Possible		<b>Consequence:</b> Catastrophic	
		<b>Residual Risk Rating: High</b>	
		<b>Is the Residual Risk Rating acceptable? Yes</b>	
<b>Treatment Plan:</b>		<b>Responsibility:</b>	
		<b>Target Completion Date:</b>	

Item 4.2.4 - Attachment 2 - Strategic Risk Register v2.6 March 2017

**Strategic Risk Register**

v2.6 March 2017

<b>10</b>	<b>Event Description:</b> Lack of alignment and integrity of IT systems for support of business needs		
<b>Responsible Managers:</b> GM Business Excellence, Manager Business Systems and Solutions			
<b>Contributory Factors ("root" causes / how and why the event arises):</b>		<b>Impacts (risks):</b>	
<ul style="list-style-type: none"> <li>• Failure to adequately involve IT when developing plans, strategies and projects</li> <li>• Failure to consider all options when improving a system or process</li> <li>• Organisational change is not conducted in a structured and logical manner</li> <li>• Failure to support the skill set of individuals responsible for the delivery of business processes</li> <li>• Lack of business engagement and clarity of roles</li> <li>• External pressure for changes to systems/processes</li> <li>• Lack of plans and procedures to inform response strategies when a cybersecurity incident occurs</li> <li>• Lack of monitoring of cybersecurity threats to organisational assets</li> <li>• Lack of communication/training for all staff regarding information security</li> <li>• Information to facilitate action during a cybersecurity incident is not available</li> </ul>		<ul style="list-style-type: none"> <li>• Organisational plans and strategies are not achieved due to a lack of IT support or infrastructure</li> <li>• Council operations pause resulting in financial loss</li> <li>• Failure to adapt to a changing external environment</li> <li>• Inefficient and ineffective use of organisational resources</li> <li>• Poor service delivery</li> <li>• Political/Public embarrassment</li> <li>• Costs of litigation and restoration of services</li> </ul>	
<b>Likelihood:</b> Almost Certain	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b> Very High	
<b>Existing Controls/Mitigating Practices (the number following each control is the overall control effectiveness rating, see Table 5 for further details):</b>			
<ul style="list-style-type: none"> <li>• Applications Committees (x5), 3</li> <li>• IS Strategy 2014-17, 4</li> <li>• IT Governance Framework, 3</li> <li>• Programmed testing of systems for security and reliability, 4</li> <li>• Business Process Improvement program, 3</li> <li>• Information Security Policies and Procedures, 4</li> <li>• Continuous Improvement Framework, 3</li> </ul>		<ul style="list-style-type: none"> <li>• IT Disaster Recovery Plan, 4</li> <li>• Business Continuity Plans, 4</li> <li>• Incident Management Team identified and trained, 4</li> <li>• Building security and access controls, 5</li> <li>• User access system controls, 4</li> <li>• Patch management and software maintenance procedures, 4</li> </ul>	
<b>Likelihood:</b> Likely	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b> High	<b>Is the Residual Risk Rating acceptable?</b> No
<b>Treatment Plan:</b>		<b>Responsibility:</b>	<b>Target Completion Date:</b>
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
Delivery of the IT component of the Community Hub		Manager Business Systems and Solutions	September 2019

## Strategic Risk Register

v2.6 March 2017

Table 1 – Consequence Ratings

RATING	AREA OF IMPACT					
	Environment/ Political/ Community	Reputation	Finance	Legal/ Regulatory	Injury/Operational Management	Service Interruption
<b>1 Insignificant</b>	Nil	Nil	Less than \$20,000	None	Nil	Minor interruption to service provision capability, e.g. less than 4 hours.
<b>2 Minor</b>	Minor short-term environment, conservation, political or community issue.	Minor media interest	\$20,000 - \$100,000	Minor legal, regulatory or internal policy failure.	<ul style="list-style-type: none"> <li>• Unexpected/unplanned absence of a staff member.</li> <li>• Potential for minor injury.</li> <li>• First aid treatment required.</li> </ul>	Limited disruption to service provision requiring altered operational arrangements for a short period, e.g. up to 1 day
<b>3 Moderate</b>	Environment, conservation, political or community incident requiring City intervention.	Moderate media interest	\$100,000 - \$500,000	Limited legal, regulatory or internal policy failure.	<ul style="list-style-type: none"> <li>• Unexpected/unplanned absence of a key staff member.</li> <li>• Medical treatment required.</li> </ul>	Some disruption to service provision capability requiring altered operational arrangements, e.g. between 1 day and 1 week.
<b>4 Major</b>	Medium-term issue with major environment, conservation, political or community impact.	High media interest	\$500,000 - \$1 million	Major legal, regulatory or internal policy failure.	<ul style="list-style-type: none"> <li>• Unexpected/unplanned absence of several key staff members from a single area.</li> <li>• Significant injury to staff disabling them/dangerous near miss.</li> </ul>	Significant impairment of service provision (capability or period), e.g. between 1 week and 1 month.
<b>5 Catastrophic</b>	Long-term issue with major environment, conservation, political or community impact.	Public censure or government inquiry	More than \$1 million	Critical legal, regulatory or internal policy failure.	<ul style="list-style-type: none"> <li>• Unexpected/unplanned absence of a significant number of staff, e.g. during a pandemic.</li> <li>• Death / critical injury to staff.</li> </ul>	Total loss of service provision capability for extended period, e.g. more than 1 month.

