



## **AGENDA**

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

**9 OCTOBER 2018 AT 6:30 PM**

**IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY**

### **MEMBERS**

Cr G Reynolds (Chairman)  
Cr G Caruso  
Mr N Ediriweera  
Mr C Johnson (Deputy Chairman)  
Ms K Verrall

### **REQUIRED STAFF**

Chief Executive Officer, Mr J Harry  
General Manager Business Excellence, Mr C Mansueto  
Manager Governance, Mr M Petrovski  
Risk and Governance Program Manager, Ms J Crook

### **APOLOGIES**

### **LEAVE OF ABSENCE**

### **PRESENTATION OF MINUTES**

Presentation of the Minutes of the Audit Committee Meeting held on 10 July 2018.

Presentation of the Minutes of the Confidential Audit Committee Meeting held on 10 July 2018.

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## OTHER BUSINESS

## CLOSE



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

**10 JULY 2018**

**MEMBERS PRESENT**

Cr G Reynolds (Chairman)  
Cr G Caruso  
Mr N Ediriweera  
Ms K Verrall

**OBSERVERS**

Director, Assurance and Advisory, Bentleys, Mr D Papa (*until 6:55 pm*)

**STAFF**

Chief Executive Officer, Mr J Harry  
General Manager Business Excellence, Mr C Mansueto  
Manager Business Systems and Solutions, Mr D Bevan  
Manager Governance, Mr M Petrovski  
Risk and Governance Program Manager, Ms J Crook

The meeting commenced at 6:35 pm.

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

**APOLOGIES**

An apology was received from Mr C Johnson.

**LEAVE OF ABSENCE**

Nil

**PRESENTATION OF MINUTES**

Moved Mr N Ediriweera  
Seconded Ms K Verrall

The Minutes of the Audit Committee Meeting held on 08 May 2018, be  
taken and read as confirmed.

**CARRIED**

## REPORTS

### *Administration*

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

Moved Ms K Verrall

Seconded Mr N Ediriweera

1. The information be received.

**CARRIED**

#### **4.0.2 Actions list**

Moved Cr G Caruso

Seconded Mr N Ediriweera

1. The information be noted.

**CARRIED**

### *Reports*

#### **4.2.1 Bentley's Interim Report on Audit Findings**

*Mr David Papa, Director Assurance and Advisory at Bentleys, Council's external auditors, was in attendance to present the findings of the interim audit. Mr Papa responded to questions from the Committee.*

Moved Ms K Verrall

Seconded Cr G Caruso

1. The information be received.

**CARRIED**

#### **4.2.2 Annual Report 2017/2018 - Internal Controls Framework and Audit Committee sections**

Moved Ms K Verrall

Seconded Mr N Ediriweera

1. That the proposed inclusions in the annual report relating to the operations and membership of the Audit Committee of Council for the 2017/18 financial year be noted, including feedback from members.

**CARRIED**



**4.2.3 Audit Committee Self-Assessment Questionnaire and Process**

*The Audit Committee acknowledged that the next self-assessment questionnaire should be completed following the November 2019 meeting to allow the next Audit Committee a full year following the Elections in November 2018 before performing the assessment.*

Moved Cr G Caruso

Seconded Mr N Ediriweera

1. The self-assessment questionnaire, as set out in Attachment 1 to this report (Item No. 4.2.3, Audit Committee, 10/07/2018) be issued to members of the Audit Committee for completion after the July 2018 meeting, and to cover the period from 1 January 2017 to 30 June 2018, with results to be collated and presented at the next Audit Committee meeting.

**CARRIED**

**4.2.4 Internal Audit Plan**

Moved Ms K Verrall

Seconded Mr N Ediriweera

That:

1. the updates made to the 2016-2018 Internal Audit Plan be noted.
2. the 2017-2019 Internal Audit Plan, as set out in Attachment 1 to this report (Item No. 4.2.4, Audit Committee, 10 July 2018), be endorsed and adopted.

**CARRIED**

**4.2.5 Update on the Risk Management and Internal Controls Activities for the 2017/18 financial year and outstanding Internal Audit actions. Schedule of Risk Management and Internal Controls Activities for the 2018/2019 financial year.**

Moved Ms K Verrall

Seconded Mr N Ediriweera

1. The Update on Risk Management and Internal Controls Activities, as set out in Attachment 1 to this report (Item No. 4.2.5, Audit Committee, 10/07/2018) be endorsed for approval by Council.
2. The schedule of Risk Management and Internal Controls Activities 2018/2019, as set out in Attachment 4 to this report (Item No. 4.2.5, Audit Committee, 10/07/2018), be endorsed.

**CARRIED**

## OTHER BUSINESS

Nil

## CONFIDENTIAL ITEMS

### 4.4.1 Business Systems and Solutions Audit - Cyber security

Moved Cr G Caruso

Seconded Mr N Ediriweera

1. *Pursuant to Section 90(2) and (3)(e) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*
  - *it relates to matters affecting the security of the council, members or employees of the council, or council property; or the safety of any person.*
2. *In weighing up the factors related to disclosure,*
  - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*
  - *Non-disclosure of the matter and discussion of this item in confidence would protect information with respect to Council's security.*

*On that basis the public's interest is best served by not disclosing the **Business Systems and Solutions Audit - Cyber security** item and discussion at this point in time.*
3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except staff of the City of Salisbury on duty in attendance, be excluded from attendance at the meeting for this Agenda Item.*

**CARRIED**

The meeting moved into confidence at 7:46 pm.

The meeting moved out of confidence at 8:26 pm.

The meeting closed at 8:27 pm.

CHAIRMAN.....

DATE.....

<b>ITEM</b>	4.0.1
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	09 October 2018
<b>HEADING</b>	Future Reports for the Audit Committee of Council
<b>AUTHOR</b>	Michelle Woods, Projects Officer Governance, CEO and Governance
<b>CITY PLAN LINKS</b>	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
<b>SUMMARY</b>	This item details reports to be presented to the Audit Committee of Council as a result of a previous Council resolution. If reports have been deferred to a subsequent meeting, this will be indicated, along with a reason for the deferral.
<b>RECOMMENDATION</b>	
	1. The information be received.
<b>ATTACHMENTS</b>	
	There are no attachments to this report.
<b>1. BACKGROUND</b>	
	1.1 A list of resolutions requiring a future report to Council (via the Audit Committee) is presented for noting at each meeting.
<b>2. CONSULTATION / COMMUNICATION</b>	
	2.1 Internal
	2.1.1 Report authors and General Managers.
	2.2 External
	2.2.1 Nil.

**3. REPORT**

- 3.1 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.

**4. CONCLUSION / PROPOSAL**

- 4.1 Future reports for the Audit Committee of Council have been reviewed and at this point in time there are none that require a subsequent report to be presented.

**CO-ORDINATION**

Officer:	Executive Group	MG
Date:		28/09/2018

<b>ITEM</b>	4.0.2
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	09 October 2018
<b>HEADING</b>	Actions List
<b>AUTHOR</b>	Janet Crook, Risk & Governance Program Manager, 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>	An action list has been developed to capture any actions arising out of the City of Salisbury Audit Committee meetings. These actions do not replace the minutes from the Audit Committee, or the recommendations of the Committee that were submitted to Council for endorsement. They are included in this report as an aid to the Audit Committee

## RECOMMENDATION

1. The information be noted.

## ATTACHMENTS

There are no attachments to this report.

## 1. BACKGROUND

- 1.1 The Audit Committee has requested that an action list be maintained and included as an item on the agenda for each meeting. This report contains a list of actions taken from previous Audit Committee meetings.
- 1.2 The list of actions does not replace the minutes from the Audit Committee, nor has it been endorsed by Council, because it does not contain any recommendations to Council and as such is not part of the action tracking system for Council recommendations.

## 2. REPORT

- 2.1 The action list contains information regarding the date on which the action was identified, a description of the action, the action owner, the expected due date for completion of the action and the current status of the action.
- 2.2 Below is the list of actions arising out of the Audit Committee, which has been compiled for the purpose of aiding the Audit Committee.

- 2.3 Actions will remain on the action list until the meeting after they are completed. Once the action has been completed, and that completion has been reported to the Audit Committee, the item will be removed from the actions list.

No	Date	Action	Owner	Due Date	Status
4.	8.5.18	Report to Audit Committee on existing processes for segregation of access to business systems.	Risk & Governance Program Manager	Feb 2019	In Progress  A report on this matter would have been presented to the November meeting of the Committee. However, that meeting will not occur in light of the timing of the election. A report will be brought to the February 2019 meeting.
3.	13.2.18	Ensure that an independent assessment of financial sustainability be undertaken. To form part of the Internal Audit Plan for 2019.	Risk & Governance Program Manager	2019	Complete  Refer Item on July agenda

### 3. CONCLUSION / PROPOSAL

- 3.1 An action list has been developed for the Audit Committee. The action list will be maintained and presented to each Audit Committee meeting with an update on status of the relevant items. Any additional actions identified by the Audit Committee will be included on the action list as they arise.

### CO-ORDINATION

Officer:

Date:

<b>ITEM</b>	4.0.3
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	09 October 2018
<b>HEADING</b>	Proposed Audit Committee meeting schedule for 2019
<b>AUTHOR</b>	Janet Crook, Risk & Governance Program Manager, 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 the proposed Audit Committee meeting schedule for 2019. It should be noted that this schedule is provided for information only and the Formal Meeting Schedule 2019 has not yet been endorsed by Council, as such the dates in this report may be subject to change.

## RECOMMENDATION

1. That the information be received.

## ATTACHMENTS

There are no attachments to this report.

## 1. BACKGROUND

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

## 2. REPORT

- 2.1 The following dates are proposed for the Audit Committee meetings in 2019:
  - 2.1.1 Tuesday 12 February 2019;
  - 2.1.2 Tuesday 9 April 2019;
  - 2.1.3 Tuesday 9 July 2019;

- 2.1.4 Tuesday 8 October 2019 (financials only); and
- 2.1.5 Tuesday 12 November.
- 2.2 The start time of each meeting is proposed to be 6:30pm. An in camera session of the Audit Committee and the Internal and External Auditors will be held between 6pm and 6:30pm on Tuesday 8th October 2019, if deemed necessary.
- 2.3 Council is responsible for endorsing the Formal Meeting Schedule 2019 and as such the above dates may be subject to change.
- 2.4 Elected Members are appointed to the Committee for the term of council. Following the election in November 2018, the Council will select and appoint the Elected Members that will become members of the Audit Committee for the next term.
- 2.5 Independent Members are appointed for a four year term (or part thereof) concluding two years after a general election. Independent Members may, at the discretion of the council, be appointed for subsequent terms. The terms for each of the current Independent Members conclude in November 2020.

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

- 3.1 A proposed 2019 meeting schedule for the Audit Committee has been provided in this report for information purposes.

### **CO-ORDINATION**

Officer:

Date:



<b>ITEM</b>	4.2.1
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	09 October 2018
<b>HEADING</b>	Report to the Audit Committee for the year ended 30 June 2018, prepared by Bentleys
<b>AUTHOR</b>	Janet Crook, Risk & Governance Program Manager, 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>Bentleys have been engaged by the City of Salisbury ("CoS") to perform an end of financial year audit on the financial statements, financial internal controls and the acquittals of certain specific grants programs, with the findings to be reported to the Audit Committee.</p> <p>This report presents Bentleys' Final Report on Audit Findings for the year ended 30 June 2018 and provides a high level summary of the work undertaken at the financial year end, with any key findings highlighted. Overall, no issues were identified by Bentleys and an unqualified opinion will be given on the City of Salisbury's financial statements and financial internal controls.</p>

## RECOMMENDATION

1. That:
  - a. The information be received; and
  - b. Bentleys' Final Report on Audit Findings be endorsed for receipt by Council.

## ATTACHMENTS

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

1. City of Salisbury - Final Report on Audit Findings 30 June 2018

### 1. BACKGROUND

- 1.1 The CoS engaged Bentleys to perform a financial statement audit for the year ended 30 June 2018.
- 1.2 In addition to the financial statements audit an assurance engagement was conducted on the financial internal controls of the CoSy for the year 1 July 2017 to 30 June 2018, to ensure that they were in line with the requirements of the South Australian Local Government Financial Management Group Inc. (SALGFMG) Better Practice Model and section 125 of the *Local Government Act 1999* ("the Act").

- 1.3 Bentleys have audited the CoS' financial internal controls, over the:
- receipt, expenditure and investment of money;
  - acquisition and disposal of property; and
  - incursion of liabilities.
- for the period 1 July 2017 to 30 June 2018.
- 1.4 Bentleys also reviewed the acquittal of certain specific grant programs within the 2017/18 financial year.
- 1.5 Section 129(3) of the Act provides that Bentleys are required to provide council an opinion with respect to the financial statements and whether the controls audited are sufficient to provide reasonable assurance that council's financial transactions have been conducted properly and in accordance with the law. The audit must be carried out in accordance with the Australian Accounting and Assurance Standards, the *Local Government Act 1999* ("the Act") and the *Local Government (Financial Management) Regulations* (2011) ("the Regulations").

## **2. REPORT**

- 2.1 The attachment to this report provides a high level summary of the key areas of focus and the main findings from the work undertaken by Bentleys.
- 2.2 The procedures used by Bentleys included;
- Understanding the risk by completing risk assessments;
  - Understanding the control environment and testing it for reliability;
  - Undertaking substantive testing of the detail, (both the numbers and disclosures), based on the control environment and risks identified.
- 2.3 These procedures were used by Bentleys to test samples of financial internal controls.
- 2.4 Out of 371 financial internal controls applicable to the CoS, 172 were tested by Bentleys and no findings were identified which require addressing by CoS. Bentleys have confirmed that unqualified opinions will be provided on both financial statements and financial internal controls.
- 2.5 The financial statements and financial internal controls opinions will be provided by Bentleys after the Audit Committee has reviewed the financial statements and all of the following documents have been sent to them:
- Auditor Independence Certification signed by the CEO and Chairman of the Audit Committee;
  - Financial Statements certified by the Mayor and CEO;
  - Management Representation Letter signed by the CEO and the General Manager Business Excellence.

## **3. CONCLUSION / PROPOSAL**

- 3.1 No findings were identified with the CoS financial statements, and financial internal controls. This will result in CoS achieving unqualified audit opinions on both the financial statements and financial internal controls.

- 3.2 This represents an excellent achievement and is a testament to the effort expended by all those involved with the administration, assessment and review of financial internal controls.

**CO-ORDINATION**

Officer:

Date:





## CITY OF SALISBURY

### Report on Audit Findings 30 JUNE 2018

➤ Advisors    ➤ Accountants    ➤ Auditors

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## Executive summary

We have concluded our audit of City of Salisbury for the year ended 30 June 2018 and report to management and those charged with governance the following matters for information purposes and for consideration of implementation or corrective action.

At the conclusion of our testing, using the information obtained we determined if there were any material matters or concerns that would impact the decision making ability of the users of the financial report.

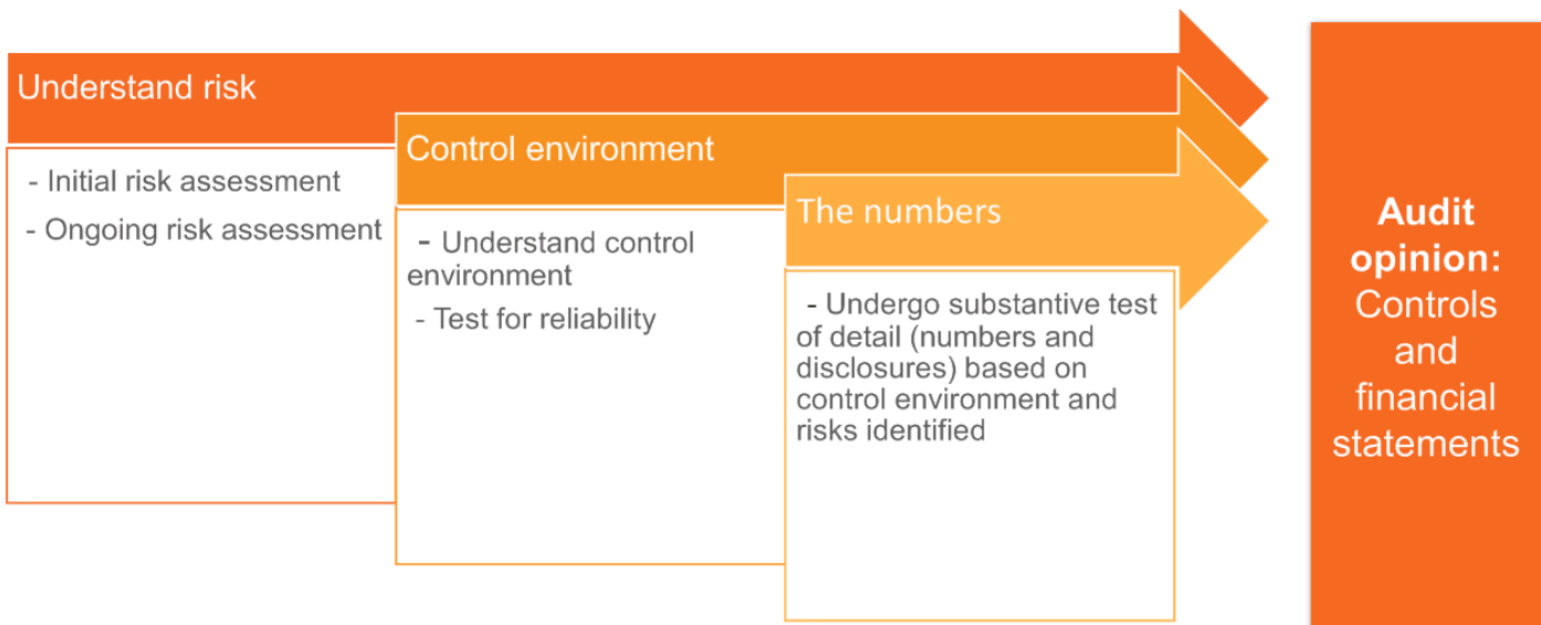
The following matters are reported to management:

Critical	Significant	Not material	Areas for improvement
-	-	-	-

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



## Audit objective & approach









## Key audit risks

We have identified the risks of financial statement material misstatement as part of our risk assessment procedures during the planning phase and the audit approach.

Area	Risk	Audit Approach	Outcome
Asset Revaluations	The revaluation and useful lives assessment and timing process for buildings and infrastructure assets.	We reviewed the Fixed Assets Registers and independent valuations and compared to the amounts reported.	Satisfactory
Capital WIP	Accounting treatment of items in the Capital WIP account including the proposed roads programs.	We reviewed the treatment of the Capital WIP account and tested a sample of transactions to ensure they were capital in nature.	Satisfactory
Grant Revenue	Classification and accuracy of revenue in accordance with revenue standards.	We performed sample testing of Grant Revenue and confirmed recognition of revenue was in accordance with the grant agreement and complies with the revenue standards.	Satisfactory



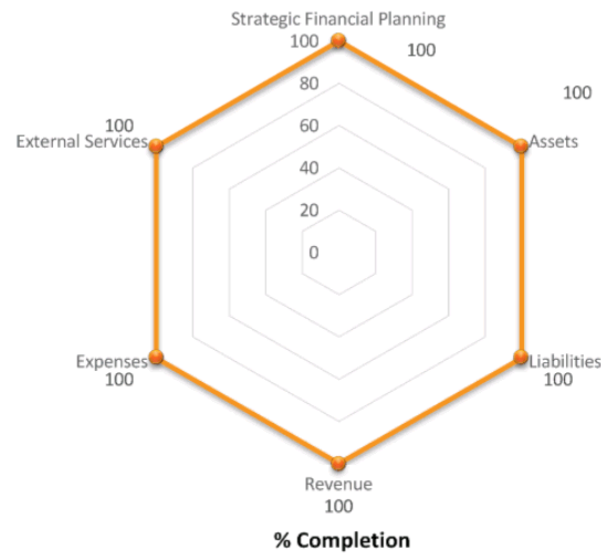
## Key findings

	Points considered	Rating	Reason
 System and technology	<ul style="list-style-type: none"> <li>• System integration</li> <li>• System knowledge</li> <li>• System access</li> </ul>	✓	The General Ledger system has adequate system access. Staff with access are aware of their roles and use the systems appropriately.
 People	<ul style="list-style-type: none"> <li>• Attitude</li> <li>• Culture</li> <li>• Embrace of change/challenge</li> </ul>	✓	The Finance Team appear to work cooperatively and we didn't experience any difficulties with our requests.
 Processes and controls	<ul style="list-style-type: none"> <li>• Policies and procedures in place</li> <li>• Controls tested and reviewed sufficiently</li> </ul>	✓	The internal control framework appears well established. Roles are clearly defined and adhered to and the majority of controls appear to be working.
 Financial	<ul style="list-style-type: none"> <li>• Compliance with accounting standards</li> </ul>	✓	Based on our interim testing transactions are performed in line with accounting standards and Council's Policies and Procedures.



## Internal controls update

The focus of our interim testing is assessing the internal controls of the organisation to determine if the information in the general ledger, that is being reported to management and used for the formation of the financial report, is likely to be accurate and reliable in all material respects. Below is a summary of the % progress the Core internal controls tested to date.



## Matters for those charged with governance

<b>Fraud</b>	<p>Whilst fraud is not the primary consideration when conducting an external audit, we have identified some areas where the Council may be susceptible to fraud. These areas are:</p> <p><b>Council and financial reporting fraud:</b></p> <ul style="list-style-type: none"> <li>- Incorrect valuation of assets, including inappropriate estimate of useful lives</li> <li>- Incorrect impairment identification and assessment</li> <li>- Incorrect control environment assessment</li> </ul> <p><b>Individual employee fraud:</b></p> <ul style="list-style-type: none"> <li>- Lack of segregation of duties</li> <li>- Cash handling</li> <li>- Minor stock from operations centre and the depot</li> </ul> <p>We believe it is important for management to continually consider and assess the control environment of the entity to identify areas where fraud can occur and ensure that those opportunities are removed and or monitored to reduce the risk and impact of fraud.</p>
<b>Legal compliance</b>	Through our audit procedures we have not become aware of any non-compliance with applicable laws and regulations.
<b>Financial reporting and accounting policies</b>	We believe the accounting policies elected for the Council are reasonable and their application provides sufficient information for use of the decision makers.
<b>Going concern</b>	As part of our assessment we considered the appropriateness of the going concern assumption concluded by the Council and management. Our procedures indicate that this assumption is fair and that the going concern convention is appropriate.
<b>Cooperation with management</b>	The management team has been helpful and cooperative throughout the conduct of this year's audit.



## Appendix 1: Internal Control Coverage

Area	Planned coverage	Actual coverage	Percentage	Annual*	Rotational*
Budgets	11	11	100%	✓	
Taxation					✓
GL	9	9	100%	✓	
Management Reporting	10	10	100%	✓	
Cash at Bank	6	6	100%		✓
Petty Cash	6	6	100%		✓
Credit Cards	5	5	100%		✓
Debtors	8	8	100%	✓	
Prepayments	1	1	100%		✓
Loans and Grants	2	2	100%		✓
Inventory					✓
Fixed Assets	16	16	100%	✓	
Project Costing	2	2	100%		✓
Investments	8	8	100%		✓
AP Control	13	13	100%	✓	
Accrued Expenses	1	1	100%		✓
Borrowings	6	6	100%	✓	
Employee Provisions	3	3	100%		✓
Rates/Rate Rebates	11	11	100%	✓	
Grants	4	4	100%		✓
User Pay Income - Fee for Service	5	5	100%		✓
Recapitulating	6	6	100%	✓	
Other Revenue					✓
Investment/Interest Income	2	2	100%		✓
Purchasing and Procurement	5	5	100%	✓	
Employee Reimbursements	2	2	100%		✓
Other Expenses					✓
Contracting	7	7	100%	✓	
Payroll	19	19	100%	✓	
Elected Members Expenses	4	4	100%		✓

\*Note:

Annual – Controls tested on an annual basis which are deemed key areas of administration.

Rotational – Controls tested on a rotational basis upon our discretion. These controls are selected on a risk based approach as determined in the planning stage and throughout the audit.





<b>ITEM</b>	4.2.2
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	09 October 2018
<b>HEADING</b>	End of Financial Year Statements and Analysis
<b>AUTHORS</b>	Tim Aplin, Senior Accountant, Business Excellence Kate George, Manager Financial Services, Business Excellence
<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>	This report and the associated attachments, provides the Audit Committee with the information required to review the Annual Financial Statements for 2018 in accordance with the requirements of the Local Government Act 1999.

## RECOMMENDATION

1. The information be received.
2. In accordance with Section 126(4)(a) of the Local Government Act 1999 the Audit Committee advises that it has reviewed the annual financial statements of the Council for the year ended 30 June 2018 and is satisfied they present fairly the state of affairs of Council.
3. In accordance with Regulation 22 of the Local Government (Financial Management) Regulations 2011 clauses (3) (a) and (4), that the Chief Executive Officer and the Chair of the City of Salisbury Audit Committee sign the statement to certify the independence of the Council Auditor, Bentleys.

## ATTACHMENTS

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

1. Proposed Council General Business Item 1
2. Annual Financial Statements 2018

### 1. BACKGROUND

- 1.1 Section 126(4) of the Local Government Act 1999 details the functions of an audit committee which includes
  - (a) *reviewing annual financial statements to ensure that they present fairly the state of affairs of the council*
- 1.2 The Local Government (Financial Management) Regulations 2011 Regulation 22 part 3 requires annually that the Chief Executive Officer and the presiding member of the audit committee certify the independence of the council auditor for the respective financial year.

## **2. CONSULTATION / COMMUNICATION**

### **2.1 Internal**

- 2.1.1 This report provides the mechanism for consultation and communication with the Audit Committee regarding the City of Salisbury's Annual Financial Statements for the year ending 30 June 2018.

### **2.2 External**

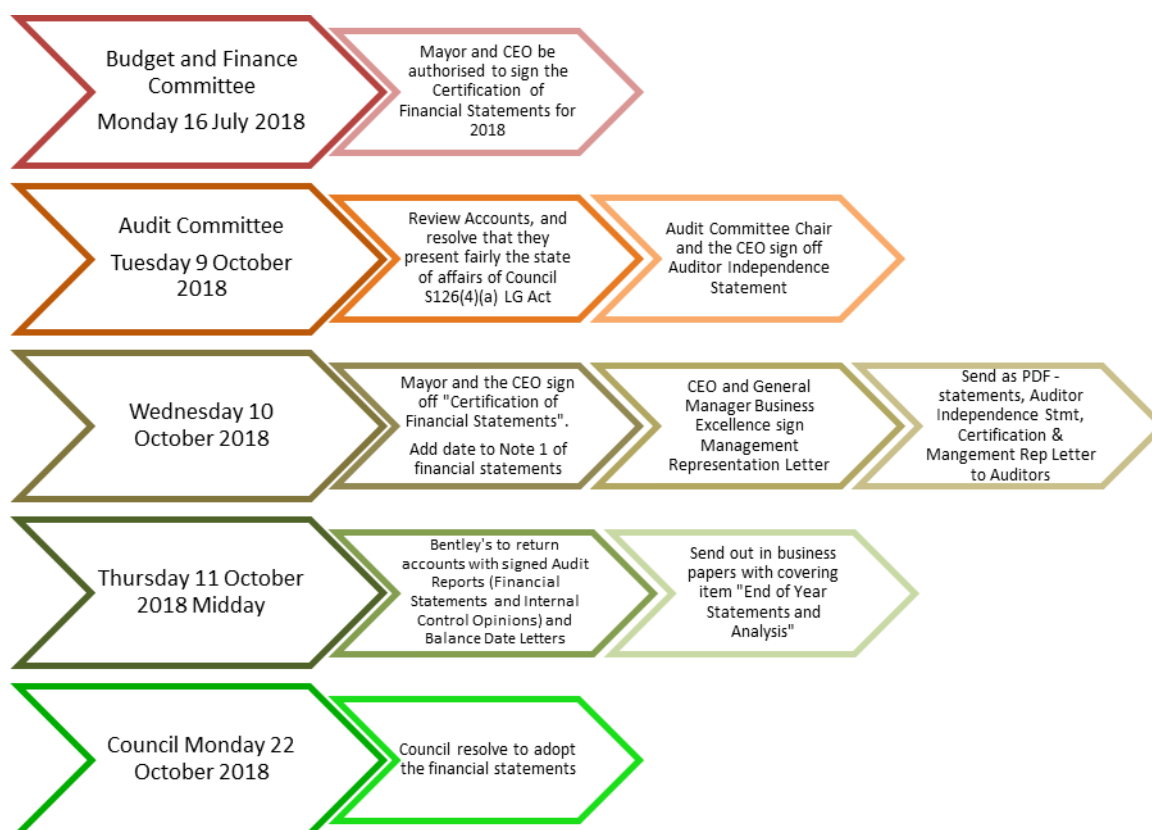
- 2.2.1 The Annual Financial Statements have been reviewed by Council's external auditor Bentleys.

## **3. REPORT**

- 3.1 The City of Salisbury's Annual Financial Statements for 2018 have been prepared in accordance with the Local Government Act 1999, the Local Government (Financial Management) Regulations 2011, the Australian Accounting Standards and the South Australian Model Financial Statements 2018.
- 3.2 The City of Salisbury's Audit Committee is required under section 126(4)(a) of the Local Government Act 1999 to review the annual financial statements to ensure that they present fairly the state of affairs of the Council.
- 3.3 Our external auditors, Bentleys, have conducted their review of the Annual Financial Statements for 2018, and are awaiting the Audit Committee's review prior to signing their audit opinion, after which the Annual Financial Statements for 2018 can be certified and then adopted by Council.
- 3.4 The Chief Executive Officer and the Mayor will sign the Certification of Annual Financial Statements following the Audit Committee review, and it should be noted that this is also required by Bentleys prior to them furnishing their audit opinions on the Annual Financial Statements and Internal Controls for 2018.
- 3.5 A timeline shown below demonstrates the process that is required to be followed to sign off the Annual Financial Statements for 2018.



### Sign off Process Annual Financial Statements for 2018



3.6 An analysis of the Annual Financial Statements and results for the year will be presented to Council on 22 October 2018, and a copy of that report is attached to this report for the Audit Committee's reference and review.

### 3.7 Independence of Council Auditor

3.7.1 Regulation 22 of the Local Government (Financial Management) Regulations 2011 provide in clauses (3) (a) and (4) that:

(3) *The following persons must each provide, on an annual basis, a statement that provides a certification as to compliance for the relevant financial year with the requirement that the auditor be independent of the council, council subsidiary or regional subsidiary (as the case may be):*

(a) *In a case involving a council or council subsidiary – the chief executive officer of the relevant council and the presiding member of the audit committee of the relevant body;*

(4) *A statement under sub-regulation (3) must accompany the financial statements for the relevant body.*

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

- 4.1 The Annual Financial Statements for the year ended 30 June 2018 have been prepared by Council staff and have been audited by the City of Salisbury's external auditor Bentleys. Following the review of the Annual Financial Statements for 2018 by the Audit Committee, the Statements will be certified by the Chief Executive Office and the Mayor and then Bentleys will sign their audit opinion.
- 4.2 It is appropriate for the City of Salisbury's Audit Committee following their review of the Financial Statements to endorse, in accordance with Section 126 (4)(a) of the Local Government Act 1999, that they present fairly the state of affairs of Council and also that the external auditor's independence be certified in accordance with Regulation 22 of the Local Government (Financial Management) Regulations 2011.

#### **CO-ORDINATION**

Officer: Exec  
Group

Date:

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**ITEM****COUNCIL****DATE**

22 October 2018

**HEADING**

End of Year Financial Statement and Analysis

**AUTHORS**Tim Aplin, Senior Accountant, Business Excellence  
Kate George, Manager Financial Services, Business Excellence**CITY PLAN LINKS**4.3 Have robust processes that support consistent service delivery and informed decision making.  
4.2 Develop strong capability and commitment to continually improve Council's performance.**SUMMARY**

The City of Salisbury end of year processes for 2018 have been finalised and audited by Council's external auditor Bentleys. This report provides detail of actual results compared to prior year actuals and to the budget position.

The annual financial statements have been reviewed by the Audit Committee at the meeting on 09 October 2018. Further Council's external auditors are satisfied that they present fairly the state of affairs of the Council.

**RECOMMENDATION**

1. The information be received.
2. The Annual Financial Statements for the year ended 30 June 2018 be adopted.

**ATTACHMENTS**

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

1. Annual Financial Statements for the year ended 30 June 2018

**1. BACKGROUND**

- 1.1** Regulation 10 of the Local Government (Financial Management) Regulations 2011 requires the Council to

- (1) *...prepare and consider a report showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statements of the Council, ... for the previous financial year compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.*
- (2) *...council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.*

## ITEM

**2. CONSULTATION / COMMUNICATION****2.1 Internal**

- 2.1.1 This report provides the mechanism for consultation and communication with Council regarding the City of Salisbury's Annual Financial Statements (AFS) for the year ending 30 June 2018. This report has been reviewed by the City of Salisbury's Audit Committee at the meeting held 9 October 2018.

**2.2 External**

- 2.2.1 The AFS for 2018 have been reviewed by Council's Auditors Bentleys, and they have provided an unqualified audit opinion.

**3. REPORT**

- 3.1 The City of Salisbury's Financial Statements for the 2018 Financial Year have been prepared in accordance with the Local Government Act 1999, the Local Government (Financial Management) Regulations 2011, the Australian Accounting Standards and the Model Financial Statements.
- 3.2 In accordance with Section 126(4)(a) of the Local Government Act 1999 the Audit Committee advised that it has reviewed the annual financial statements of the Council for the year ended 30 June 2018 and is satisfied they present fairly the state of affairs of Council.
- 3.3 The external auditors Bentleys have conducted their review and have provided an unqualified audit opinion.
- 3.4 The following comments are provided with respect to the 2018 AFS, with commentary highlighting significant movements year on year.
- 3.5 Please note the date convention that has been used in this report, where 2018 refers to the 2017/18 financial year and 2017 refers to the 2016/17 financial year.

**4. FINANCIAL STATEMENT ANALYSIS****4.1 Statement of Comprehensive Income**

- 4.1.1 The Statement of Comprehensive Income shows an Operating Surplus before capital amounts and other comprehensive income of \$15,038k compared to prior year of \$10,795k.
- 4.1.2 The main factors creating this significant change to the level of Operating Surplus is a decrease in depreciation costs resulting from the review of our road and kerbing assets, planned additional rate revenue, higher carry forwards year on year, and lower employee costs resulting from vacancies and service level reviews. Further details on these movements are outlined in the paragraphs below.
- 4.1.3 Rates Revenue has increased by 3.79% from \$91,438k in 2017 to \$94,899k in 2018. This increase is due to the rate increase of 3% for the 2018 financial year, combined with development growth in the city leading to a higher number of rateable properties. However it should be

## ITEM

noted that there are also additional costs from this growth in rateable properties, primarily associated with infrastructure provision.

- 4.1.4 Statutory Charges received have increased by 5.41% from \$3,026k in 2017 to \$3,189k in 2018 with the significant impact being an increase in Planning Application Fees \$62k relating to higher dollar value applications received for large developments.
- 4.1.5 User Charges have increased by 6.58% from \$5,749k in 2017 to \$6,127k in 2018, with the significant impact being an increase in Water Supply \$521k, which is primarily for non-residential supply and usage. Offsetting this are decreases in Commercial Rent of \$62k and numerous smaller income sources that have decreased from the prior year, totaling \$101k.
- 4.1.6 Grants, Subsidies and Contributions have decreased by 12.17% from \$17,401k in 2017 to \$15,283k in 2018. The driving factor for this decrease is the Financial Assistance Grant and the timing and quantum of payments over the last two years. In the 2017 Financial Year there were six quarters of Financial Assistance grant received, with four quarters being for the 2017 year, and two quarters being in advance for the 2018 year. In 2018 Council received four quarters of revenue, being the remaining two quarters of the 2018 allocation and two quarters advance payment of the 2019 allocation. This timing variance is shown in the below table:

	2018	2017	
Details of Payment	\$'000s	\$'000s	Notes
Standard Payment	4,706	7,761	[A]
Advance Payment	4,208	3,995	[B]
	<b>8,914</b>	<b>11,756</b>	

[A] Four quarters of the 2017 allocation and two quarters of the 2018 allocation  
[B] Advance Payment represents two quarters of the next years allocation

- 4.1.7 Investment Income has increased by 31.21% from \$562k in 2017 to \$737k in 2018, primarily as a result of higher cash holdings associated with timing adjustments undertaken during the year relating to major capital works and property developments proceeds, meaning our cash position was inflated. The average interest rate on short-term investments for 2018 was 1.70%, which is a reduction when compared to the 1.79% average rate for 2017, however there was more cash on hand on average during the year.
- 4.1.8 Reimbursements have increased by 1.95% from \$547k in 2017 to \$557k in 2018, which is a minor increase and results from an overall increase in the requirement for reimbursed works, however this is directly offset by higher associated expenditure.

## ITEM

- 4.1.9 Other Income has decreased by 1.12% from \$1,343k in 2017 to \$1,328k in 2018 which is an immaterial variance resulting from numerous small variances across a range of operations.
- 4.1.10 Employee Costs have decreased from \$34,883k in 2017 to \$34,306k in 2018. Offsetting the EB adjustment of 2.20% for MOA staff and 2.50% for LGE staff are favourable impacts relating to service level reviews that have been undertaken, vacancies and other wage and salary movements.
- 4.1.11 Materials, Contracts and Other Expenses have increased slightly by 1.28% from \$48,418k in 2017 to \$49,039k in 2018, noting this increase is below CPI. The primary reason for the increase is energy related costs increasing \$654k, the majority of which is related to street lighting costs \$439k and water rates increases of \$184k, both of which are predominantly due to contractual cost escalations. A further impact was an increase in the NRM Levy of \$254k, however this is offset by the rates collected to fund the Levy. These increased costs were partially offset by a \$298k decrease in general contractor expenditure across the organisation and \$146k decrease in sundry costs.
- 4.1.12 Depreciation costs have decreased by \$2.1m from \$24,781k in 2017 to \$22,719k in 2018. This is predominantly related to the recent external audit of our Road Assets which resulted in further componentisation of Road Pavements assets into the shorter and longer life assets of Base and Sub-Base, with a corresponding increase in useful lives being applied in alignment with accepted industry practices. This review also impacted the useful life of Kerbing Assets which have been increased to align their renewal with the renewal of the Road Sub-Base, which is the current practice in the field. This decrease is partly offset by an increase in Building depreciation resulting from the removal of Residual Values in accordance with guidance provided by the Australian Accounting Standard Board (AASB).
- 4.1.13 Finance Costs have decreased by 14.20% from \$1,106k in 2017 to \$949k in 2018, which reflects a real decrease in Council's long term borrowings and not having to draw down on any short term facilities.
- 4.1.14 Net Loss Equity Accounted Council decreased from an \$83k net loss in 2017 to a \$69k net loss in 2018. This reflects Council's Regional Subsidiaries performance, with NAWMA producing a net deficit of \$81k in 2018 compared to a net deficit of \$150k in 2017, and Council Solutions producing a net deficit of \$71k in 2018 as compared to a net deficit of \$76k in 2016. Council's share of these results in 2017 is a net loss of \$57k for NAWMA and a \$12k net loss for Council Solutions.
- 4.1.15 Asset disposal and fair value adjustments, amounts received specifically for new or upgraded assets and physical resources received free of charge, which are all items below the operating surplus, are discussed in detail in the budget and variance analysis below (Section Para 5.4).
- 4.1.16 Changes in Revaluation Surplus is discussed in Paragraph 4.2.2.



## ITEM

**4.2 Statement of Financial Position 30 June 2018**

- 4.2.1 The Statement of Financial Position as at 30 June 2018 shows Net Assets (Total Assets less Total Liabilities) or 'Equity' has increased by 4.04% or \$55,773k from \$1,379M in 2017 to \$1,435M in 2018.
- 4.2.2 The increase in Infrastructure, Property, Plant and Equipment from \$1,355M to \$1,401M is the most significant impact and is largely the result of additions to our current portfolio, being \$15,509k for renewal of assets and \$14,488k for new/upgraded and donated assets. Also contributing to this is net asset revaluation increments totaling \$41,716k, being revaluation increments for Land and Land Improvements \$22,191k and Infrastructure \$19,538k, offset by a revaluation decrement in Buildings and Other Structures \$13k. Offsetting these overall increases in Infrastructure Assets is accumulated depreciation increase \$22,719k.
- 4.2.3 As contained in AFS Note 15 'Financial Indicators', Net Financial Liabilities have decreased from \$2,045k to (\$5,827k) which means that financial assets exceed financial liabilities. The position as a proportion of total operating income has decreased from 2% to (5%). Net Financial Liabilities are defined as total liabilities less financial assets expressed as a percentage of total operating revenue. It should be noted that a negative Net Financial Liabilities Ratio represents a net financial assets position, with financial assets such as cash, receivables and financial assets being greater than total liabilities. This equates to a favourable position for Council, reflecting higher levels of cash holdings and trade receivables than levels of trade payables and debt.
- 4.2.4 The most significant movement impacting the Net Financial Liabilities ratio is Council's cash position as at 30 June 2018, which increased from \$28,576k in 2017 to \$33,780k in 2018. This is primarily related to the timing of major capital works and property settlement funds received. Further cash was held for supplier payments in July and August which are traditionally high with delivery of capital projects necessitating higher creditor payments and also once off yearly payments such as WorkCover and Insurance Premiums. Further impacting favourably on the ratio is debt levels, which have decreased from \$15,067k in 2017 to \$12,717k in 2018.
- 4.2.5 The Asset Sustainability ratio has trended downwards to 111% in 2018 which is lower than the 133% achieved in 2017 and higher than the 72% in 2016. This is a reflection of cash expenditure on the renewal/replacement of assets \$19,291k in 2018 compared to the planned expenditure as per the Infrastructure Asset Management Plans \$17,439k. It was expected that this ratio would normalise in 2018 towards the endorsed range of between 90%-110%.

**4.3 Statement of Cash Flows 30 June 2018**

- 4.3.1 The Statement of Cash Flows shows a net increase in cash and investments of \$5,204k from \$28,576k at 30 June 2017 to \$33,780k at 30 June 2018.