**Strategic Risk Register**

**Table 2 – Likelihood Ratings**

RATING	DESCRIPTION
<b>A – Rare</b>	The event may occur only in exceptional circumstances (i.e. probability of occurrence > 20 years)
<b>B – Unlikely</b>	The event could occur at some stage (i.e. probability of occurrence within 10 – 20 years)
<b>C – Possible</b>	The event might occur at some time (i.e. probability of occurrence within 3 – 5 years)
<b>D – Likely</b>	The event will probably occur at most times (i.e. probability of occurrence within 2 years)
<b>E – Almost Certain</b>	The event is expected to occur in most times (i.e. probability of occurrence within 1 year)

**Table 3 - Risk Matrix**

Likelihood	<b>E Almost Certain</b>	Medium	High	High	Very High	Very High
	<b>D Likely</b>	Medium	Medium	High	High	Very High
	<b>C Possible</b>	Low	Medium	High	High	High
	<b>B Unlikely</b>	Low	Low	Medium	Medium	High
	<b>A Rare</b>	Low	Low	Medium	Medium	High
		<b>1 Insignificant</b>	<b>2 Minor</b>	<b>3 Moderate</b>	<b>4 Major</b>	<b>5 Catastrophic</b>
	<b>Consequence</b>					

**Strategic Risk Register**

**Table 4 - Residual Risk Descriptors**

<b>Very High</b>	<ul style="list-style-type: none"> <li>Risk mitigation plans required to immediately reduce current residual risk level (or where unable to reduce rating consider cessation of activity).</li> </ul>
<b>High</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Medium</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Low</b>	<ul style="list-style-type: none"> <li>Consideration given to streamlining of excessive or redundant controls.</li> </ul>

**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, 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.

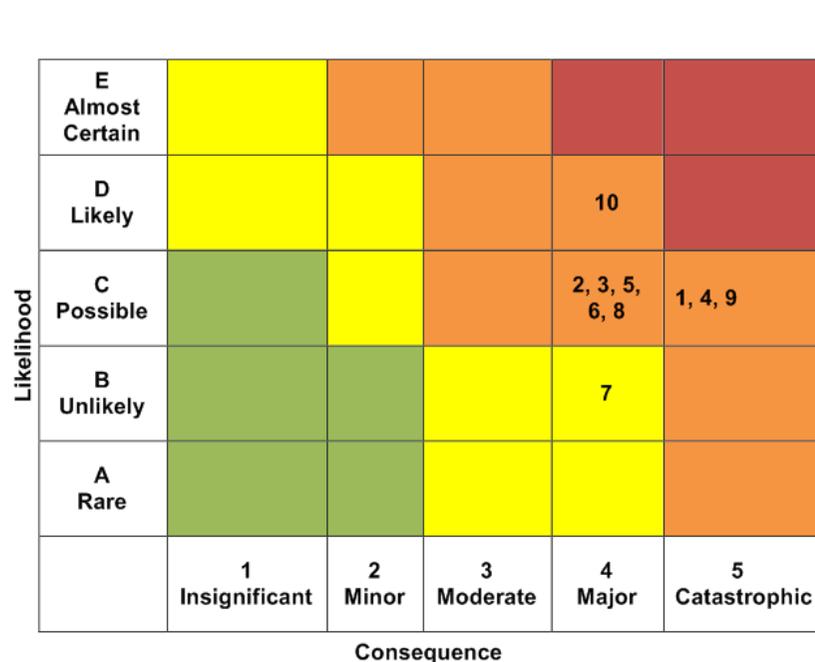
**5 Effective:** During the period, the control as described has been fully implemented and has in all cases has been consistently and/or effectively applied.

Source: Control Activity Owner Instruction Manual, ControlTrack®

Strategic Risk Register

v2.6 March 2017

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



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

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<b>ITEM</b>	4.2.5
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	11 April 2017
<b>HEADING</b>	Update on Risk Management and Internal Controls Activities for the 2016/17 financial year and outstanding actions from Internal Audits
<b>AUTHOR</b>	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	This report provides a summary of the 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 for the 2016-17 Financial Year
2. Outstanding Actions from completed Internal Audits

#### **1. BACKGROUND**

- 1.1 At each meeting of the Audit Committee of Council a report is presented that provides an update on planned/completed risk management and internal controls activities undertaken by the BA Internal Audit and Risk in the current financial year. This report allows the Audit Committee to monitor and review the activities and the assurance that they provide.

#### **2. REPORT**

- 2.1 Attachment 1 details the Risk Management and Internal Controls Activities for the 2016/17 financial year. Since the last Audit Committee meeting in February 2017 progress has been made in completing some of these activities. The following changes have been made to the items listed in Attachment 1 since the last Audit Committee meeting:
  - 2.1.1 In line with a suggestion made by the Audit Committee at the February 2017 meeting the colours have been reversed, with Completed items now in green, In progress items remaining in orange and Not yet completed items now in red.