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- 4.3.2 Net cash provided by Operating Activities at 30 June 2018 was \$38,522k as compared with \$36,757k in 2017. This increase is primarily attributable to User Charges Income, \$7,313k in 2018 compared to \$4,881k in 2017. This is the result of the increase in income generated in the 2018 year of \$378k, and the movement in debtors year on year noting that 2017 saw an increase in debtors of \$1,276k, whereas the 2018 movement was a decrease of \$793k. Additional Rates Receipts in 2018 are \$94,953k compared to \$91,245k in 2017 reflecting the general increase in rates year on year.
- 4.3.3 Offsetting the increases in Operating Activities is a decrease in Grant, Subsidies and Contributions Income \$15,394k in 2018 compared to \$17,811k in 2017, as a result of the timing variances associated with the Financial Assistance Grants. Whilst Council has received an advance payment of the Financial Assistance Grant in 2018 the level of funding received during the year as a result of the timing of the advanced payments has decreased by \$3,001k compared to the 2017 year (refer para 4.1.6).
- 4.3.4 Operating Activity payments have remained relatively consistent at \$91,458k in 2018 as compared to \$90,481k in 2017 with movements in payments to employees and for materials and contracts and other expenses, reflecting the costs incurred for these expenses in the Statement of Comprehensive Income.
- 4.3.5 Net cash used in Investing Activities has increased from \$22,924k in 2017 to \$30,968k in 2018. This increase is primarily as a result of \$9,279k less cash received from property developments. There has been a relatively consistent amount of expenditure on infrastructure assets \$35,415k in 2018 as compared to \$35,702k in 2017, and there has also been a decrease in expenditure on property development given the completion or near completion of the Tranche 1 and 2 Projects.
- 4.3.6 Net cash used in Financing Activities relates solely to Council's investment and borrowings activities. Overall net cash used in financing activities has increased from \$2,073k in 2017 to \$2,350k in 2018. However it should be noted that while this has increased, Councils overall debt position has also decreased. In 2017 Council received \$500k proceeds for borrowings which is offset by special purpose loan receivable, and results in a nil net impact on cash used in financing activities. Adjusting for this Council's repayments of borrowings has decreased from \$2,573k in 2017 to \$2,350k in 2018, reflecting a real decrease in debt levels.



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**5. BUDGET ACTUAL ANALYSIS**

- 5.1 The analysis below is based on the comparison between the actual end of year results for the year ended 30 June 2018, and the original budget. The commentary on the Statement of Comprehensive Income is designed to explain the variations appropriate to this 'view'. Comment is made only to variances greater than \$50k unless there are significant issues that need to be brought to members' attention.

Statement of Comprehensive Income As at 30 June 2018			
	Actual \$000	Original Budget \$000	Variance \$000
<b>Income</b>			
Rates Revenues	94,899	94,745	154
Statutory Charges	3,189	2,792	397
User Charges	6,127	5,902	225
Grants, Subsidies & Contributions	15,283	12,848	2,435
Investment Income	737	142	595
Reimbursement	557	140	417
Other Income	1,328	810	518
<b>Total Income</b>	<b>122,120</b>	<b>117,379</b>	<b>4,741</b>
<b>Expenses</b>			
Employee Costs	34,306	37,444	3,138
Materials, Contracts and Other Expenses	49,039	47,789	(1,250)
Depreciation, amortisation & impairment	22,719	26,775	4,056
Finance Costs	949	1,512	563
Net Loss - Equity Accounted Council Businesses	69	-	(69)
<b>Total Expenses</b>	<b>107,082</b>	<b>113,520</b>	<b>6,438</b>
<b>Operating Surplus/(Deficit)</b>	<b>15,038</b>	<b>3,859</b>	<b>11,179</b>
Asset Disposal and Fair Value Adjustments	(3,353)	1,099	(4,452)
Amounts Received Specifically for New or Upgraded Assets	1,690	3,005	(1,315)
Physical Resources Received Free of Charge	682	4,000	(3,318)
<b>Net Surplus/(Deficit) <sup>(1)</sup></b>	<b>14,057</b>	<b>11,963</b>	<b>2,094</b>
<b>Other Comprehensive Income</b>			
Changes in Revaluation Surplus - I,PP&E	41,716	31,721	9,995
<b>Total Other Comprehensive Income</b>	<b>41,716</b>	<b>31,721</b>	<b>9,995</b>
<b>Total Comprehensive Income</b>	<b>55,773</b>	<b>43,684</b>	<b>12,089</b>

(1) Transferred to Equity Statement

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**5.2 Income Analysis****5.2.1 Rates Revenues – Favourable Variance \$154k**

The favourable variance is predominantly a result of lower than anticipated Rates Rebates \$71k, Objections \$36k below budget, separate rates (NRM Levy) above budget by \$26k which will be adjusted for in the subsequent year, and higher than budgeted Fines \$18k.

**5.2.2 Statutory Charges – Favourable Variance \$397k**

The favourable variance is predominantly due to higher than budgeted Building and Development Lodgment fees \$200k related to the external client services area, due to a higher number of applications received and processed as compared to budget. Also impacting are higher than budgeted Planning fees \$261k resulting from a number of large sized developments associated with shopping centres and aged care facilities. Sundry and Other Charges are also above budget by \$62k. This is partially offset by lower than budgeted Dog License income \$83k and Parking Fines \$43k.

**5.2.3 User Charges – Favourable Variance \$225k**

The favourable variance is predominantly the result of higher than budgeted fees income generated at the Waste Transfer Station \$167k, Cemetery Fees \$94k, Property Rentals \$82k and Sundry \$36k. Offsetting these favourable variances a lower than anticipated water supply charges \$155k predominantly related to lower demand from irrigation based customers.

**5.2.4 Grants, Subsidies & Contributions – Favourable Variance \$2,435k**

The favourable variance results from higher Financial Assistance Grant received \$940k, and Untied Local Roads \$926k higher than budget due primarily to supplementary road funding being received, other grants of \$471k above budget including NDIS funding of \$92k, Roads to Recovery funding of \$59k and a number of smaller grants. Also received was \$237k for unbudgeted developer contributions.

**5.2.5 Investment Income – Favourable Variance \$595k**

The favourable variance is primarily the result of higher than anticipated interest received on our investment activity as a result of higher cash holdings through timing of property settlements and expenditure on major capital projects.

**5.2.6 Reimbursements – Favourable Variance \$417k**

The favourable variance is the result of various reimbursements received relating to works or services undertaken by Council, with the primary areas being Recreational Services contract management \$237k, Security Charges \$31k and Disability Services \$29k. These amounts relate to costs incurred within the materials, contracts and other expenses classification. Also impacting are numerous small amounts primarily from private works that are offset by the expenditure incurred.

**5.2.7 Other Income – Favourable Variance \$518k**

The favourable variance is due to higher than budgeted amounts received including unbudgeted distribution from the Local Government Risk Services \$242k, Sundry Income \$153k made up of numerous minor

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variances, revenue from the profit share arrangement with Belgravia \$66k, and Property and Buildings Permit Fees \$26k.

### 5.3 Expenditure Analysis

#### 5.3.1 Employee Costs - Favourable Variance \$3,138k

The favourable variance is primarily due to the use of contractors and agency staff \$1,650k which is reported in Materials, Contracts and Other Expenses below. Also contributing to this favourable variance is lower than budgeted amounts relating to employee entitlements associated lower staff numbers and the length of service of the staff accruing Long Service Leave being shorter on average \$342k. There were also vacancies that were not backfilled during the year that contributed a further \$1,146k in savings.

#### 5.3.2 Materials, Contracts and Other Expenses - Unfavourable Variance \$1,252k

Contract labour, which is required to be classified as a contractual expense for reporting purposes, resulted in an unfavourable variance of \$1,650k. Contract labour is utilised to backfill for vacant positions within operational roles, and is offset by savings in employee costs reported in wages and salaries above. Also attributing to the unfavourable variance is \$155k higher than budgeted Levies, primarily relating to an advance payment made to the Dog and Cat Management Board of \$165k and \$136k higher than budgeted Lease charges.

Offsetting these unfavourable variances are lower than budgeted operating components of Capital Projects \$528k and consultancies \$230k as a result of project timing, with a total of \$588k across these areas being included as Carry Forwards into the 2019 year.

#### 5.3.3 Depreciation, Amortisation and Impairment - Favourable Variance \$4,056k

The favourable variance is primarily the result of the recent external audit of our road assets resulting in further componentisation of Road Pavements into the shorter and longer life assets of Base and Sub-Base, with a corresponding increase in useful lives being applied in alignment with accepted industry practices. This review also impacted the useful life of Kerbing assets which have been increased to align their renewal with the renewal of the Road Sub-Base as is the current practice in the field. The associated favourable depreciation impact of \$3,743k for all road related assets has been reflected in 2018. An additional favourable variance of \$469k in Drainage assets relates mainly to the recent audit of Council's major dams, which has resulted in a decrease in their estimated replacement values and an increase in their useful lives.

#### 5.3.4 Finance Costs – Favourable Variance \$563k

The favourable variance relates to the timing of cash receipts and disbursements, with the budget allowing for the drawdown on cash

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advance debentures to fund major projects; however this was not required during the year. During the year there were project Timing adjustments made totaling \$28.9M (including \$26.2M for the Salisbury Community Hub), which have the effect of reducing our cash requirements in 2018 and will increase our cash requirements in 2019.

5.3.5 Net Loss – Equity Accounted Council Businesses – Unfavourable Variance \$69k

At the end of the financial year we have recognised our share of the operating results of the Northern Adelaide Waste Management Authority (NAWMA) Regional Subsidiary being a net loss of \$57k and our other Regional Subsidiary, Council Solutions a \$12k net loss. It should be noted that from a budgeting perspective we budget for these entities to break even.

#### 5.4 Non-Operating Items Analysis

5.4.1 Net Gain/(Loss) on disposal of assets is \$3,353k unfavourable, with the budget anticipating a gain of \$1,099k for net proceeds from property sales. Actuals result primarily from \$3,935k accounting losses that represent the written down value of assets that have been disposed of as part of the renewal process. This includes Land and Land Improvement Assets \$276k, Building Assets \$385k and Infrastructure Assets \$3,274k. All of these assets have been renewed or replaced earlier than anticipated, resulting in a residual value needing to be written off. Slightly offsetting these is a favourable variance for Plant and Equipment Disposals \$600k and \$520k favourable net proceeds from property sales relating to the remainder of tranche 1 allotments.

5.4.2 Amounts specifically for new or upgraded assets were unfavourable \$1,315k primarily as a result of lower levels of grant funding received for capital projects than originally budgeted, with the most significant project being Diment Road Upgrade \$1,750k which was unsuccessful. However, grant funds were also received that had not been budgeted including \$461k for Salisbury Oval Change Rooms.

5.4.3 Physical resources received free of charge had an unfavourable variance of \$3,318k. This amount represents the assets donated to Council which is usually associated with external property development and residential infill, with typical assets being road, kerbing, footpaths, drainage, and verges. It should be noted that the budget is an estimated figure due to the complexities involved in determining the expected levels of donated assets.

#### 5.5 Other Comprehensive Income Analysis

5.5.1 Changes in Revaluation Surplus – IPP&E is resulting in a favourable variance to budget of \$9,995k. Budgeting for infrastructure revaluations is inherently complex, however the variance is the result of revaluation increments for Land and Land Improvements \$22,191k, Infrastructure \$19,538k, offset by revaluation decrements for Buildings \$13k.

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**5.6 Statement of Financial Position Analysis**

- 5.6.1 The Statement of Financial Position for 2018 is set out below and details the actual end of financial position against the original endorsed budget. Commentary has been made on significant variances between the estimates as presented at the adoption of the budget and the 2018 end of year position.

Statement of Financial Position As at 30 June 2018			
	Actual \$000	Original Budget \$000 [1]	Variance \$000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	33,780	-	33,780
Trade and Other Receivables	6,026	5,072	954
Inventories	2,039	-	2,039
<b>Total Current Assets</b>	<b>41,845</b>	<b>5,072</b>	<b>36,773</b>
<b>Non-Current Assets</b>			
Financial Assets	1,212	988	224
Equity Accounted Investments in Council Businesses	3,877	4,030	(153)
Infrastructure, Property, Plant and Equipment	1,400,955	1,442,767	(41,812)
Other Non-Current Assets	22,150	16,061	6,089
<b>Total Non-Current Assets</b>	<b>1,428,194</b>	<b>1,463,846</b>	<b>(35,652)</b>
<b>Total Assets</b>	<b>1,470,039</b>	<b>1,468,918</b>	<b>1,121</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	13,754	13,314	(440)
Borrowings	2,142	8,954	6,812
Provisions	7,193	7,227	34
<b>Total Current Liabilities</b>	<b>23,089</b>	<b>29,495</b>	<b>6,406</b>
<b>Non-Current Liabilities</b>			
Trade and Other Payables	-	-	-
Borrowings	10,575	9,715	(860)
Provisions	1,527	1,672	145
<b>Total Non-Current Liabilities</b>	<b>12,102</b>	<b>11,387</b>	<b>(715)</b>
<b>Total Liabilities</b>	<b>35,191</b>	<b>40,882</b>	<b>5,691</b>
<b>Net Assets</b>	<b>1,434,848</b>	<b>1,428,036</b>	<b>6,812</b>
<b>Equity</b>			
Accumulated Surplus	351,915	346,021	5,894
Asset Revaluation Reserve	1,058,641	1,057,276	1,365
Other Reserves	24,292	24,739	(447)
<b>Total Equity</b>	<b>1,434,848</b>	<b>1,428,036</b>	<b>6,812</b>

[1] The original budget is that endorsed by Council, however a reclassification adjustment has been made. Specifically there was an amount of \$1,581k disclosed as Non Current Trade and Other Payables, which should have been disclosed as Non Current Provisions. To ensure accurate reporting this amount has been reclassified in the Statement of Financial Position above, noting that this has no effect on the substance of the endorsed budget.



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5.6.2 The Statement of Financial Position as at 30 June 2018 shows a favourable variance when compared to budget for Net Assets (Total Assets less Total Liabilities) or 'Equity' of \$6,812k. This variance is made up of the following:

- Total Current Assets are \$36,773k favorable when compared to the original budget. This is primarily as a result of cash and cash equivalents being favourable by \$33,780k. This is a result of the original budget including \$28.9M worth of capital projects which have subsequently been re-timed into 2019, and the fact that the original budget is based on 100% delivery of all projects and operating expenditure, whereas the actuals include a level of carry forward, which has a favourable impact on our cash position.
- Infrastructure, Property, Plant and Equipment is \$41,812k unfavourable when compared to original budget, predominantly as a result of lower than budgeted expenditure on new and renewed assets with \$29,199k spent against budget expectations of \$59,196k. This is again primarily the result of projects being re-timed into the 2019 year and the fact the budget is based on 100% delivery of all projects, where actuals generally have a level of carry forward. Also attributing to the favourable variance is lower than budgeted depreciation expense \$4,056k, primarily resulting from componentisation of assets and adjustments made to the useful lives of Road and Kerbing assets. Offsetting this is revaluation adjustments of \$41,716k being higher than budgeted expectations of \$31,721k, noting that these adjustments are inherently complex, and are derived from periodic detailed asset audits.
- Other Non-current assets are \$6,089k higher than budget estimates, which is a result of higher than anticipated infrastructure projects in progress at the end of 2018. The budget was set with the last known actual result (30 June 2016), as it is expected to remain relatively static, although the mix of projects will of course change over time.
- Liabilities are overall lower than budget by \$5,691k, predominantly as a result of lower than anticipated Borrowings required during the 2018 year. The Original Budget included net loan borrowings of \$21,306k after allowing for the offset of Property Development proceeds. This position has been revised through quarterly Budget Reviews by a combination of budget variations and project timing adjustments resulting in an investment position of \$5,723k at the Third Quarter Review. The timing adjustments included \$26.3M for the Salisbury Community Hub. This reduced our borrowing requirements in 2018 and will subsequently increase cash requirements in 2019 as the project nears completion.

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**5.7 Financial Indicator Analysis**

- 5.7.1 The Financial Indicators as presented in the original budget are set out below and have been compared to actual results for the 2018 financial year. Also included are adjusted Financial Indicators which normalise the ratios for the timing of the Financial Assistance Grant.

Financial Indicators	Endorsed Operating Range	2017-18 Original Budget	2017-18 Actuals	Variance to Original Budget	2017-18 Adjusted Actuals	Variance to Original Budget
Operating Surplus Ratio	0.5% - 5%	3.3%	12.3%	9.0%	12.1%	8.80%
Net Financial Liabilities Ratio	<40%	29.7%	(4.8%)	34.5%	(4.6%)	34.30%
Asset Sustainability Ratio	90-110%	100.0%	110.6%	10.6%	N/A	N/A

- 5.7.2 The operating surplus ratio of 12.3% provides a favourable variance of 9.0% when compared to budget. However, when adjusted for the year on year timing impact of the early receipt of the 2019 Financial Assistance Grant and the advance payment in the prior year of the 2018 Financial Assistance Grant the ratio decreases slightly to 12.1%, which is a favorable variance of 8.80%. Excluding the Financial Assistance Grants, the main factors attributing to this variance are favorable variances to the original budget for employee costs \$3,138k and depreciation \$4,056k, with reasons for these variances explained above. The current endorsed operating range for this indicator is 0.5%-5%.
- 5.7.3 Net Financial Liabilities was (4.8%) for 2018 which is favourable by 34.5% when compared to the original budget, primarily as a result of our cash position being \$33,780k higher than budget expectations. When adjusted for the timing impact of the early receipt of the 2018 Financial Assistance Grant the ratio increases to (4.6%), which is a favourable variance of 34.30%. The actual result falls within the current endorsed operating range for this indicator, being less than 40%.
- 5.7.4 The Asset Sustainability ratio of 110.6% provides a favourable variance of 10.6% when compared to budget, and is lower than the 133% achieved in 2017 and higher than the 72% in 2016. It should be noted that the calculated three year weighted average ratio is 105% which is in the target range endorsed by Council of between 90%-110%. This result is a reflection of higher cash expenditure incurred on the renewal/replacement of assets \$19,291k in 2018 when compared with \$17,439k planned expenditure per the Asset Management Plans, for this year, and reflects delivery of prior year projects.

**6. CHANGES IN AUSTRALIAN ACCOUNTING STANDARDS FOR 2019**

- 6.1.1 AASB 15 Revenue from Contracts with Customers – this standard requires that revenue is recognized when a performance obligation is satisfied, much like the old matching principle. We are not anticipating any material impact to the City of Salisbury

## ITEM

6.1.2 AASB 16 Leases – this standard will requires all leases held by lessees to be accounted for leases on balance sheet, except low value or short term leases. We are not expecting any impact for the City of Salisbury, as the leases that we have when considering Council's overall materiality are low value and are exempt from the provisions of the standard

6.1.3 AASB 1058 Income for Not for Profit Entities – The first major change is that the timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation. Effectively, this allows NFP entities to account for grants as 'tied funding'. Under this standard where grant funds are received in advance, and there are conditions on the funds that have not been met and funds must be repaid, a liability must be recognized, and should funds need to be repaid there is a corresponding expense.

All grants are closely monitored to ensure that the conditions of the grant are met, and it is evident from our performance with no returned grant funds over the past five years. From a capital grant perspective virtually all grants are received on completion of works, or stages of work, in which case this standard will not result in any changes. Grants that may be impacted are more likely to be operating grants which are generally provided in advance, however, our management and acquittal processes are mature which has resulted in fully acquitting grants with no returned funds.

Financial Services partners with the organisation with respect to acquittal processes and has a good collective understanding of grant funding within the business. We believe that the main impact will be the need to determine grant funding received in advance at the end of financial year, where there are performance obligations to be delivered in future year(s), and include this in the financial statements. We are not anticipating that this will be difficult given the knowledge in the organisation, our record keeping, and that this review is not dissimilar to what we currently do to prepare Note 2 Income (g) Grants, Subsidies, Contributions and (h) conditions over Grants & Contributions.

This Standard also requires the recognition of the value of the volunteer services through inclusion of and income amount on the Operating Statement, and an equivalent expenditure amount. City of Salisbury has excellent volunteer records, and is well placed to be able to meet this standards requirements in the 2019 year when it comes into effect.

## 7. CONCLUSION / PROPOSAL

7.1.1 The Annual Financial Statements have been prepared in accordance with the applicable Australian Accounting Standards and legislative requirements, and are recommended to Council for adoption.

## CO-ORDINATION

Officer:

City of Salisbury  
Report to Council 22 October 2018

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ITEM

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Date:



# City of Salisbury

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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*Salisbury - a flourishing City with opportunity for all*



## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2018

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## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2018

#### Certification of Financial Statements

**We have been authorised by the Council to certify the financial statements in their final form.**

**In our opinion:**

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2018 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

---

John Harry  
**CHIEF EXECUTIVE OFFICER**

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Gillian Aldridge  
**MAYOR**

**Date:**

## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2018

#### Understanding Council's Financial Statements

##### Introduction

Each year, individual Local Governments across South Australia are required to present a set of audited Financial Statements to their Council and Community.

##### About the Certification of Financial Statements

The Financial Statements must be certified by the Chief Executive Officer and Mayor as "presenting a true and fair view" of the Council's financial results for the year and ensuring both responsibility for and ownership of the Financial Statements across Council.