2.1.2 The Business Continuity Plans Walkthrough has been completed.

**2.2 Outstanding Actions from Completed Internal Audits**

2.2.1 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 Progress against all outstanding actions is monitored by the BA Internal Audit & Risk, with updates sought from the relevant Divisional Manager on a regular basis.

**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 July 2017 Audit Committee of Council meeting. At this meeting a schedule of Risk Management and Internal Controls Activities for the 2017/18 financial year will also be presented.

**CO-ORDINATION**

Officer: MG  
Date: 05/04/2017

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

v1.3

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 2016 - June 2017	In progress	This piece of work is necessary to identify the key controls that the City of Salisbury operates as well as providing assurance as to whether 132A of the <i>Local Government Act 1999</i> is complied with. Work on this review has almost been completed with almost all managers interviewed regarding the regulatory reporting.
Develop Operational Risk Register	Risk Management	Internal	October-June 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.

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

v1.3

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
Development of a Risk Appetite for the City of Salisbury	Risk Management	Internal	July 2016 – June 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.
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	Completed	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 action and has been completed, with no additional risks identified that should be incorporated into the Strategic Risk Register or Internal Audit Plan.
Report on the findings of the Audit Committee self-assessments	Risk Management and Internal Controls	Internal	January-February 2017	Completed	The self-assessment questionnaire was 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.
Completion of Control Self-Assessments and Risk Assessments through the Control Track system, including external audit preparation	Internal Controls	Internal	January-June 2017	In progress	The external auditors expectations are that at least one control self-assessment will be conducted annually and a risk assessment should also be conducted on internal financial controls. The risk and control assessment stage of this process has commenced.

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
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 has been completed. Work on the Risk Management Guide has been completed, it was approved by the Executive Group and presented to the Audit Committee at the February 2017 meeting.
Business Continuity Plans Walkthrough	Internal Controls	Co-sourced	May 2017	Completed	A walkthrough of the Business Continuity Plans was undertaken in March.



<b><i>Audit: Internal Control Framework – Substantive Testing</i></b>					
<b>Agreed Action</b>	<b>Risk Assessment</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Revised Date</b>	<b>Comments</b>
1. For the uploaded data to the Pathway system the details of individual transactions are not stored. The system has an audit trail when the individual transactions are entered individually; however it does not when they are entered as a batch and needs to do so.	N/A	To be tracked by BA Internal Audit & Risk	Q3 2015	Unknown, not currently on Infor’s schedule of works	This issue is being tracked through the IT helpdesk ticket titled “Credit Transaction Reports”, number 1108509. Infor, the vendors of Pathway do not currently have a date or a software release number for when this enhancement will be incorporated into Pathway. The issue has been escalated with Infor by City of Salisbury’s IT team, who continue to raise it with Infor.

<i>Audit: Procurement</i>						
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	Manager Strategic Procurement	March 2015	July 2017	<ul style="list-style-type: none"> <li>• KPI paper presented to PSG for consideration and input August 27. Revised paper presented to PSG Nov 30 agreed on four key KPIs:                             <ul style="list-style-type: none"> <li>○ % of spend influenced/management by Procurement</li> <li>○ Procurement cycle timelines – a report has been written in consult with C&amp;PS which captures the majority of timelines through the PCMS system:                                     <ul style="list-style-type: none"> <li>Acquisition commencement → AP approval</li> <li>AP approval → market release</li> <li>Evaluation period → Tender Recommendation</li> <li>Tender Recommendation → Contract Award</li> <li>Contract Award → Contract Execution</li> <li>Contract start → Contract completion</li> </ul> </li> <li>○ Local buy / economic benefit (geographic spend) / local business economic assessment / local employment / Social inclusion entities/value</li> </ul> </li> </ul>
					July 2017	<ul style="list-style-type: none"> <li>• The Manager Strategic Procurement will be assessing appropriate KPIs to align with Program Review outcomes.</li> </ul>

<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, Strategic Procurement	April 2015	July 2017	<ul style="list-style-type: none"> <li>• ArcBlue projects underway providing:                             <ul style="list-style-type: none"> <li>○ Spend Analysis reporting</li> <li>○ CoSol Forward Procurement Plan (FPP) identification.</li> </ul> </li> <li>• Council Solutions training was delivered September 2015 to develop analysis opportunities</li> </ul>

<i>Audit: Event Management</i>				
<b>Opportunity for Improvement</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Revised Date</b>	<b>Comments</b>
1. Implement a single, complete event calendar. Agreed Action; City of Salisbury currently compiles a list of events and publishes this information on the website and the intranet site. There is however a need for a review process to ensure the information is maintained/updated as required.	Manager Communications and Customer Relations	30 June 2017		
3. Define risk-based categories for the grouping of events, and assign each event to a category.	GM Community Development	31 March 2017	1 July 2017	
8. Provide training to City of Salisbury staff responsible for running high risk events.	GM Community Development/ People and Culture division	30 June 2017 (Alignment with the PDP cycle)		