##### What you will find in the Statements

The Financial Statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

The format of the Financial Statements is standard across all South Australian Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and the requirements as set down in the South Australia Model Financial Statements.

The Financial Statements incorporate four "primary" financial statements:

##### 1. A Statement of Comprehensive Income

A summary of Council's financial performance for the year, listing all income and expenses.

##### 2. A Balance Sheet

A snapshot as at 30 June 2018 of Council's financial position including its assets and liabilities.

##### 3. A Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

##### 4. A Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

##### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the four Primary Financial Statements.

##### About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialise in Local Government).

In South Australia, the Auditor provides an audit report, with an opinion on whether the Financial Statements present fairly the Council's financial performance and position.

##### About the Independence Certificates

Council's Financial Statements are also required to include signed Certificates by both the Council and the Auditors that the Council's Auditor has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

##### Who uses the Financial Statements?

The Financial Statements are publicly available documents and are used by (but not limited to) Councillors, Residents and Ratepayers, Employees, Suppliers, Contractors, Customers, the Local Government Association of South Australia, the SA Local Government Grants Commission, and Financiers including Banks and other Financial Institutions.

Under the *Local Government Act 1999* the Financial Statements must be made available at the principal office of the Council and on Council's website.

## City of Salisbury

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Income</b>			
Rates Revenues	2a	94,899	91,438
Statutory Charges	2b	3,189	3,026
User Charges	2c	6,127	5,749
Grants, Subsidies and Contributions	2g	15,283	17,401
Investment Income	2d	737	562
Reimbursements	2e	557	547
Other Income	2f	1,328	1,343
<b>Total Income</b>		<b>122,120</b>	<b>120,066</b>
<b>Expenses</b>			
Employee Costs	3a	34,306	34,883
Materials, Contracts and Other Expenses	3b	49,039	48,418
Depreciation, Amortisation and Impairment	3c	22,719	24,781
Finance Costs	3d	949	1,106
Net loss - Equity Accounted Council Businesses	19	69	83
<b>Total Expenses</b>		<b>107,082</b>	<b>109,271</b>
<b>Operating Surplus / (Deficit)</b>		<b>15,038</b>	<b>10,795</b>
Asset Disposal and Fair Value Adjustments	4	(3,353)	4,073
Amounts Received Specifically for New or Upgraded Assets	2g	1,690	1,935
Physical Resources Received Free of Charge	2i	682	3,741
<b>Net Surplus / (Deficit) <sup>1</sup></b>		<b>14,057</b>	<b>20,544</b>
<b>Other Comprehensive Income</b>			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	41,716	13,431
<b>Total Other Comprehensive Income</b>		<b>41,716</b>	<b>13,431</b>
<b>Total Comprehensive Income</b>		<b>55,773</b>	<b>33,975</b>

<sup>1</sup> Transferred to Statement of Changes in Equity

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

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## City of Salisbury

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5a	33,780	28,576
Trade and Other Receivables	5b	6,026	5,848
Inventories	5c	2,039	5,144
<b>Total Current Assets</b>		<b>41,845</b>	<b>39,568</b>
<b>Non-Current Assets</b>			
Financial Assets	6a	1,212	1,327
Equity Accounted Investments in Council Businesses	6b	3,877	3,946
Infrastructure, Property, Plant and Equipment	7a	1,400,955	1,354,629
Other Non-Current Assets	6c	22,150	17,401
<b>Total Non-Current Assets</b>		<b>1,428,194</b>	<b>1,377,303</b>
<b>TOTAL ASSETS</b>		<b>1,470,039</b>	<b>1,416,871</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	8a	13,754	13,674
Borrowings	8b	2,142	2,350
Provisions	8c	7,193	7,241
<b>Total Current Liabilities</b>		<b>23,089</b>	<b>23,265</b>
<b>Non-Current Liabilities</b>			
Borrowings	8b	10,575	12,717
Provisions	8c	1,527	1,814
<b>Total Non-Current Liabilities</b>		<b>12,102</b>	<b>14,531</b>
<b>TOTAL LIABILITIES</b>		<b>35,191</b>	<b>37,796</b>
<b>Net Assets</b>		<b>1,434,848</b>	<b>1,379,075</b>
<b>EQUITY</b>			
Accumulated Surplus		351,915	333,969
Asset Revaluation Reserves	9a	1,058,641	1,016,925
Other Reserves	9b	24,292	28,181
<b>Total Council Equity</b>		<b>1,434,848</b>	<b>1,379,075</b>

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

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## City of Salisbury

Statement of Changes in Equity  
for the year ended 30 June 2018

\$ '000	Notes	Asset			Total Equity
		Accumulated Surplus	Revaluation Reserve	Other Reserves	
<b>2018</b>					
Balance at the end of previous reporting period		333,969	1,016,925	28,181	1,379,075
Net Surplus / (Deficit) for Year		14,057	-	-	14,057
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	41,716	-	41,716
Other Comprehensive Income		-	41,716	-	41,716
Total Comprehensive Income		14,057	41,716	-	55,773
Transfers between Reserves		3,889	-	(3,889)	-
Balance at the end of period		351,915	1,058,641	24,292	1,434,848

\$ '000	Notes	Asset			Total Equity
		Accumulated Surplus	Revaluation Reserve	Other Reserves	
<b>2017</b>					
Balance at the end of previous reporting period		309,864	1,003,494	31,742	1,345,100
Net Surplus / (Deficit) for Year		20,544	-	-	20,544
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	13,431	-	13,431
Other Comprehensive Income		-	13,431	-	13,431
Total Comprehensive Income		20,544	13,431	-	33,975
Transfers between Reserves		3,561	-	(3,561)	-
Balance at the end of period		333,969	1,016,925	28,181	1,379,075

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

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## City of Salisbury

Statement of Cash Flows  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Cash Flows from Operating Activities</b>			
<u>Receipts</u>			
Rates Receipts		94,953	91,245
Statutory Charges		3,288	3,124
User Charges		7,313	4,881
Grants, Subsidies and Contributions (operating purpose)		15,394	17,811
Investment Receipts		772	557
Reimbursements		613	602
Other Receipts		7,647	9,018
<u>Payments</u>			
Payments to Employees		(34,806)	(35,233)
Payments for Materials, Contracts and Other Expenses		(55,703)	(54,142)
Finance Payments		(949)	(1,106)
<b>Net Cash provided by (or used in) Operating Activities</b>	11b	<b>38,522</b>	<b>36,757</b>
<b>Cash Flows from Investing Activities</b>			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		1,690	1,935
Sale of Replaced Assets		427	479
Sale of Surplus Assets		125	-
Net Disposal of Investment Securities		70	177
Sale of Real Estate Developments		2,349	11,359
Repayments of Loans by Community Groups		29	19
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(19,718)	(25,092)
Expenditure on New/Upgraded Assets		(15,697)	(10,610)
Development of Real Estate for Sale		(243)	(691)
Loans Made to Community Groups		-	(500)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(30,968)</b>	<b>(22,924)</b>
<b>Cash Flows from Financing Activities</b>			
<u>Receipts</u>			
Proceeds from Borrowings		-	500
<u>Payments</u>			
Repayments of Borrowings		(2,350)	(2,573)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(2,350)</b>	<b>(2,073)</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>5,204</b>	<b>11,760</b>
plus: <b>Cash and Cash Equivalents at beginning of period</b>	11	28,576	16,816
<b>Cash and Cash Equivalents at end of period</b>	11	<b>33,780</b>	<b>28,576</b>
Additional Information:			
plus: <b>Investments on hand - end of year</b>	6a	761	831
<b>Total Cash, Cash Equivalents and Investments</b>		<b>34,541</b>	<b>29,407</b>

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1 Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared on a going concern basis using the historical cost convention in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 10 October 2018.

##### 1.2 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

##### 1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

##### 1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

#### 2 The Local Government Reporting Entity

The City of Salisbury is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 12 James Street, Salisbury. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions.

#### 3 Income Recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as income during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as income in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

In recent years the payment of untied financial assistance grants has varied from the annual allocation. During the 2015/16 year, there was no untied financial assistance grants paid in advance. However, on 09 June 2017, Council received two quarters of the 2017/18 grant amounting to \$3,995,448. Subsequently, on 25 June 2018, Council received two quarters of the 2018/19 grant amounting to \$4,208,096. The advanced payments received are summarised in the below table:

Financial Year	Payment Received In Advance \$'000	Comments
2015/16	Nil	
2016/17	3,995	Relates to 2017/18
2017/18	4,208	Relates to 2018/19



## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

#### 4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

#### 5 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

##### 5.1 Real Estate Assets Developments

Real Estate Assets developments have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost or net realisable

value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

##### 5.2 Other Real Estate Held for Resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

#### 6 Infrastructure, Property, Plant and Equipment

##### 6.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant and equipment when completed ready for use.

##### 6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 1. Summary of Significant Accounting Policies (continued)

Examples of capitalisation thresholds applied during the year are disclosed in Note 7. No capitalisation threshold is applied to the acquisition of land or interests in land.

**6.3 Subsequent Recognition**

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties and of existing valuations, methods and valuers are provided at Note 7.

**6.4 Depreciation of Non-Current Assets**

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually; these reviews are conducted either internally or externally through the completion of asset audits and valuations.

Major depreciation periods for each class of asset are detailed in Note 7. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

**6.5 Intangible Assets**

Intangible Assets have been accounted for in accordance with the requirements of AASB 138 *Intangible Assets*. An item is recognised as an intangible if it meets the definition of an intangible asset, it is probable that future economic benefits will flow to Council and the cost of the asset can be reliably measured.

Intangible Assets are tested for impairment yearly or when there is objective evidence or an indication that

these assets may be impaired. Further determinations on useful lives are reviewed annually.

**6.6 Impairment**

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

**7 Payables****7.1 Goods and Services**

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

**7.2 Payments Received in Advance and Deposits**

Amounts other than grants received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

##### 8 Borrowings

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

##### 9 Employee Benefits

###### 9.1 Salaries, Wages and Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

###### 9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

##### 10 Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117.

##### 11 Equity Accounted Council Businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements are accounted for in accordance with AASB 128 and set out in detail in Note 19.

##### 12 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

##### 13 New accounting standards and UIG interpretations

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

City of Salisbury has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.



## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

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Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective.

***The standards that are expected to have a material impact upon Council's future financial statements are:***

**Effective for annual reporting periods beginning on or after 1 January 2019**

- AASB 15 *Revenue from Contracts with Customers*
- AASB 16 *Leases*
- AASB 1058 *Income of Not-for-Profit Entities*

#### 14 Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

#### 15 Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 2. Income

\$ '000	Notes	2018	2017
<b>(a). Rates Revenues</b>			
<b>General Rates</b>			
General Rates		93,994	90,582
Less: Mandatory Rebates		(1,138)	(1,102)
Less: Discretionary Rebates, Remissions and Write Offs		(330)	(319)
<b>Total General Rates</b>		<b>92,526</b>	<b>89,161</b>
<b>Other Rates</b>			
Natural Resource Management Levy		1,949	1,875
Salisbury Business Association Separate Rate		161	160
Globe Derby Community Club Separate Rate		6	6
<b>Total Other Rates</b>		<b>2,116</b>	<b>2,041</b>
<b>Other Charges</b>			
Penalties for Late Payment		257	236
<b>Total Other Charges</b>		<b>257</b>	<b>236</b>
<b>Total Rates Revenues</b>		<b>94,899</b>	<b>91,438</b>
<b>(b). Statutory Charges</b>			
Development Act Fees		893	873
Town Planning Fees		613	491
Animal Registration Fees and Fines		1,099	1,088
Parking Fines / Expiation Fees		277	296
Other Licences, Fees and Fines		307	278
<b>Total Statutory Charges</b>		<b>3,189</b>	<b>3,026</b>
<b>(c). User Charges</b>			
Cemetery Fees		581	579
Property Leases		723	790
Waste Disposal Fees		1,573	1,549
Water Supply		2,194	1,674
Aged and Disability Services		493	528
Sundry		563	629
<b>Total User Charges</b>		<b>6,127</b>	<b>5,749</b>

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 2. Income (continued)

\$ '000	Notes	2018	2017
<b>(d). Investment Income</b>			
Interest on Investments			
- Local Government Finance Authority		230	195
- Banks and Other		487	354
- Loans to Community Groups		20	13
<b>Total Investment Income</b>		<b>737</b>	<b>562</b>
<b>(e). Reimbursements</b>			
Contract Maintenance		237	154
Other		320	393
<b>Total Reimbursements</b>		<b>557</b>	<b>547</b>
<b>(f). Other Income</b>			
Insurance and Other Recoupments - Infrastructure, IPP&E		5	10
Rebates Received		776	767
Sundry		547	566
<b>Total Other Income</b>		<b>1,328</b>	<b>1,343</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 2. Income (continued)

\$ '000	Notes	2018	2017
<b>(g). Grants, Subsidies, Contributions</b>			
Amounts Received Specifically for New or Upgraded Assets		1,690	1,935
<b>Total Amounts Received Specifically for New or Upgraded Assets</b>		<b>1,690</b>	<b>1,935</b>
Other Grants, Subsidies and Contributions		6,369	5,644
Untied Financial Assistance Grant		4,706	7,762
Individually Significant Item - Additional Financial Assistance Grant (refer below)		4,208	3,995
<b>Total Other Grants, Subsidies and Contributions</b>		<b>15,283</b>	<b>17,401</b>
<b>Total Grants, Subsidies, Contributions</b>		<b>16,973</b>	<b>19,336</b>

The functions to which these grants relate are shown in Note 12.

**(i) Sources of grants**

Commonwealth Government	2,633	2,398
State Government	13,836	15,718
Other	504	1,220
<b>Total</b>	<b>16,973</b>	<b>19,336</b>

**(ii) Individually Significant Items**

Advanced Financial Assistance Grant Recognised as Income	4,208	3,995
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On 25 June 2018, Council received payment of the first two instalments of the 2018/19 Financial Assistance Grant, totalling \$4,208k comprising of \$3,384k in general purpose funding and \$824k in untied local road funding. This has materially increased Council's operating results in the current year, as these amounts are recognised as income upon receipt. Potential material effects will be experienced when the timing of these grant payments are once again restored to a normal schedule.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 2. Income (continued)

\$ '000	Notes	2018	2017
<b>(h). Conditions over Grants and Contributions</b>			
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:			
<b>Unexpended at the close of the previous reporting period</b>		325	981
<i>Less:</i>			
<i>Expended during the current period from revenues recognised in previous reporting periods</i>			
Economic Regional Collaboration - Business Taskforce		(98)	(28)
Digital Growth Program		(64)	(33)
Aged Friendly SA Grant		(17)	-
Aboriginal Sports Development Program		(10)	-
Resilient Salisbury		(9)	(11)
Duke of Edinburgh School Program		(6)	-
Fairbanks / Byron Bay Traffic Management		(6)	-
Youth Network Grant		(5)	(5)
Roads Infrastructure		-	(280)
Green Trails		-	(279)
St Kilda / Robinson Road - Traffic Management Device		-	(134)
Crime Prevention Grant		-	(100)
St Kilda CCTV Renewal		-	(41)
Building Safe Communities		-	(26)
Mawson Lakes Signs		-	(24)
Aged Friendly Retail Project		-	(8)
Playford Business Services		-	(5)
Waterwatch General Program		-	(5)
Other		(5)	(2)
<b>Subtotal</b>		<b>(220)</b>	<b>(981)</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 2. Income (continued)

\$ '000	Notes	2018	2017
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
Bridgestone Athletic Track Grant		993	-
Salisbury Oval Female Change Rooms		397	-
Development Infrastructure 2018 - Footpath Program		63	-
Digital Growth Program		-	128
Tea Tree Gully Business Advisory		60	-
Pooraka Farm CCTV		39	-
Business Services Advisory		30	-
Salisbury Oval CCTV		19	-
Development Infrastructure 2018 - Street Tree Program		17	-
Playford Business Services		12	-
Drug and Alcohol Foundation Grant		11	-
Economic Regional Collaboration - Business Taskforce		-	137
Aged Friendly SA Grant		-	17
Aboriginal Sports Development		-	10
Resilient Salisbury		-	9
Duke of Edinburgh		5	8
Fairbanks Drive / Byron Bay Drive Traffic Management		-	6
Youth Network Grant		-	5
Be Connected - Digital Awareness Program		1	-
Other		-	5
<b>Subtotal</b>		<b>1,647</b>	<b>325</b>
<b>Unexpended at the close of this reporting period</b>		<b>1,752</b>	<b>325</b>
<b>Net increase (decrease) in assets subject to conditions in the current reporting period</b>		<b>1,427</b>	<b>(656)</b>
 <b>(i). Physical Resources Received Free of Charge</b>			
Land and Improvements		331	602
Roads, Bridges and Footpaths		118	2,237
Stormwater Drainage		233	902
<b>Total Physical Resources Received Free of Charge</b>		<b>682</b>	<b>3,741</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 3. Expenses

\$ '000	Notes	2018	2017
<b>(a). Employee Costs</b>			
Salaries and Wages		28,134	28,225
Employee Leave Expense		4,441	5,276
Superannuation - Defined Contribution Plan Contributions	18	1,171	1,242
Superannuation - Defined Benefit Plan Contributions	18	1,880	1,766
Workers' Compensation Insurance		1,552	1,545
Less: Capitalised and Distributed Costs		(2,872)	(3,171)
<b>Total Operating Employee Costs</b>		<b>34,306</b>	<b>34,883</b>
Total Number of Employees (full time equivalent at end of reporting period)		382	407
<b>(b). Materials, Contracts and Other Expenses</b>			
<b>(i) Prescribed Expenses</b>			
Auditor's Remuneration			
- Auditing the Financial Reports		35	59
Bad and Doubtful Debts		11	12
Elected Members' Expenses		479	467
Election Expenses		59	121
Operating Lease Rentals - Cancellable Leases		926	748
<b>Subtotal - Prescribed Expenses</b>		<b>1,510</b>	<b>1,407</b>
<b>(ii) Other Materials, Contracts and Expenses</b>			
Contractors		32,923	33,221
Energy		4,468	3,785
Legal Expenses		301	247
Levies Paid to Government - NRM levy		1,945	1,874
Levies - Other		500	330
Parts, Accessories and Consumables		2,794	3,027
Sundry		2,879	3,009
Insurance		943	926
Water Rates		776	592
<b>Subtotal - Other Material, Contracts and Expenses</b>		<b>47,529</b>	<b>47,011</b>
<b>Total Materials, Contracts and Other Expenses</b>		<b>49,039</b>	<b>48,418</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 3. Expenses (continued)

\$ '000	Notes	2018	2017
<b>(c). Depreciation, Amortisation and Impairment</b>			
<b>(i) Depreciation and Amortisation</b>			
Land Improvements		4,928	4,565
Buildings and Other Structures		2,297	1,293
Infrastructure		13,471	16,954
Plant and Equipment		1,813	1,760
Library Books		210	209
<b>Subtotal - Total Depreciation, Amortisation and Impairment</b>		<b>22,719</b>	<b>24,781</b>
<b>(ii) Impairment</b>			
No assets have been impaired during the current financial period.			
<b>Total Depreciation, Amortisation and Impairment</b>		<b>22,719</b>	<b>24,781</b>
<b>(d). Finance Costs</b>			
Interest on Loans		949	1,106
<b>Total Finance Costs</b>		<b>949</b>	<b>1,106</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 4. Asset Disposal and Fair Value Adjustments

\$ '000	Notes	2018	2017
<b>Infrastructure, Property, Plant and Equipment</b>			
<b>(i) Assets Renewed or Directly Replaced</b>			
Proceeds from Disposal		427	479
Less: Carrying Amount of Assets Sold		(3,702)	(3,231)
<b>Gain (Loss) on Disposal</b>		<b>(3,275)</b>	<b>(2,752)</b>
<b>(ii) Assets Surplus to Requirements</b>			
Proceeds from Disposal		125	-
Less: Carrying Amount of Assets Sold		(471)	(53)
Less: Other Amounts Relating to the Sale of Surplus Assets		(252)	-
<b>Gain (Loss) on Disposal</b>		<b>(598)</b>	<b>(53)</b>
<b>Real Estate Development Assets</b>			
Proceeds from Disposal		2,349	11,359
Less: Carrying Amount of Assets Sold		(1,829)	(4,501)
<b>Gain (Loss) on Disposal</b>		<b>520</b>	<b>6,858</b>
<b>Other Financial Assets</b>			
Proceeds from Disposal		69	177
Less: Carrying Amount of Assets Sold		(69)	(157)
<b>Gain (Loss) on Disposal</b>		<b>-</b>	<b>20</b>
<b>Net Gain (Loss) on Disposal or Revaluation of Assets</b>		<b>(3,353)</b>	<b>4,073</b>



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 5. Current Assets

\$ '000	Notes	2018	2017
<b>(a). Cash and Cash Equivalents</b>			
Cash on Hand at Bank		832	688
Short Term Deposits and Bills, etc.		32,948	27,888
<b>Total Cash and Cash Equivalents</b>		<b>33,780</b>	<b>28,576</b>
<b>(b). Trade and Other Receivables</b>			
Rates - General and Other		2,822	2,751
Accrued Revenues		11	46
Debtors - General		1,566	2,331
GST Recoupment		935	274
Prepayments		661	417
Loans to Community Organisations		31	29
<b>Total Trade and Other Receivables</b>		<b>6,026</b>	<b>5,848</b>
<b>(c). Inventories</b>			
Stores and Materials		253	250
Real Estate Developments	6c	1,751	4,855
Cemetery Plinths and Vaults		35	39
<b>Total Inventories</b>		<b>2,039</b>	<b>5,144</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 6. Non-Current Assets

\$ '000	Notes	2018	2017
<b>(a). Financial Assets</b>			
<b>Receivables</b>			
Council Rates Postponement Scheme		8	22
Loans to Community Organisations		443	474
<b>Total Receivables</b>		<b>451</b>	<b>496</b>
<b>Other Financial Assets (Investments)</b>			
Mortgages over Property - Affordable Housing Scheme		761	831
<b>Total Other Financial Assets (Investments)</b>		<b>761</b>	<b>831</b>
<b>Total Financial Assets</b>		<b>1,212</b>	<b>1,327</b>
<b>(b). Equity Accounted Investments in Council Businesses</b>			
Northern Adelaide Waste Management Authority	19	3,801	3,858
Council Solutions	19	76	88
<b>Total Equity Accounted Investments in Council Businesses</b>		<b>3,877</b>	<b>3,946</b>
<b>(c). Other Non-Current Assets</b>			
<b>(i) Inventories</b>			
Real Estate Developments		1,859	1,846
<b>Total Inventories</b>		<b>1,859</b>	<b>1,846</b>
<b>(ii) Other</b>			
Capital Works-in-Progress		20,125	15,389
Intangible Assets		166	166
<b>Total Other</b>		<b>20,291</b>	<b>15,555</b>
<b>Total Other Non-Current Assets</b>		<b>22,150</b>	<b>17,401</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 6. Non-Current Assets (continued)

\$ '000	Notes	2018	2017
<b>Real Estate Developments - Current &amp; Non-Current</b>			
(Valued at the lower of cost and net realisable value)			
Residential		3,610	6,701
<b>Total Real Estate for Resale</b>		<b>3,610</b>	<b>6,701</b>
<b>Represented by:</b>			
Acquisition Costs		1,865	3,886
Development Costs		1,745	2,815
<b>Total Real Estate of Resale</b>		<b>3,610</b>	<b>6,701</b>
<b>(ii) Apportionment of Real Estate Developments</b>			
Current Assets		1,751	4,855
Non-Current Assets		1,859	1,846
		<b>3,610</b>	<b>6,701</b>

City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

Note 7a. Infrastructure, Property, Plant and Equipment

	Fair Value Level	as at 30/6/2017				Asset Movements during the Reporting Period							as at 30/6/2018			
		At Fair Value	At Cost	Accumulated Dep'n	Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	Trans from/to Real Estate Assets	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Dep'n	Carrying Value
						New / Upgrade	Renovals									
\$ '000																
Land - Other	2	409,641	-	-	409,641	3,358	-	(305)	-	1,505	-	14,920	429,119	-	-	429,119
Land Improvements	3	170,588	-	62,210	108,378	3,332	1,516	(95)	(4,928)	-	-	7,271	182,700	-	67,226	115,474
Buildings and Other Structures	3	81,408	-	20,232	61,176	179	2,009	(133)	(2,297)	-	(13)	-	84,009	-	23,088	60,921
Infrastructure	3	1,154,166	-	388,204	765,962	4,614	11,964	(3,274)	(13,471)	-	-	19,538	1,187,939	-	402,686	785,353
Plant and Equipment		-	23,022	14,899	8,123	2,878	-	(366)	(1,813)	-	-	-	-	24,961	16,139	8,822
Library Books		-	1,349	-	1,349	127	-	-	(210)	-	-	-	-	1,266	-	1,266
Total Infrastructure, Property, Plant and Equipment		1,815,803	24,371	485,545	1,354,629	14,488	15,509	(4,173)	(22,719)	1,505	(13)	41,729	1,883,767	26,227	509,039	1,400,955
Comparatives		1,841,356	23,419	536,268	1,328,507	18,249	21,190	(3,284)	(24,781)	1,317	(24,538)	37,969	1,815,803	24,371	485,545	1,354,629

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

### Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and Investment Property

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\$ '000

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#### Valuation of Assets

Council measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Land
- Land Improvements
- Infrastructure
- Buildings and Other Structures

Council does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

#### a) Fair Value Hierarchy

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information according to the relevant level in the fair value hierarchy. This hierarchy categorises fair value measurements into one of three possible levels based on the lowest level that a significant input can be characterised into. The levels are outlined below:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly.	Measurements based on unobservable inputs for the asset.

The fair value of assets that are not traded in an active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

#### b) Valuation Techniques

Council selects valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends upon the specific characteristics of the asset being measured. The valuation techniques selected by Council are consistent with one or more of the following valuation approaches:

- *Market Approach* uses prices and other relevant information generated by market transactions involving identical or similar assets.
- *Income Approach* converts estimated future cash flows or income and expenses into a single current (ie. discounted) value.
- *Cost Approach* reflects the current replacement cost of an asset at its current service capacity.

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## City of Salisbury

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

#### Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and Investment Property (continued)

\$ '000

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset, including assumptions about risks. When selecting a valuation technique, Council gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

During 2017/18 Council undertook a review of the internal overhead costs, such as project management, supervision and design, that are directly related to the renewal of Council's Transport and Stormwater assets. The purpose of the review was to ensure that the appropriate level of direct internal overhead costs were being reflected in the unit rates that are utilised to revalue these asset classes. Council reviewed the internal resources that are allocated to capital renewal projects for these asset classes over the preceding five financial years and utilised this information to develop an average annual overhead cost to be applied, expressed as a percentage of the total capital costs. These percentages, and the associated allocation to each asset class are as follows:

- Transport Design Overhead - 1.25% (Allocated to Traffic Control Devices and the Road Pavement asset classes)
- Stormwater Design Overhead - 7.10% (Allocated to all Stormwater assets, excluding PVC pipe assets)
- Transport Supervision Overhead - 2.60% (Allocated to all Transport asset classes)
- Stormwater Supervision Overhead - 4.60% (Allocated to all Stormwater assets classes)

These overhead percentages were reviewed independently by Tonkin Consulting and subsequently incorporated into their review of Council's asset valuations, with further detail in the methodology utilised disclosed below under the respective asset categories.

This change in accounting estimate has caused an increase in the carrying value of Council's Transport and Stormwater Assets for the 2017/18 Reporting period which will flow into future reporting periods. Given the complex nature of infrastructure asset revaluations, Council has considered it impractical to estimate the future year impacts of this change.

#### c) Capitalisation Thresholds

Capitalisation Thresholds used by Council for a representative range of assets are shown below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Office Furniture and Equipment	\$5,000
Plant and Light Vehicles	\$5,000
Buildings - new construction/extensions	\$10,000
Park and Playground Furniture and Equipment	\$5,000
Road construction and reconstruction	\$10,000
Paving and footpaths, Kerb and Gutter	\$5,000
Drains and Culverts	\$10,000
Reticulation extensions	\$5,000
Sidelines and household connections	\$5,000
Artworks	\$5,000

## City of Salisbury

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

## Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and Investment Property (continued)

\$ '000

**d) Estimated Useful Lives**

Useful lives are estimated for each individual asset. In estimating useful lives, regard is had to technical and commercial obsolescence, as well as legal and other limitations on continued use. The range of useful lives for a representative range of assets is shown below, although individual assets may have an estimated total useful life of greater or lesser amount:

Plant, Furniture and Equipment:	
Office Equipment	3 to 10 years
Office Furniture	3 to 10 years
Vehicles and Road-making Equipment	2 to 20 years
Other Plant and Equipment	3 to 20 years
Building and Other Structures:	
Building Components	10 to 80 years
Playground Equipment	15 to 25 years
Benches, Seats, etc	10 to 15 years
Infrastructure:	
Roads - Seal	20 to 40 years
Roads - Base	60 to 150 years
Roads - Sub-Base	180 to 300 years
Unsealed Roads	5 to 10 years
Bridges	100 years
Footpaths	8 to 80 years
Kerb, Gutter and Medians	50 to 300 years
Drainage Pipes	80 to 100 years
Culverts, Headwalls and Junction Boxes	40 to 100 years
Dams and Reservoirs	400 years
Bores	75 years
Reticulation Pipes - PVC	60 to 80 years
Pumps and Telemetry	10 to 50 years
Other Assets:	
Library Books	3 to 7 years
Artworks/Local History	Indefinite
Street Trees	50 years

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and  
Investment Property (continued)

\$ '000

## e) Table of Fair Values 2017/18

	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Total \$'000s
Land	-	429,119	-	429,119
Land Improvements	-	-	115,474	115,474
Buildings and Other Structures	-	-	60,921	60,921
Infrastructure	-	-	785,353	785,353
Total	-	429,119	961,748	1,390,867

## f) Disclosed Fair Value Measurements

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$,000's
Land	2	Market Value	\$429,119

Valuations of assets in this category are undertaken using the State Valuer Generals Site Values.

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$,000's
Land Improvements	3	Cost Approach	\$115,474

Valuations of assets in this category are undertaken via one of three methods:

- Independent valuations are provided by Tonkin Consulting using a methodology that utilises observable Council specific contract rates to derive a unit rate used to calculate a depreciated replacement cost for each asset. Assets valued via this method include Footpaths and Carpark Pavement/Seals all situated on Council Reserves.
- Revalued using the Local Government Pricing Index (LGPI). Assets valued via this method include Fencing, Irrigation Equipment, Playgrounds, Kerbing, Sports Courts/Facilities, Reserve Furniture, Landscaping and Other Structures all situated on Council Reserves.
- Independent valuations were provided by Inside Infrastructure and Aquenta Consulting in 2014/15 (as sub-consultant to Inside Infrastructure) using a methodology that utilises observable rates and cost information from their extensive knowledge across the water industry. Assets valued via this method include all those associated with Councils Recycled Stormwater Business Unit, which includes assets such as Pipework, Pumps, Bores, Valves, Electrical and Computer Equipment. In 2015/16, 2016/17 and 2017/18 an independent valuation of the current depreciated replacement cost for these assets was undertaken using an ASR Asset Price Index provided by Tonkin Consulting, derived from references to various construction guides (such as Rawlinsons Australian Construction Handbook).
- Independent valuations were provided by JLL in 2017/18 using a methodology that utilises observable rates and cost information from their research across the Playground and Fitness Equipment industries. Assets valued via this method included Playgrounds and Fitness Equipment.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and  
Investment Property (continued)

\$ '000

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$,000's
Buildings and Other Structures	3	Cost Approach	\$60,921

Valuation of assets in this category are undertaken via the following method:

a. Independent valuation of the current depreciated replacement value and depreciated replacement cost for buildings at a component level was undertaken by GHD for the year ending 30 June 2017 using a methodology that utilises observable rates and cost information from their extensive knowledge across Building Infrastructure. In 2017/18 an independent valuation of the current depreciated replacement cost for these assets was undertaken using Building Component Indexes provided by Tonkin Consulting, derived from references to the Rawlinsons Australian Construction Handbook.

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$,000's
Infrastructure	3	Cost Approach	\$785,353

Valuation of assets in this category are undertaken via one of three methods:

a. Independent valuations are provided by Tonkin Consulting using a methodology that utilises observable Council specific contract rates to derive a unit rate used to calculate a depreciated replacement cost for each asset. Assets valued via this method include Footpaths, Kerbing, Carpark Pavements/Seals, Road Pavement/Seals and Drainage Pipes/Pits all situated on or under Council Roads.

b. Independent valuations were provided by SMEC in 2016/17 using a methodology that utilises observable rates and cost information from their extensive knowledge of water retention related infrastructure. Assets valued via this method include Major Drainage Dams. In 2017/18 these assets were revalued using the Local Government Pricing Index (LGPI).

c. Revalued using the Local Government Pricing Index (LGPI). Assets valued via this method include Bridges, Irrigation Equipment on Roads, Road Furniture, Landscaping on Roads, Open Drainage Systems and Minor Drainage Dams.

The requirements of AASB 13 *Fair Value Measurement* have been applied to all valuations undertaken since 1 July 2013. There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements from previous years.

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and  
Investment Property (continued)

\$ '000

## Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use, unless market or other factors suggest a different use by market participants would maximise the value of the asset.

## Land Under Roads

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition; land under roads has not been recognised in these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

## Land

Much of the land under Councils care and control is Crown land or has been declared as community land under the provision of the *Local Government Act 1999*. Other types of restrictions on the land may also apply. Valuations of this land are based on the State Valuer General's Site Values, which are based on observable sales in an active market of similar properties with a similar land use on both vacant land and land with improvements. Adjustments to these values are then made by the State Valuer General taking into consideration the highest and best use of the property e.g. if there is a single house on the land but zoning would allow it to be divided for home units.

## Infrastructure, Buildings and Land Improvements

As there is no known active market for the majority of infrastructure, building and land improvement assets owned by Council, these assets have been valued at depreciated replacement cost using the *Cost Approach*. Upon revaluation, the current replacement cost and accumulated depreciation are restated such that the difference (the current depreciated replacement cost) represents the fair value of the asset determined in accordance with AASB 13 *Fair Value Measurement*.

This method involves the determination of the current cost to construct the asset (or its modern engineering equivalent) and then calculating the value of its remaining service capacity (depreciated replacement cost). Council utilise a number of observable and unobservable inputs in the calculation of these values which may include:

## Observable Inputs:

- Council specific contract rates
- Recent construction costs for similar assets
- Independent valuations

## Unobservable Inputs/Estimates:

- Quantities of materials used
- Economic (Useful) Lives of assets
- Residual Value of assets
- Preserved Value of assets
- Pattern of consumption of an assets economic benefits
- Condition
- Obsolescence
- Impairment
- Industry construction pricing indexes e.g. Rawlinson's Construction Handbook and Cost Guide
- Other construction pricing indexes e.g. Local Government Pricing Index which is an index developed by the Australian Bureau of Statistics and is prepared quarterly by the South Australia Centre for Economic Studies and is based on price movements in the goods and services purchased by Local Governments.

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2018

#### Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and Investment Property (continued)

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\$ '000

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##### Intangible Assets

Intangible Assets have been accounted for in accordance with the requirements of AASB 138 *Intangible Assets*. Council has purchased, from the market in arm's length transactions, Water Licences that enable the harvesting and sale of stormwater, and is of the opinion that these Water Licences meet the definition and recognition requirements of Intangible Assets, specifically intangible assets with an indefinite useful life. Initial recognition of these Water Licences is at cost, and after initial recognition they are carried at cost less any accumulated impairment losses.

Testing for impairment, in accordance with AASB 136 *Impairment of Assets*, is undertaken annually, or whenever there may be an indication that the intangible assets may be impaired. The determination that these Water Licences have an indefinite useful life is reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment.

##### Street Trees

Council is of the opinion that street trees and tree screens are tangible assets that the City uses to support the provision of environmental and recreational services to the community, and have an initial cost that can be reliably measured, that is the cost of planting and establishment. It is therefore considered that costs relating to tree plantings for street trees and tree screens only meet the recognition criteria of property, plant and equipment and should be recognised as an asset.

##### Plant, Furniture and Fittings

Assets are carried at cost, less any accumulated depreciation and impairment losses.

##### Library Books

Library books are accounted for under the replacement method. Library stock at 30 June 2018 is valued using nominal values recommended by PLS (Public Library Service). All new purchases are treated as replacement items and the expense is classified as depreciation. This expense is then adjusted by the movement in the calculated value of the library stock.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 8. Liabilities

\$ '000	Notes	2018	2018	2017	2017
		Current	Non Current	Current	Non Current
(a). Trade and Other Payables					
Goods and Services		12,057	-	12,203	-
Payments Received in Advance		1,346	-	1,207	-
Accrued Expenses - Other		49	-	56	-
Deposits, Retentions and Bonds		302	-	208	-
Total Trade and Other Payables		13,754	-	13,674	-
(b). Borrowings					
Loans		2,142	10,575	2,350	12,717
Total Borrowings		2,142	10,575	2,350	12,717

All interest bearing liabilities are secured over the future revenues of the Council

**(c). Provisions**

Employee Entitlements (including oncosts)	7,193	1,429	7,241	1,726
Salisbury Memorial Park Maintenance Provision	-	70	-	60
Mortgage Loss Provision	-	28	-	28
<b>Total Provisions</b>	<b>7,193</b>	<b>1,527</b>	<b>7,241</b>	<b>1,814</b>
	<b>Salisbury Memorial Park Maintenance Provision</b>	<b>Mortgage Loss Provision</b>		
<b>Opening Balance</b>	60	28		
Additional Amounts Recognised	10	-		
<b>Closing Balance</b>	<b>70</b>	<b>28</b>		

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 9. Reserves

\$ '000	1/7/2017	Increments (Decrements)	Transfers	Impairments	30/6/2018
<b>(a). Asset Revaluation Reserve</b>					
Land - Other	315,946	14,920	-	-	330,866
Land Improvements	18,895	7,271	-	-	26,166
Buildings and Other Structures	10,034	(13)	-	-	10,021
Infrastructure	669,360	19,538	-	-	688,898
Library Books	2,338	-	-	-	2,338
JVs / Associates - Other Comprehensive Income	352	-	-	-	352
<b>Total Asset Revaluation Reserve</b>	<b>1,016,925</b>	<b>41,716</b>	<b>-</b>	<b>-</b>	<b>1,058,641</b>
<b>Comparatives</b>	<b>1,003,494</b>	<b>13,431</b>	<b>-</b>	<b>-</b>	<b>1,016,925</b>

\$ '000	1/7/2017	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2018
<b>(b). Other Reserves</b>					
Plant Replacement Reserve	350	-	-	-	350
Development and Public Infrastructure Reserve	1,604	89	(98)	-	1,595
Open Space Reserve	1,045	189	-	-	1,234
Car Parking Reserve	958	15	(45)	-	928
Property Disposal Reserve	3,901	849	-	-	4,750
Mausoleum Perpetual Care Reserve	772	41	-	-	813
Salisbury Memorial Park Reserve	879	14	-	-	893
Carried Forward Funds Reserve	16,791	12,335	(16,791)	-	12,335
Salisbury Water Business Unit Reserve	1,881	409	(896)	-	1,394
<b>Total Other Reserves</b>	<b>28,181</b>	<b>13,941</b>	<b>(17,830)</b>	<b>-</b>	<b>24,292</b>
<b>Comparatives</b>	<b>31,742</b>	<b>23,236</b>	<b>(26,271)</b>	<b>(526)</b>	<b>28,181</b>



## City of Salisbury

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

## Note 9. Reserves

\$ '000

## PURPOSES OF RESERVES

**Asset Revaluation Reserves**

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

**Plant Replacement Reserve**

Used to fund the purchase of items of major plant.

**Development and Public Infrastructure Reserve**

The Development and Public Infrastructure Reserve contains developer contributions towards future footpaths, street signs and street trees specific to the development site. It also contains developer contributions towards future works associated with drainage systems, water pipes and pumps, Council road network, trails and bridges necessary to facilitate the development and external to the development site.

**Open Space Reserve**

For developer contributions towards the future acquisition of open space areas.

**Carpark Reserve**

For the provision of car parking areas within the Salisbury Town Centre, Ingle Farm Town Centre and Mawson Lakes Town Centre.

**Property Disposal Reserve**

To retain the proceeds of any property sales under the provision of Section 194 of the *Local Government Act 1999* and subject to compliance with all legal requirements thereof, and to be utilised to repay debt or reduce future borrowings.

**Mausoleum Perpetual Care Fund Reserve**

To provide maintenance for the mausoleum at Salisbury Memorial Park.

**Salisbury Memorial Park Reserve**

To fund future development work and maintenance at the Salisbury Memorial Park.

**Carried Forward Funds Reserve**

Used for unspent budget funds at the end of financial year that are to be carried forward for use in the following year.

**Salisbury Water Business Unit Reserve**

Generated by the allocation of surpluses, and offset by deficits resulting from the operations of the Salisbury Water Business Unit. Allocations from the Reserve can only be made following a resolution of Council and can only be utilised to fund either business development, asset renewal, offset losses or to distribute dividends to Council.



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 10. Assets Subject to Restrictions

\$ '000	Notes	2013	2017
<p>The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.</p>			
<b>Cash and Financial Assets</b>			
<b>Unexpended amounts received from Federal Government</b>			
Open Space Contributions	9b	1,234	1,045
Developer Contributions	9b	2,523	2,562
Unexpended Grants and Subsidy Funds	2h	1,752	325
<b>Total Cash &amp; Financial Assets</b>		<b>5,509</b>	<b>3,932</b>

Developer Contributions are received primarily to fund infrastructure works in new subdivisions. These funds are held in Reserves (as disclosed in Note 9) until required and as such are regarded as restricted. Grant and Subsidy Funds received but not yet expended are regarded as restricted, and are disclosed in Note 2h.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2018	2017
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## (a). Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Total Cash and Equivalent Assets	5	33,780	28,576
<b>Balances per Statement of Cash Flows</b>		<b>33,780</b>	<b>28,576</b>

## (b). Reconciliation of Change in Net Assets to Cash from Operating Activities

<b>Net Surplus/(Deficit)</b>		<b>14,057</b>	<b>20,544</b>
Non-Cash Items in Income Statements			
Depreciation, Amortisation and Impairment		22,719	24,781
Equity Movements in Equity Accounted Investments (Increase)/Decrease		69	83
Non-Cash Asset Acquisitions		(682)	(3,741)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(1,690)	(1,935)
Net (Gain) Loss on Disposals		3,353	(4,073)
		<b>37,826</b>	<b>35,659</b>

## Add (Less): Changes in Net Current Assets

Net (Increase)/Decrease in Receivables		(162)	(784)
Net (Increase)/Decrease in Inventories		1	(19)
Net Increase/(Decrease) in Trade and Other Payables		1,192	1,364
Net Increase/(Decrease) in Unpaid Employee Benefits		(345)	527
Net Increase/(Decrease) in Other Provisions		10	10
<b>Net Cash provided by (or used in) operations</b>		<b>38,522</b>	<b>36,757</b>

## (c). Non-Cash Financing and Investing Activities

Nil

## Acquisition of assets by means of:

- Physical Resources Received Free of Charge	21	682	3,741
<b>Total Non-Cash Financing and Investing Activities</b>		<b>682</b>	<b>3,741</b>

## (d). Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank Overdrafts	500	500
Corporate Credit Cards	500	500
LGFA Cash Advance Debenture Facility	23,317	28,747

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Council also has immediate access to a short-term drawdown facility and variable interest rate borrowings under a cash advance facility from the Local Government Finance Authority of South Australia.

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT AND NON-CURRENT)	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017
<b>\$ '000</b>										
Public Order and Safety	3,103	3,088	3,450	3,668	(347)	(600)	-	60	918	862
Health	216	177	1,539	1,570	(1,323)	(1,393)	22	13	543	286
Social Security and Welfare	3,388	3,349	6,817	6,385	(3,429)	(3,036)	2,711	2,670	20,175	19,644
Housing and Community Services	4,842	4,232	29,226	25,906	(24,384)	(21,674)	264	214	469,960	439,242
Recreation and Culture	1,265	1,140	27,031	20,960	(25,766)	(19,820)	698	596	881,652	868,738
Transport and Communication	4,658	3,862	18,163	9,136	(13,505)	(5,274)	4,652	3,855	6,460	6,138
Economic Affairs	279	476	5,490	5,707	(5,211)	(5,231)	169	385	244	159
Other, Not Attributed and Administration	104,369	103,762	15,297	35,856	89,072	67,906	6,767	9,608	90,087	81,802
<b>Total Functions/Activities</b>	<b>122,120</b>	<b>120,066</b>	<b>107,013</b>	<b>109,188</b>	<b>15,107</b>	<b>10,878</b>	<b>15,283</b>	<b>17,401</b>	<b>1,470,039</b>	<b>1,416,871</b>

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, net gain (loss) from joint ventures & associated entities, amounts received specifically for new or upgraded assets and physical resources received free of charge.

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2018

#### Note 12b. Components of Functions

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\$ '000

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The activities relating to Council functions are as follows:

##### Public Order and Safety

Supervision of various laws, fire prevention, crime prevention and repair, road safety and dog control.

##### Health

Health Act administration, immunisation services and pest and pest plant control.

##### Social Security and Welfare

Operation of senior citizens centre, aged care services, youth services and community information.

##### Housing and Community Services

Town planning, community development planning, road sweeping, roadside rubbish collection, domestic refuse collection, operating of waste transfer station and rubbish tips, stormwater drainage, operation of the St Kilda Mangrove Trail, street signs, landscape design, tree management and operation of cemetery.

##### Recreation and Culture

Maintenance and operation of libraries, recreation centres, swimming pool, community centre, parks, gardens and reserves, neighbourhood houses, clubrooms, playgrounds, sports grounds, halls and plant nursery.

##### Transport and Communication

Construction and maintenance of roads, footpaths, bridges, parking facilities and bus shelters.

##### Economic Affairs

Building Act administration, economic initiatives, tourism.

##### Other, Not Attributed and Administration

Rates, public debt transactions, administration costs, capital works in progress and costs which relate to multiple functions but cannot accurately be split between these functions.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 13. Financial Instruments

\$ '000

## Recognised Financial Instruments

## Bank, Deposits at Call, Short Term Deposits

## Accounting Policy:

Carried at lower of cost and net realisable value; Interest is recognised when earned.

## Terms and Conditions:

Deposits are returning fixed interest rates between 1.65% and 1.8% (2017: 1.65% and 2.0%). Short term deposits have an average maturity of 35 days and an average interest rate of 1.66% (2017: 37 days and 1.73%).

## Carrying Amount:

Approximates fair value due to the short term to maturity.

## Receivables

## Rates and Associated Charges

(including legals and penalties for late payment)

Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.

## Accounting Policy:

Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

## Terms and Conditions:

Secured over the subject land, arrears attract interest of 2.0% (2017: 2.0%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

## Carrying Amount:

Approximates fair value (after deduction of any allowance).

## Receivables

## Fees and Other Charges

## Accounting Policy:

Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

## Terms and Conditions:

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

## Carrying Amount:

Approximates fair value (after deduction of any allowance).

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 13. Financial Instruments (continued)

\$ '000

## Recognised Financial Instruments

## Receivables

## Other Levels of Government

## Accounting Policy:

Carried at nominal value.

## Terms and Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

## Carrying Amount:

Approximates fair value.

## Liabilities

## Creditors and Accruals

## Accounting Policy:

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

## Terms and Conditions:

Liabilities are normally settled on 30 day terms.

## Carrying Amount:

Approximates fair value.

## Liabilities

## Interest Bearing Borrowings

## Accounting Policy:

Carried at the principal amounts. Interest is charged as an expense as it accrues.

## Terms and Conditions:

Secured over future revenues, borrowings are repayable biannually; interest is charged at fixed rates between 4.0% and 7.01% (2017: 4.0% and 7.01%).

## Carrying Amount:

Approximates fair value.



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>2018</b>					
<b>Financial Assets</b>					
Cash and Equivalents	33,780	-	-	33,780	33,780
Receivables	1,608	443	-	2,051	2,051
Other Financial Assets	-	-	761	761	761
<b>Total Financial Assets</b>	<b>35,388</b>	<b>443</b>	<b>761</b>	<b>36,592</b>	<b>36,592</b>
<b>Financial Liabilities</b>					
Payables	12,408	-	-	12,408	12,408
Current Borrowings	2,947	-	-	2,947	2,142
Non-Current Borrowings	-	10,367	2,553	12,920	10,575
<b>Total Financial Liabilities</b>	<b>15,355</b>	<b>10,367</b>	<b>2,553</b>	<b>28,275</b>	<b>25,125</b>

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Equivalents	28,576	-	-	28,576	28,576
Receivables	2,406	474	-	2,880	2,880
Other Financial Assets	-	-	831	831	831
<b>Total Financial Assets</b>	<b>30,982</b>	<b>474</b>	<b>831</b>	<b>32,287</b>	<b>32,287</b>
<b>Financial Liabilities</b>					
Payables	12,467	-	-	12,467	12,467
Current Borrowings	3,306	-	-	3,306	2,350
Non-Current Borrowings	-	11,684	4,183	15,867	12,717
<b>Total Financial Liabilities</b>	<b>15,773</b>	<b>11,684</b>	<b>4,183</b>	<b>31,640</b>	<b>27,534</b>

The following interest rates were applicable  
to Council's Borrowings at balance date:

	30 June 2018		30 June 2017	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft	7.12%	-	7.12%	-
Other Variable Rates	0.00%	-	0.00%	-
Fixed Interest Rates	6.23%	12,717	6.25%	15,067
		<b>12,717</b>		<b>15,067</b>

**Net Fair Value**

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 13. Financial Instruments (continued)

\$'000

Risk Exposures

**Credit Risk** represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any allowance for doubtful debts. All Council investments are made with either the SA Local Government Finance Authority and are guaranteed by the SA Government, or with the National Australia Bank. Except as detailed in Notes 5 and 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

**Market Risk** is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor **currency risk** apply.

**Liquidity Risk** is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

**Interest Rate Risk** is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 14. Commitments for Expenditure

\$ '000	Notes	2018	2017
(a). Capital Commitments			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Buildings		33,664	924
Infrastructure		4,041	7,721
Plant and Equipment		1,817	12
		<u>39,522</u>	<u>8,657</u>
These expenditures are payable:			
Not later than one year		39,522	8,657
		<u>39,522</u>	<u>8,657</u>
(b). Other Expenditure Commitments			
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		35	37
		<u>35</u>	<u>37</u>
These expenditures are payable:			
Not later than one year		35	37
		<u>35</u>	<u>37</u>
(c). Finance Lease Commitments			

Council has no Finance Leases.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 15. Financial Indicators

	Amounts	Indicator	Prior Periods	
\$ '000	2018	2018	2017	2016

These Financial Indicators have been calculated in accordance with *Information paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

**1. Operating Surplus Ratio**

Operating Surplus	15,038	12.3%	9%	5%
Total Operating Income	122,120			

This ratio expresses the operating surplus as a percentage of total operating revenue.

**1a. Adjusted Operating Surplus Ratio**

In recent years the Federal Government has made advance payments prior to 30 June from future year allocations of financial assistance grants, as explained in Note 1. The Adjusted Operating Surplus Ratio adjusts for the resulting distortion in the disclosed operating result for each year.

14,825	12.1%	6%	9%
122,120			

**2. Net Financial Liabilities Ratio**

Net Financial Liabilities	(5,827)	(4.8%)	2%	14%
Total Operating Income	122,120			

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.

When the Net Financial Liabilities Ratio falls below zero, it represents a net financial assets position, which is when the financial assets (cash, receivables and financial assets) are greater than total liabilities. A negative ratio equates to a favourable position for Council, reflecting higher levels of cash holdings and trade receivables than levels of trade payables and debt.

**3. Asset Sustainability Ratio**

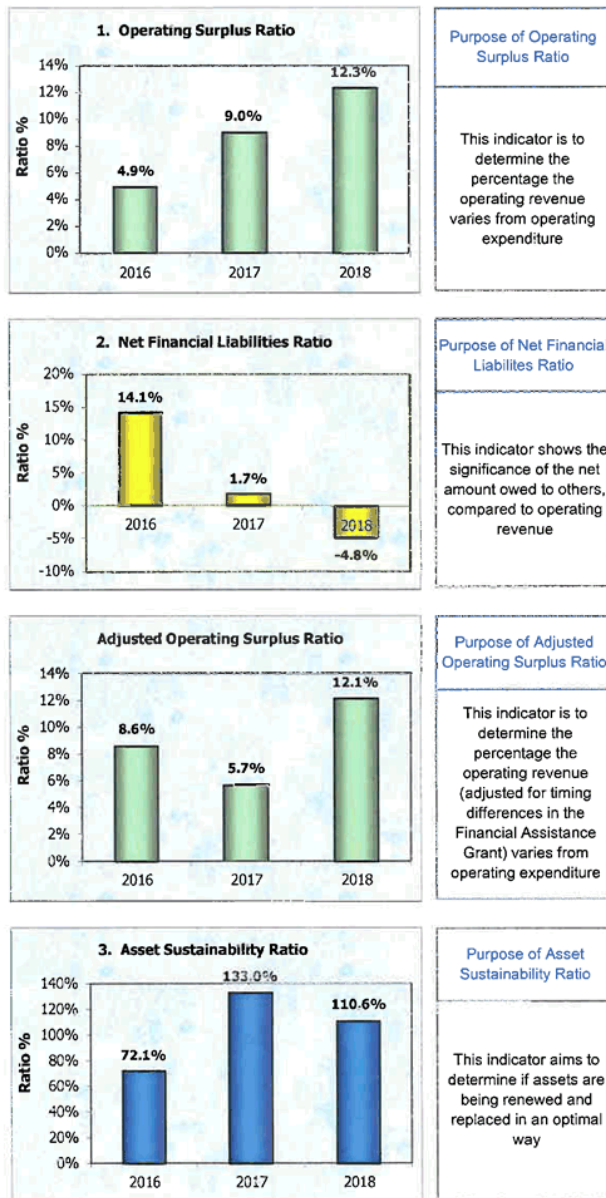
Net Asset Renewals	19,291	110.6%	133%	72%
Infrastructure & Asset Management Plan required expenditure	17,439			

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 15. Financial Indicators - Graphs (continued)



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 16. Uniform Presentation of Finances

\$ '000

2018

2017

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.

Income	122,120	120,066
less Expenses	(107,082)	(109,271)
<b>Operating Surplus / (Deficit)</b>	<b>15,038</b>	<b>10,795</b>
<b>Net Outlays on Existing Assets</b>		
Capital Expenditure on Renewal and Replacement of Existing Assets	(19,718)	(25,092)
add back Depreciation, Amortisation and Impairment	22,719	24,781
add back Proceeds from Sale of Replaced Assets	427	479
<b>Subtotal</b>	<b>3,428</b>	<b>168</b>
<b>Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including Investment Property and Real Estate Developments)	(15,940)	(11,301)
add back Amounts Received Specifically for New and Upgraded Assets	1,690	1,935
add back Proceeds from Sale of Surplus Assets (including Investment Property and Real Estate Developments)	2,474	11,359
<b>Subtotal</b>	<b>(11,776)</b>	<b>1,993</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>6,690</b>	<b>12,956</b>

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 17. Operating Leases

\$ '000	2018	2017
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## Leases Providing Revenue to the Council

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property in Note 2.

## (i) Investment Property

Rentals received, and outgoings reimbursed, in relation to Investment Property are also disclosed in Note 2. These lease agreements, all of which are classified as operating leases, are made on a non-cancellable basis wherever practicable.

Leases commitments under all non-cancellable lease agreements, including those relating to Investment Property, are as follows:

Not later than one year	548	647
Later than one year and not later than 5 years	1,214	1,032
Later than 5 years	2,455	2,302
	<u>4,217</u>	<u>3,981</u>

## (ii) Lease Payment Commitments of Council

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment. Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased. No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

No lease contains any escalation clause.

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

Not later than one year	479	575
Later than one year and not later than 5 years	280	354
	<u>759</u>	<u>929</u>

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 18. Superannuation

\$ '000

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

**Accumulation only Members**

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2017/18; 9.50% in 2016/17). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

**Salarylink (Defined Benefit Fund) Members**

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2016/17) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2017. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

**Contributions to Other Superannuation Schemes**

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 19. Interests in Other Entities

\$'000

All joint ventures and associates are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

	Council's Share of Net Income		Council's Share of Net Assets	
	2018	2017	2018	2017
Joint Ventures	(69)	(83)	3,877	3,946
<b>Total</b>	<b>(69)</b>	<b>(83)</b>	<b>3,877</b>	<b>3,946</b>

## (i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

## (a) Carrying Amounts

Name of Entity	Principal Activity	2018	2017
Northern Adelaide Waste Management Authority	Waste Management	3,801	3,858
Council Solutions	Procurement	76	88
<b>Total Carrying Amounts - Joint Ventures &amp; Associates</b>		<b>3,877</b>	<b>3,946</b>

**Northern Adelaide Waste Management Authority**

Manages the waste collection, recycling and waste disposal for the Cities of Salisbury and Playford and the Town of Gawler.

**Council Solutions**

Established by the Cities of Adelaide, Charles Sturt, Marion, Onkaparinga, Salisbury and Tea Tree Gully in December 2012, this regional subsidiary has been established for the purposes of providing a centre of excellence in procurement and to provide services to the Constituent.

## (b) Relevant Interests

Name of Entity	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2018	2017	2018	2017	2018	2017
Northern Adelaide Waste Management Authority	56%	57%	56%	57%	33%	57%
Council Solutions	17%	17%	17%	17%	17%	17%

## (c) Movement in Investment in Joint Venture or Associate

	Northern Adelaide Waste Management Authority		Council Solutions	
	2018	2017	2018	2017
Opening Balance	3,858	3,928	88	101
Share in Operating Result	(57)	(70)	(12)	(13)
<b>Council's Equity Share in the Joint Venture or Associate</b>	<b>3,801</b>	<b>3,858</b>	<b>76</b>	<b>88</b>

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 19. Interests in Other Entities (continued)

\$ '000

## (d) Summarised Financial Information of the Equity Accounted Business

Statement of Financial Position	Northern Adelaide Waste Management Authority		Council Solutions	
	2018	2017	2018	2017
Cash and Cash Equivalents	1,061	4,282	174	334
Other Current Assets	2,738	2,466	563	469
Non-Current Assets	16,585	10,723	-	-
<b>Total Assets</b>	<b>20,384</b>	<b>17,471</b>	<b>737</b>	<b>803</b>
Current Trade and Other Payables	2,271	2,768	124	222
Current Financial Liabilities	1,079	791	158	55
Current Provisions	263	366	-	-
Non-Current Financial Liabilities	7,415	4,331	-	-
Non-Current Provisions	2,605	2,428	-	-
<b>Total Liabilities</b>	<b>13,633</b>	<b>10,684</b>	<b>282</b>	<b>277</b>
<b>Net Assets</b>	<b>6,751</b>	<b>6,787</b>	<b>455</b>	<b>526</b>

Statement of Comprehensive Income	Northern Adelaide Waste Management Authority		Council Solutions	
	2018	2017	2018	2017
Other Income	29,234	27,148	641	61
Contributions from Constituent Councils	-	-	1,054	1,167
Interest Income	108	171	4	6
<b>Total Income</b>	<b>29,342</b>	<b>27,319</b>	<b>1,699</b>	<b>1,234</b>
Employee Costs	2,191	1,773	-	-
Materials, Contracts and Other Expenses	25,524	24,205	1,770	1,310
Depreciation, Amortisation and Impairment	1,449	1,360	-	-
Finance Costs	373	281	-	-
<b>Total Expenses</b>	<b>29,537</b>	<b>27,619</b>	<b>1,770</b>	<b>1,310</b>
Other Revenue / Expense Items	-	(30)	-	-
<b>Operating Result</b>	<b>(195)</b>	<b>(330)</b>	<b>(71)</b>	<b>(76)</b>

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## Note 19. Interests in Other Entities (continued)

\$ '000

## (e). Share of Joint Operations Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

## (i) Capital Expenditures Payable

No capital expenditure is committed at the reporting date that has not been recognised a liability.

	Northern Adelaide Waste Management Authority		Council Solutions	
(ii) Operating Expenditures Payable	2018	2017	2018	2017
Not later than one year	14,766	9,620	-	-
Later than one year and not later than 5 years	56,300	9,881	-	-
Later than 5 years	11,232	57,422	-	-
	<b>82,298</b>	<b>76,923</b>	-	-

The Northern Adelaide Waste Management Authority manages multiple external contracts with external suppliers for the collection, processing and disposal of waste on behalf of its Constituent Councils and customers. The commitments disclosed above reflect a consolidation of multiple contracts entered into with external suppliers. In future years, all contracts will be required to be renewed with external suppliers in accordance with adopted procurement policies and procedures of the Authority.

	Northern Adelaide Waste Management Authority		Council Solutions	
(iii) Lease Payments Commitments Payable	2018	2017	2018	2017
Not later than one year	1,075	994	-	-
Later than one year and not later than 5 years	3,326	3,476	-	-
Later than 5 years	482	73	-	-
	<b>4,883</b>	<b>4,543</b>	-	-

## (iv) INDIVIDUALLY IMMATERIAL COUNCIL BUSINESSES

Council did not have any individually immaterial businesses.

## (v) UNCONSOLIDATED STRUCTURED ENTITIES

Council has no Unconsolidated Structured Entities.

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2018

#### Note 20. Contingencies and Assets/Liabilities Not Recognised in the Balance Sheet

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

##### 1. LAND UNDER ROADS

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

##### 2. POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

##### 3. LEGAL MATTERS

Council is the planning consent authority for its area under the *Development Act 1993* (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had no notice of appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

##### 4. CEMETERY

Council operates a Cemetery Facility - Salisbury Memorial Park. A Contingent Liability exists for the ongoing maintenance of this Cemetery. This liability remains for a period of 100 years after the expiry of the lease on the last burial of the site. In addition, Council has negotiated a new lease of the Mausoleum, requiring the facility to be maintained by the lessee. The lessee will continue to contribute to the Perpetual Care Fund to ensure that maintenance of the facility for the next 100 years is funded. The contribution value will be assessed twice during the proposed lease period for adjustment purposes to ensure the Fund will be sufficient to provide for the ongoing maintenance of the Mausoleum.

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2018

#### Note 21. Events after the Balance Sheet Date

---

Events that occur after the reporting date of 30 June 2018, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 11/10/18.

**Council is unaware of any material or significant "non adjusting events" that should be disclosed.**

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2018

#### Note 22. Related Party Transactions

\$ '000	2018	2017
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#### Key Management Personnel

##### Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO, General Managers and certain prescribed officers under section 112 of the *Local Government Act 1999*, as well as other personnel that satisfy the criteria of KMP as contained within AASB 124 *Related Party Transactions*. In some circumstances members of the KMP have left Council during the financial year, however their compensation has still been included. In all, 46 persons were paid the following total compensation:

##### The compensation paid to Key Management Personnel comprises:

Short-Term Employee Benefits	4,836	5,336
Post-Employment Benefits	417	427
Long-Term Benefits	788	754
<b>Total</b>	<b>6,041</b>	<b>6,517</b>

Amounts paid as direct reimbursement of expenses incurred on behalf of Council have not been included above.

##### Receipts from Key Management Personnel:

A Councillor operates a retail business and has a formal commercial agreement in place with Council under which they sell tickets to use a Council facility on Council's behalf. The details of this arrangement are the Councillor purchases books of tickets from Council, and pays Council 70% of the face value, therefore retaining 30% of the sales revenue. In the 2018 Financial Year, the total income generated from tickets sold on Council's behalf was \$62k and the amount retained by the Councillor equated to \$19k.

There have been no other material amounts received from Key Management Personnel during the financial year, other than amounts paid in their capacity as ratepayers or residents (e.g. rates, swimming pool entry fees, etc).

##### Transactions with Regional Subsidiaries:

In regards to Council's Regional Subsidiaries, further information relating to their specific activities and carrying amounts are disclosed in Note 19. Council is an equity owner, along with other member Councils, of both these subsidiaries. Member Councils have equal representation on the Board of both Regional Subsidiaries and accordingly have influence over both the financial and operational decisions of the subsidiaries. However, no one Member Council individually has control over these decisions. The following material transactions occurred with Council's Regional Subsidiaries, during the financial year:

	Payments	Outstanding
Northern Adelaide Waste Management Authority	11,846	1,104
Council Solutions	-	-
<b>Total</b>	<b>11,846</b>	<b>1,104</b>

Amounts payable that are outstanding at 30 June 2018 are recorded in Trade and Other Payables in Note 8.

## City of Salisbury

General Purpose Financial Statements  
for the year ended 30 June 2018

### Auditor's Report - Financial Statements

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## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2018

### Auditor's Report - Financial Statements

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## City of Salisbury

General Purpose Financial Statements  
for the year ended 30 June 2018

### Auditor's Report - Internal Controls

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## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2018

#### Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Salisbury for the year ended 30 June 2018, the Council's Auditor, Bentleys has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

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John Harry  
**CHIEF EXECUTIVE OFFICER**

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Councillor Graham Reynolds  
**PRESIDING MEMBER, AUDIT COMMITTEE**

Date:

## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2018

#### Statement by Auditor

I confirm that, for the audit of the financial statements of City of Salisbury for the year ended 30 June 2018, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

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David Papa  
Bentleys

Dated this       day of       2018.



<b>ITEM</b>	4.2.3
<b>AUDIT COMMITTEE</b>	
<b>DATE</b>	09 October 2018
<b>HEADING</b>	Capital Works Projects - Final Report
<b>AUTHORS</b>	Janet Crook, Risk & Governance Program Manager, CEO and Governance Mark van der Pennen, General Manager City Infrastructure, City Infrastructure
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making. 4.4 Embed long term thinking, planning and innovation across the organisation.
<b>SUMMARY</b>	An audit on Capital Works Projects was conducted to provide assurance on the strategic risk; “Strategic and operational outcomes are not delivered”. BDO conducted the audit on behalf of the Governance Division. Two high, five medium and one low risk findings were identified by the audit. The high risk findings related to adoption of the full project methodology for major projects, and improvement opportunities associated with risk assessments and risk management. The medium risk findings related to incomplete and unapproved project briefs, project issue memo package testing anomalies, outdated contractor induction forms, incomplete practical completion documentation, and incomplete final completion certificates. The low risk finding related to a lack of variation approval evidence. Findings and recommendations are made in the report and actions and responses are also detailed in the report to address the recommendations.
<b>RECOMMENDATION</b>	<ol style="list-style-type: none"> <li>1. That the final report for the Capital Works Projects Audit as set out in Attachment 1 to this report (Item 4.2.3, Audit Committee, 9/10/2018) be noted, and the responses of the Administration contained therein, be endorsed.</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. Capital Works Projects Audit - Final Report</li> <li>2. Revised Project Brief</li> </ol>

**1. BACKGROUND**

- 1.1 The objective of this audit was to provide assurance regarding the effectiveness of the processes in place to manage, monitor and deliver capital works projects for the City of Salisbury (CoS). The need for the audit was derived directly from Risk 7 on the CoS Strategic Risk Register, which stated “Strategic and operational outcomes are not delivered”. Risk 7 had a residual rating of Medium on the Strategic Risk Register.
- 1.2 The CoS undertakes capital works projects which total approximately \$30-40 million per annum. A majority of the capital works projects are managed by the Infrastructure Delivery Division, with support from the Project Services team that is now part of that division. A defined project management methodology is in place for managing projects at the CoS. This methodology is flexible enough to be used for both large and small scale projects.
- 1.3 The main activities of the division that are within the scope of this audit include:
  - 1.3.1 Delivery and management of capital works projects;
  - 1.3.2 Identification and management of risks associated with capital works projects; and
  - 1.3.3 Monitoring and reporting of capital works projects.
- 1.4 The management response to the audit references the Projects, Project Support and common recommendations and findings from the Program Review of Technical Services Division, Projects Division and Project Support Team, undertaken by Council and reported in February 2017.
- 1.5 In addressing the overall objective, the audit included the consideration of the following items with reference to the Infrastructure Delivery Division:
  - 1.5.1 Review of the management of a sample of capital works projects;
  - 1.5.2 Review of the monitoring of capital works projects; and
  - 1.5.3 Review the management of risks associated with a sample of capital works projects.
- 1.6 The audit did not review management of contracts or strategic property projects. The audit only considered Capital Works Projects and did not address projects managed by any other department at CoS.
- 1.7 For confidentiality reasons the audit did not review the findings from the Program Review.
- 1.8 After a tendering process, BDO were engaged to conduct the audit on behalf of the Governance Division.
- 1.9 The scope of the audit included the following areas within the Infrastructure Delivery Division:
  - Major Projects – over \$500k; high risk; business case
  - Projects – under \$500k; stem from Asset Management Plan; within one financial year; managed simultaneously.
  - Monitoring – progress reporting to management and executive teams.



- 1.10 The audit was a historical review of capital projects undertaken by CoS during the 1 July 2016 to 30 June 2017 period. BDO tested six (6) out of 201 capital works projects (one (1) Major Project and five (5) Projects). The sample did not include projects within the Road Reseal Program. Since the completion of the audit testing, CoS staff advised BDO that the Major project selected for testing was formulated prior to the Executive Endorsement of the Project Management Manual (Release 3) and was not required to be retrospectively reclassified as a Major Project. Therefore the sample of projects tested did not include a Major Project.
- 1.11 The approach for the audit included:
- 1.11.1 interviews with relevant CoS staff,
  - 1.11.2 review and assessment of CoS policy and procedure documentation, including the conduct of an adequacy assessment with reference to best practice and relevant legislation;
  - 1.11.3 documentation of the design of the CoS's capital works projects processes (at a high-level) highlighting the key controls in place (manual and system based);
  - 1.11.4 performance of a risk and control gap analysis and assessment of the design of the CoS's management, delivery and monitoring of capital works projects processes;
  - 1.11.5 conduct of testing on a selected sample of capital works projects (within the 1 July 2016 to 30 June 2017 period) to assess:
    - the design and effectiveness of controls within CoS's systems and processes;
    - compliance with the CoS's project management methodology, policies and procedures;
    - delivery and management of the projects
    - identification and management of the risks associated with the projects.

## **2. CONSULTATION / COMMUNICATION**

- 2.1 Internal
- 2.1.1 General Manager City Infrastructure
  - 2.1.2 Infrastructure Management Staff
  - 2.1.3 Infrastructure Delivery Staff

## **3. REPORT**

- 3.1 Attachment 1 to this report is the final report from BDO for this audit.
- 3.2 When considering the outcomes of the audit, a significant amount of review was underway as part of the Program Review program within the organisation. In particular the Projects and Technical Services Divisions were under review from September 2016 to February 2017. This confidential review aligned to the audit findings with implementation of recommendations commencing in October 2017.

- 3.3 The audit references and uses the framework Version 3 of the Project Management manual to assess the delivery of works. This version was endorsed in November 2016, which was part way through the audit period of 2016/17. As a result the audit identified opportunities as the manual had not been implemented for the audit period. This was also considered as part of the Program Review that was underway at the time and endorsed as previously mentioned 3 months later in February 2017.
- 3.4 Some key recommendations that the audit identified included project brief improvement opportunities and an increase to detail documented within. In particular gaps such as risk management, procurement strategy and communications plan, were only summarized within the initial phase of the project briefs but added within the Design Issue Memo phase. This was identified as an area of improvement which has already been actioned and included within the 2018/19 Project Brief and process.
- 3.5 The Program Review identified the opportunity to realign team responsibilities to focus on early development of the briefs. Therefore one of the key recommendations was to restructure the Projects and Technical Services Divisions. To action this recommendation required appropriate consultation with staff, change management and recruitment of staff to support the delivery of projects. This was completed in May 2018. The embedding of process improvement was also occurring at this time with the implementation of the Version 3 PM manual for the development of 2018/19 projects being undertaken.
- 3.6 Two high risk findings were identified by BDO in this audit. They are as follows:
  - 3.6.1 The utilisation of the full Project Management Methodology for Major Projects. The CoS Project Management Manual specifies two separate project management processes – one for Major Projects and one for Projects. Major Projects are required to adopt the full project management methodology, whereas Projects are managed via a refined methodology. As mentioned above, the project that BDO selected to test as a Major Project was not reclassified as a Major Project following the review of the Project Management Manual, therefore the refined methodology was applied to that project. In actuality, the Project Management Manual is used across the organisation and is not limited to Capital Works Projects and therefore has been effectively formulated to cover various types of projects undertaken by the organisation. The full Project Management Methodology has been applied to projects managed outside of the area. In May of each year the Project Review Group, comprising members of departments from across the organization meets to determine Major Project status for the Capital Works Program.
  - 3.6.2 Inadequate risk assessments and risk management. BDO's review of the sample of projects identified that CoS project risk management tools within the Project Management Manual are not being utilised. This is reflective of projects not requiring full documentation completion, however for a Major project this is mandatory. No major projects were assessed as part of this audit. In practice, risk management for projects is documented in Risk Assessments contained within the Project Brief, and in Risk Management Strategies included within the Project Issue Memo Package. For Major Projects there is an established framework and tools

for utilisation. Taking onboard the opportunity for improvement, the Project Brief for routine projects has been enhanced to cover these areas more thoroughly. This new template has been implemented for the 2018/19 program and already being effectively used. Attachment 2 to this report is a copy of the new Project Brief.

- 3.7 Five medium risk findings were identified by BDO in this audit. They are as follows:
- 3.7.1 Two of the six projects tested contained incomplete project briefs and were not approved, as required by the Project Management Manual. As part of the development of a revised Project Brief, the associated process was revisited. A system monitoring process has been put in place to track the review and approval of briefs and therefore minimising the risk of future errors occurring.
  - 3.7.2 Anomalies in the application of Project Issue Memo Packages. The Project Management Manual requires a Project Issue Memo Package to be prepared for all Projects. Testing on this aspect of the sample projects indicated that Project Issue Memos were not always completed or completed comprehensively. A new organisational structure will see the Design and Construction phases of infrastructure projects occurring in the Infrastructure Delivery Division, which means that the previous Project Issue Memos will no longer be required. Instead, a new fit for purpose detailed design package handover document is already under development for implementation. The Project Manual has already been flagged to be updated to incorporate this change.
  - 3.7.3 Outdated Contractor Induction Form. A Contractor Induction Form is completed and signed on handover of the site to the project contractor to commence work. On one occasion in the samples tested it was noted that on a project awarded to a vendor under a panel contract, the Contractor Induction Form was dated November 2011, which is four years earlier than the project period. It was noted that contractor handover agreements should be documented on an annual basis for panel arrangements. Management agreed that Contractor Induction Forms are completed and signed for all projects. Rather than completing Contractor Induction forms annually for vendors under panel contract arrangements, CoS will ensure that induction forms a part of the engagement process of a contractor, and that subsequent inductions occur each time the contractor works on a new site.
  - 3.7.4 Incomplete practical completion documentation. Testing by BDO noted some anomalies in the completion of the Practical Completion and Asset Handover Forms and issue of Practical Completion Certificates. Management have confirmed that the importance of adhering to the existing work process for the completion of Practical Completion Documentation will be reinforced with staff.

- 3.7.5 Incomplete final completion certificates. Testing by BDO noted some anomalies in the completion of Final Completion Certificates, which evidences CoS's final endorsement of the work completed by the contractor. Management have confirmed that the importance of adhering to the existing work process for the completion of Final Completion Certificate will be reinforced with staff.
- 3.8 One low risk finding was identified by BDO in this audit. It is as follows:
  - 3.8.1 Lack of evidence of Variation approvals. The Project Management Manual requires that a Change Request Form be completed for all significant variations to City Infrastructure projects. However, for minor changes, the Project Manager/Superintendent can approve variations. BDO noted some anomalies in their testing with regard to some variation approvals for minor variations, specifically in relation to the manner in which they were documented. Whilst best practice dictates that written documentation of a variation approval (at a minimum by email or file note) should be recorded for all project changes, a Project Manager must review and approve all variations for payment. This approval process ensures that each variation is recorded and has a formal approval. No anomalies were identified for the major variations tested. Management have agreed to reinforce with staff the importance of ensuring that all variation approvals are adequately documented.
- 3.9 All the outstanding agreed actions from this internal audit, as detailed in the attached final report, will be tracked and followed up by the Governance Division and reported to the Audit Committee.
- 3.10 In addition to the new organisational structure and processes being adopted for the current 2018/2019 projects, it has been identified that the complexities of projects is significantly increasing. Capital upgrades and renewal works, strategic property developments impact across multiple stakeholders and assets both internally and externally to the organisation. The organisation has implemented a new framework to include a new support and governance team for major projects such as the Salisbury City Centre collective projects. This group provides Executive with a new level of reporting and monitoring to assist in effective project delivery. The group includes specialist who can provide support and advice in relation to finance, design, procurement, communications, marketing and project management. In addition resources have been allocated to review the PM framework across the organisation for all types of projects, to compliment the continuous improvement activities currently underway since the recommendations and findings from the Program Review of Technical Services Division, Projects Division and Project Support Team undertaken by Council and reported in February 2017.

#### 4. CONCLUSION / PROPOSAL

- 4.1 An audit was conducted on the Capital Works Projects division at the CoS in order to provide assurance on a related strategic risk in the Strategic Risk Register. Several actions were agreed in order to address the issues identified by the audit.
- 4.2 The agreed actions arising from the audit will be followed up and progress on their completion will be reported to the Audit Committee.

- 4.3 Significant progress has been made as a result of the recent Program Review outcomes including a restructure to enhance project delivery. These have had a direct positive impact on the audit findings as well.
- 4.4 Further work is being undertaken due to the increasing complexities of projects that are being delivered by the organisation. A recent improvement has been the establishment of support and governance team to assist in the delivery of major projects such as the Salisbury City Centre collective group of projects. This team provides specialist advice including financial, design, procurement, communication, marketing and project management. This team is providing the organisation with a new level of support and reporting in the management of complex projects. In addition resources have been allocated to review the PM framework across the organisation for all types of projects, to compliment the continuous improvement activities currently underway since the recommendations and findings from the Program Review of Technical Services Division, Projects Division and Project Support Team undertaken by Council and reported in February 2017.
- 4.5 A further audit on Capital Works Projects will be suggested with other internal audits when the Committee discusses its forward plan in July 2019 for 2020.

**CO-ORDINATION**

Officer: R&GPM GMCI  
Date:





# Audit of Capital Works Projects

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*Final Report v1.2*

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**April 2018**

Prepared by

BDO Advisory (SA) Pty Ltd



# 1. Executive Summary

## 1.1 Background

The objective of this audit was to provide assurance regarding the effectiveness of the processes in place to manage, monitor and deliver capital works projects for the City of Salisbury (CoS). This area is managed by the Infrastructure Management and Infrastructure Delivery Divisions at CoS.

We have been informed that the Capital Works area within CoS has been subject to previous reviews, resulting in a number of initiatives. We understand:

The first major review of project management at CoS occurred in the Project, Asset Maintenance Management Review (PAMMR) conducted in 2012. Initiatives coming from PAMMR included, amongst other things; a simplified project management work process, standardised minimum project documentation, definition of a project, improved project reporting and training on project management. PAMMR also initiated the formation of the City Infrastructure and Maintenance department by amalgamating two departments together and brought strategic management of assets, buildings & property management, the design and construction of capital infrastructure projects into one department, albeit the design of projects was done by the Technical Services division and the construction of projects by the Projects division. Under this structure the various divisional managers of different divisions, mainly in the City Infrastructure department became the infrastructure asset owners.

Since this time, work has continued on refining and improving the management of projects, through initiatives such as further iterations of the Project Management Manual. Work has also been undertaken on enhancing project reporting.

A Program Review on the Technical Services and Projects divisions was completed in February 2017 which provided 20 recommendations around the management of assets and the delivery of projects. Whilst this internal audit (this report) did not look specifically at the outcomes of this review for confidentially reasons, many of the recommendations arising from the Program Review are directly relevant to the findings of this audit. The Review concluded that the services being delivery by the Divisions are appropriate and had achieved significant process improvement and project delivery outcomes after the implementation of the 2012 PAMMR actions. As a result of the Program Review, changes to both the service delivery model and resourcing of projects have commenced.

The Technical Services division is now titled Infrastructure Management. They have the responsibility to ensure that project briefs and concept designs are fully aligned with the Asset Management Plans and are authorised through the annual budget bid process. This should ultimately lead to more financially sustainable outcomes for capital infrastructure projects because they will be directly informed by the Asset Management Plans. Infrastructure Management division will also take receipt of the completed infrastructure assets once they have been constructed, with the exception of buildings and plant/fleet assets and Salisbury Water assets. The intended result is that the Infrastructure Management division is responsible for both Asset Management Plans and the management of assets.

Responsibility for the design and construction of capital infrastructure projects will still sit with the Projects division, which has been re-titled Infrastructure Delivery. They will be looking to exploit synergies to be gained from streamlining processes and through initiatives such as the development of a new module in Finance One to manage projects. Once this module has been built and implemented it will mean that the business planning process, budget bid process, project management process and financial accounting will all reside within the same Finance One system.

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## 1.2 Objectives and Scope

### OBJECTIVES

The key objectives of the audit were to:

1. Gain an understanding of the processes and systems pertaining to CoS's Infrastructure Delivery Division particularly those relating to the:
  - Delivery and management of capital works projects
  - Identification and management of risks associated with capital works projects
  - Monitoring and reporting of capital works projects.
2. Identify and evaluate the effectiveness of the processes, systems and controls within Capital Projects management, monitoring and delivery activities
3. Identify relevant improvements to processes, systems and controls
4. Identify potential/actual risks and provide strategies to mitigate those risks.

### SCOPE AND APPROACH

The scope of the audit included the following areas within the Infrastructure Delivery Division:

- Major Projects - over \$500k; high risk; business case
- Projects - under \$500k; stem from Asset Management Plan; within one financial year; managed simultaneously.
- Monitoring - progress reporting to management and executive teams.

The audit was a historical review of capital projects undertaken by CoS during the 1 July 2016 to 30 June 2017 period. We tested six (6) out of 201 capital works projects (one (1) Major Project and five (5) Projects). Our sample did not include projects within the Road Reseal Program.

Note: Since the completion of our audit testing, CoS staff advised us that the Major project selected for testing was formulated prior to the Executive Endorsement of the Project Management Manual (Release 3) and was not required to be retrospectively reclassified as a Major Project.

Our approach for this audit included the following steps:

- Conducted interviews with nominated CoS representatives to gain an understanding of the key capital works projects processes and systems within the CoS with respect to the following areas:
  - Delivery and management of capital works projects
  - Identification and management of risks associated with capital works projects
  - Monitoring and reporting of capital works projects
- Reviewed and assessed relevant CoS policy and procedure documentation
- Documented the design of the CoS's capital works projects processes for each of the areas noted above (at a high-level) highlighting the key controls in place (manual and system based)
- Conducted an adequacy assessment of the CoS's applicable policies and procedures with reference to best practices and compliance with relevant legislation
- Performed a risk and control gap analysis and assessment of the design of the CoS's management, delivery and monitoring of capital works projects processes including the key controls in place to manage risks, prioritisation of works and resource allocation, and areas requiring improvement from a control and/or process improvement perspective.
- Conducted testing on a selected sample of capital works projects (within the 1 July 2016 to 30 June 2017 period) to assess:
  - The design and effectiveness of controls within CoS's systems and processes
  - Compliance with the CoS's project management methodology, and other relevant policies and procedures

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Governance Division

- Delivery and management of the projects
- Identification and management of the risks associated with the projects
- Confirmed our findings and developed solutions to address control gaps via discussion with Infrastructure Delivery Division management
- Prepared draft report including a summary of findings for management comments
- Finalised report.

#### DISCLAIMER

BDO limited the procedures performed during this internal audit project to inquiries of relevant personnel, inspection of evidence and observation of, and enquiry about, the operation of the control procedures for a small number of transactions or events. Our procedures are designed to provide a limited level of assurance in relation to the areas included within the project brief. An internal audit project does not provide all of the evidence that would be required in an external audit. An audit opinion was not expressed in this report.

The matters raised in this report are only those that come to our attention during the course of performing our procedures and may not necessarily be a comprehensive statement of all the weaknesses that may exist or improvements that might be made.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, comply with laws and regulations and avoid fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures reviewed, or potential instances of fraud that may exist.

Our report was prepared solely for the internal use of the City of Salisbury (CoS). No responsibility to any third party shall be accepted, as our report has not been prepared, and is not intended, for any other purpose. The responsibility for determining the adequacy or otherwise of the procedures performed by BDO is that of CoS management and the procedures performed are solely to assist you in assessing the processes reviewed by BDO.

CoS should assess management actions for their full commercial impact before they are implemented.

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Governance Division

### 1.3 Overall Review of Capital Works Project Management

Our review of Capital Works Projects Management within CoS highlighted high risk findings in the following areas:

- Full Project Management Methodology not being adopted for Major Projects
- Inadequate risk assessments and risk management.

The anomalies identified in these areas highlight the need for CoS to improve compliance with its Project Management Manual (Release 3). This manual outlines specific methodologies for managing the delivery of Major Projects and Projects and references risk management tools to be used in conjunction with the CoS's Risk Management Guide and Charter. Our review identified that the Major Project methodology has not been adopted, and risk management tools are used inconsistently across capital projects.

We noted several other medium and low risk findings which point to a need to improve processes within the following areas:

- Completion and approval of Project Briefs
- Completeness of Project Issue Memo Packages
- Contractor Induction
- Practical and Final Completion documentation
- Variation approvals.

In terms of good practices observed during the audit, we noted that CoS staff displayed a sound working knowledge of CoS's capital project management requirements and processes. CoS staff demonstrated an awareness of the control issues identified from our testing, and were already considering options to improve the control environment with regards to capital project management within CoS.

In addition, the CoS-wide capital project status reporting we reviewed was comprehensive and appeared to be adequately considered by Divisional Managers and the General Manager. Capital project reporting tabled at the Works & Service Committee meetings and Budget & Finance Committee meetings also appeared to be of a good standard.

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Governance Division

## 1.4 City of Salisbury Risk Management Guide

Findings have been rated in accordance with CoS's Risk Management Guide. Residual risk is measured in terms of the probability of the risk occurring (likelihood) and the impact of that risk occurring (consequence).

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

**Table 1 - Consequence Ratings**

RATING	AREA OF IMPACT					
	Environment/ Political/ Community	Reputation	Finance	Legal/ Regulatory	Injury/Operational Management	Service Interruption
<b>1</b> Insignificant	Nil	Nil	Less than \$20,000	None	Nil	Minor interruption to service provision capability, e.g. less than 4 hours.
<b>2</b> Minor	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</b> Moderate	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</b> Major	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</b> Catastrophic	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.

**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)

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Table 3 - Risk Matrix

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

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## 1.5 Summary of Key Findings and Recommendations

The audit review identified a range of findings regarding CoS's management of capital works projects. In total eight (8) findings were identified.

The risk ratings of findings identified during the course of this project are:

Number of findings	Very High	High	Medium	Low	Improvement
	0	2	5	1	0

### Summary of Key Findings

The table below lists key findings identified during this audit review process. For a full list of findings and recommendations please refer to the "Detailed Findings" section.

No.	Finding and Risk Table	Likelihood	Consequence	Residual Risk
1	Full Project Management Methodology Not Adopted for Major Projects	E	3	H
2	Inadequate Risk Assessments and Risk Management	E	3	H
3	Incomplete and Unapproved Project Briefs	D	2	M
4	Project Issue Memo Package Testing Anomalies	D	2	M
5	Outdated Contractor Induction Form	C	2	M
6	Incomplete Practical Completion Documentation	D	2	M
7	Incomplete Final Completion Certificates	D	2	M
8	Lack of Variation Approval Evidence	D	1	L

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## 2. Detailed Findings

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>1. Full Project Management Methodology for Major Projects</b></p> <p><b>Finding:</b></p> <p>The City of Salisbury (CoS) Project Management Manual outlines two separate project management processes - one for Major Projects and one for Projects. The criteria for each project type is as follows:</p> <ul style="list-style-type: none"> <li>▶ Major Project - Over \$500k; high risk; business case</li> <li>▶ Project - Under \$500k; stem from Asset Management Plan; within one financial year; managed simultaneously.</li> </ul> <p>Major projects are required to adopt the full project management methodology, whereas Projects are managed via a refined methodology.</p> <p>During our review we tested six (6) capital infrastructure projects which included one (1) Major Project (Project #22517 - Underdown Park Building &amp; Fields - Capital Upgrade). We noted that the full project management methodology was not adopted for this project. Since the completion of our audit testing, CoS staff advised us that the Underdown Park project was formulated prior to the Executive Endorsement of the Project Management Manual (Release 3) and was not required to be retrospectively reclassified as a Major Project. It was therefore classified as a Project and managed according to the refined methodology.</p>	<p>Finding accepted.</p> <p>It should be noted that project pre-planning budgets have recently been put in place to enable improved project initiation. The future focus is on improved quality of project briefs (project plans) and implementation of strategic procurement practices.</p> <p>It should also be noted that implementation the Project Management Manual is used across the organisation and is not limited to Capital Works Projects managed within the City Infrastructure Department. As an example, the full Project Management Methodology has been applied to Major Strategic Projects such as the Salisbury Community Hub, which is being managed within the City Development</p>	<p>Revise Project Management Manual (PMM) following implementation of the Program Review recommendations.</p> <p>Conduct staff training on the PMM with Divisions in other Departments where responsibility has historically rested for Project Briefs for Master Planned/Critical Projects.</p>	High	Divisional Manager (Infrastructure Delivery)	December 2018

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p>Discussion with staff confirmed that CoS has not adopted the full project management methodology for any Major Projects to date. The refined methodology is being used for all projects, regardless of size or complexity.</p> <p>Better practice suggests that large and/or complex projects require more stringent project management processes and governance structures to ensure project risks and costs are effectively managed.</p> <p>Note: We have assessed compliance against the refined methodology for Projects as per the Project Management Manual for the sample of projects tested.</p> <p><b>Implication:</b></p> <p>Lack of adoption of the full project management methodology (as per the Project Management Manual (Release 3)) for Major Projects may result in impairments to the effectiveness of project management and governance of Major Projects.</p> <p><b>Recommendation:</b></p> <p>CoS management should immediately adopt the full project management methodology for Major Projects as stipulated in the Project Management Manual (Release 3).</p>	<p>Department.</p> <p>In May each year the Project Review Group, comprising members of functions across the organisation (including Governance, Finance, Communications, etc.), meets to determine Major Project status for the Capital Works Program.</p>				

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>2. Inadequate Risk Assessments and Risk Management</b></p> <p><b>Finding:</b></p> <p>Risk management is highlighted as an important area within the Project Management Manual with tools in place to be used in conjunction with the CoS Risk Management Guide and Charter. The available tools include the Project Risk Matrix and Project Risk Management Plan.</p> <p>Our review of the six (6) capital projects highlighted that the CoS project risk management tools within the Project Management Manual are not being utilised and, in practice, risk management is documented as follows:</p> <ul style="list-style-type: none"> <li>▶ Risk Assessments are contained within the Project Brief</li> <li>▶ Risk Management Strategies are included within the Project Issue Memo Package.</li> </ul> <p>A Project Brief is essentially a project management plan: it contains the requirements, scope, schedule, budget and high level risks of a project, including the business case. It is signed off by all the key stakeholders of a project prior to the commencement of the project.</p> <p>A Project Issue Memo Package is a handover document that is produced at the end of the design stage when a project is transferred from the Infrastructure Management division to the Infrastructure Delivery division. It contains a design specification package and is used for external tenders and quotes for products and services for the capital infrastructure project.</p> <p>We tested the sample capital projects against these two</p>	<p>Finding accepted.</p> <p>Implementation of the Program Review recommendations will result in a much more comprehensive Project Brief being prepared for capital infrastructure projects. The new Project Brief includes a Project Risk Matrix and Project Risk Management Plan as required in the Project Management Manual (PMM).</p> <p>In addition, under the new organisation structure the Design and Construction phases of capital infrastructure projects will occur within one Division, hence the Project Issue Memo Package in its previous form will no longer be required. In its place a new fit for purpose detailed design package handover document will be developed.</p> <p>In January of each year the Executive Group conducts a risk assessment of all Budget Bids prior to submission to Council in order to</p>	<p>Develop and implement new Project Brief and work process.</p> <p>Develop and implement new fit for purpose detailed design package handover document and work process.</p> <p>Conduct staff training on the PMM with Divisions in other Departments where responsibility has historically rested for Project Briefs for Master Planned/Critical Projects.</p>	High	Divisional Managers (Infrastructure Management and Infrastructure Delivery)	December 2018

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p>expectations and identified the following anomalies:</p> <ul style="list-style-type: none"> <li>▶ Project #22517 - Underdown Park Building &amp; Fields (Major Project) - Capital Upgrade did not contain a risk assessment within the project brief. The project brief states that a "full risk plan [is] to be developed" however we have understood from discussions with CoS staff that this was not done. In addition, a Project Issue Memo Package was not created for this Major Project and therefore no risk management strategies were documented (refer Finding #4).</li> <li>▶ Project #23022 - Wright Road Western Junction Traffic Device contained an inadequate risk assessment within the project brief, however, the risk management strategies documented within the Project Issue Memo Package appeared satisfactory.</li> <li>▶ Project #23061 - Ingle Farm Recreation Centre Roof Gutter Repair did not contain a risk assessment within the project brief, however, the risk management strategies documented within the Project Issue Memo Package appeared satisfactory.</li> </ul> <p>Better practice suggests that risk assessment and risk management should be considered for all projects, in particular those of significance. As such, the absence of such activities is particularly concerning for CoS's Major Projects, as key project risks are not being identified, assessed and managed.</p> <p>Our assessment of the CoS Project Risk Matrix (for Projects) and Project Risk Management Plan (for Major Projects) indicates that consistent use these tools would strengthen CoS's project risk management practices.</p>	<p>determine if the risk profile of each project is acceptable and to inform the project priorities prior to the Council budget workshop in February.</p> <p>The Project Brief, until the recent restructure was an internal document between the Asset Managers and the Design group, being a part of the one team. The Risk Management processes were conducted not as part of the briefs but as part of the Design/Issue Memo process, where the Technical Services team was responsible, for the project.</p> <p>Under the new process the Project Brief will enable documentation of the Risk Management and External constraints and initial assessments, by Infrastructure Management, prior to being released for Design and Construction in Infrastructure Delivery.</p>				

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>Implication:</b></p> <p>Non-compliance with the Project Management Methodology. CoS may be exposed to significant project risks which have not been identified, assessed or managed.</p> <p><b>Recommendation:</b></p> <p>CoS management should adopt use of the Project Risk Matrix and/or Project Risk Management Plan for all projects as required.</p>					

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>3. Incomplete and Unapproved Project Briefs</b></p> <p><b>Finding:</b></p> <p>The Project Management Manual requires a project brief to be prepared and approved for all Projects. The project brief outlines the following key details:</p> <ul style="list-style-type: none"> <li>▶ Objective</li> <li>▶ Background</li> <li>▶ Scope</li> <li>▶ Design Brief</li> <li>▶ Budget</li> <li>▶ Project Management specifications</li> <li>▶ Schedule</li> <li>▶ Governance</li> <li>▶ Approval.</li> </ul> <p>Our testing identified two (2) of the six (6) projects tested contained incomplete project briefs and were not approved. Details of the projects are as follows</p> <ul style="list-style-type: none"> <li>▶ Project #23061 - Ingle Farm Recreation Centre Roof Gutter Repair</li> <li>▶ Project #23022 - Wright Road Western Junction Traffic Device.</li> </ul> <p>Given the importance of the project brief to outline the key aspects of the project to all relevant parties, better practice suggests that a project brief should be prepared and approved for all projects.</p> <p><b>Implication:</b></p> <p>Non-compliance with Project Management Methodology resulting in impairment to the effectiveness of the Project Brief as a project planning tool.</p>	<p>Finding accepted.</p> <p>Implementation of the Program Review recommendations will result in a much more comprehensive Project Brief being prepared for capital infrastructure projects. The new Project Brief includes a Project Risk Matrix and Project Risk Management Plan as required in the Project Management Manual (PMM). The Project Brief, until the recent restructure was an internal document between the Asset Managers and the Design group, being a part of the one team. The Risk Management processes were conducted not as part of the briefs but as part of the Design/Issue Memo process, where the Technical Services team was responsible, for the project.</p> <p>Under the new process the Project Brief will enable documentation of the Risk Management and External constraints and initial assessments, by Infrastructure Management,</p>	<p>Implement the associated Program Review recommendation.</p> <p>Develop and implement a new Project Brief and associated work process.</p> <p>Conduct staff training on the PMM with Divisions in other Departments where responsibility has historically rested for Project Briefs for Master Planned/Critical Projects.</p>	Medium	Divisional Managers (Infrastructure Management and Infrastructure Delivery)	September 2018

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<b>Recommendation:</b> CoS management should ensure that all sections of Project Briefs are completed and that they are approved on a consistent basis.	prior to being released for Design and Construction in Infrastructure Delivery.				



Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>4. Project Issue Memo Package Testing Anomalies</b></p> <p><b>Finding:</b></p> <p>The Project Management Manual requires a Project Issue Memo Package to be prepared for all Projects. The Project Issue Memo Package includes the following key details:</p> <ul style="list-style-type: none"> <li>▶ Project Overview and Background</li> <li>▶ Contract and Procurement Background</li> <li>▶ Related Projects</li> <li>▶ Stakeholders and Communications</li> <li>▶ Risk Management</li> <li>▶ Estimated cost</li> <li>▶ Funding</li> <li>▶ Expenditure Allocation</li> <li>▶ Drawings and Specifications</li> <li>▶ Quality and Compliance Management.</li> </ul> <p>Our testing of the application of Project Issue Memo Packages for the selected Projects highlighted the following anomalies:</p> <ul style="list-style-type: none"> <li>▶ Project #22517 - Underdown Park Building &amp; Fields - Capital Upgrade did not include a Project Issue Memo Package. CoS staff advised that this project was outsourced to an external engineer and hence, an internal Project Issue Memo Package was not prepared by CoS. We acknowledge that a Project Brief was prepared for this project, and this document does include a number of the Project Issue Memo Package components including; Project Overview and</li> </ul>	<p>Finding accepted.</p> <p>Implementation of the Program Review recommendations under the new organisation structure will see the Design and Construction phases of infrastructure projects will occur within one Division hence the Project Issue Memo Package in its previous form will no longer be required. In its place a new fit for purpose detailed design handover document will be developed.</p>	<p>Develop and implement a new fit for purpose detailed design package handover document and work process.</p>	Medium	Divisional Manager (Infrastructure Delivery)	December 2018

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p>Background, Related Projects, Stakeholders and Communications and Estimated Cost, with basic information provided on some of the other elements.</p> <p>Project #23061 - Ingle Farm Recreation Centre Roof Gutter Repair did not contain an estimated cost within the Project Issue Memo Package which quotes “there is no cost estimate for this work; hence this work is only issued for tender, at this time”. We were advised by CoS staff that resources were not available to prepare an estimate and that tenderers provided detailed estimates and scoping.</p> <p><b>Implication:</b></p> <p>Non-compliance with Project Management Methodology resulting in impairment to the effectiveness of the Project Issue Memo Package as a project management tool.</p> <p><b>Recommendation:</b></p> <p>CoS management should ensure that a complete Project Issue Memo Package is prepared for all projects.</p>					

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>5. Outdated Contractor Induction Form</b></p> <p><b>Finding:</b></p> <p>A Contractor Induction Form is completed and signed by the CoS Superintendent or Superintendent's Representative and a representative from the external contractor on handover of the site to the project contractor to commence work. This form outlines the contractor's responsibilities including access, emergency planning and a number of OH&amp;S considerations.</p> <p>We were provided with a Contractor Induction Form for five (5) of the six (6) projects tested (Project # 23356 - Baltimore Reserve Parafield Gardens - 16/17 Playspace was not available).</p> <p>For the five (5) Contractor Induction Forms provided we ensured they were appropriately completed and signed. We did note that for Project #22795 - Dry Creek Erosion Control (Pratt), the Contractor Induction Form was dated 8 November 2011. We understand that this project was awarded to a vendor under a panel contract in 2010. The Contractor Induction Form on file is in line with the original contract date however, this is four (4) years earlier than the project period (1 July 2015 to 30 June 2017). This gap in timing brings into question the validity of the Contractor Induction Form to cover the project tested.</p> <p>We appreciate that a Contractor Induction Form may not be necessary for every project conducted under a panel arrangement, but better practice suggests that contractor handover agreement should be documented on a regular basis (suggest annually) under such arrangements.</p>	<p>Finding accepted.</p> <p>The establishment of ongoing Contractor Induction will occur by way of induction forming part of the engagement process of a Contractor, prior to their mobilisation, and also upon an existing Contractor working on a new site.</p>	<p>a) Agreed. b) Instead of completing Contractor Induction forms annually for vendors under panel contract arrangements, CoS will ensure that induction forms a part of the engagement process of a contractor, and that subsequent inductions occur each time the contractor works on a new site.</p>	Medium	Divisional Manager (Infrastructure Delivery)	September 2018

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>Implication:</b></p> <p>Lack of current Contractor Induction Forms may result in contractor responsibilities not being adequately addressed and monitored.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>a. CoS management should ensure Contractor Induction Forms are completed and signed for all projects.</li> <li>b. CoS management should consider completion of a Contractor Induction Form on an annual basis for vendors under panel contract arrangements.</li> </ul>					

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>6. Incomplete Practical Completion Documentation</b></p> <p><b>Finding:</b></p> <p>The Project Management Manual requires that a Practical Completion and Asset Handover Form be completed and signed by the Project Manager and Asset Owner (or representative) at a site visit. Once this is completed, a Practical Completion Certificate can be issued to the project contractor.</p> <p>Our testing of practical completion practices identified the following anomalies:</p> <ul style="list-style-type: none"> <li>▶ Project #22517 - Underdown Park Building &amp; Fields - Capital Upgrade did contain a Practical Completion Certificate and Practical Completion and Asset Handover Form, however the Form was not signed by the Project Manager or Asset Owner. We acknowledge that a Defects List was prepared by the external consultant for this project in the presence of the CoS Asset Owner and Project Manager.</li> <li>▶ Project #22975 - Dry Creek Erosion Control (Pratt) did not contain a Practical Completion Certificate or Practical Completion and Asset Handover Form.</li> <li>▶ Project #23732 - Broadstock Green Completion Reserve Upgrade did contain a Practical Completion and Asset Handover Form however it was not signed by the Asset Owner (Maintenance Representative). In addition, we were not provided with the Practical Completion Certificate for this project.</li> </ul>	<p>Finding accepted.</p> <p>There is an existing work process in place within the Infrastructure Management Division to ensure that an approved Practical Completion Certificate and Asset Handover Form are issued for all projects. The importance of staff adhering to this work process will be reinforced.</p>	<p>CoS management will reinforce to staff the importance of adhering to this work process.</p>	Medium	Divisional Manager (Infrastructure Delivery)	June 2018

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p>Given that the Practical Completion and Asset Handover Form provides evidence of the practical completion site visit, better practice suggests that this form should be completed and signed by both the Project Manager and Asset Owner, and a Practical Completion Certificate be issued for all projects.</p> <p><b>Implication:</b></p> <p>Lack of evidence to support the outcome of the practical completion site visit which may result in potential disputes with the project contractor.</p> <p><b>Recommendation:</b></p> <p>CoS management should ensure that a signed Practical Completion and Asset Handover Form and a Practical Completion Certificate are prepared for all projects.</p>					

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>7. Incomplete Final Completion Certificates</b></p> <p><b>Finding:</b></p> <p>The Project Management Manual states that Project Manager is responsible for closure of any contract, which includes the Final Completion Certificate.</p> <p>For the two (2) projects tested that had reached final completion stage we noted the following anomalies:</p> <ul style="list-style-type: none"> <li>▶ Project #22975 - Dry Creek Erosion Control (Pratt) did not contain a Final Completion Certificate.</li> <li>▶ Project #23061 - Ingle Farm Recreation Centre Roof Gutter Repair did contain a Final Completion Certificate however it was not signed by the Acting Superintendent.</li> </ul> <p>Given that the Final Completion Certificate provides evidence of CoS's final endorsement of the work completed by the project contractor, better practice suggests that the Final Completion Certificate should be completed and signed for all projects.</p> <p><b>Implication:</b></p> <p>Lack of documented final completion certificate may result in potential disputes with project contractors.</p> <p><b>Recommendation:</b></p> <p>CoS management should ensure that a signed Final Completion Certificate is issued for all projects.</p>	<p>Finding accepted.</p> <p>There is an existing work process in place within the Infrastructure Management Division to ensure that an approved Final Completion Certificate is issued for projects, where relevant (some projects only have a Practical Completion and not a Final Completion milestone).</p> <p>The importance of staff adhering to this work process will be reinforced.</p>	<p>CoS management will reinforce to staff the importance of adhering to this work process.</p>	Medium	Divisional Manager (Infrastructure Delivery)	June 2018



Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>8. Lack of Variation Approval Evidence</b></p> <p><b>Finding:</b></p> <p>The Project Management Manual requires that a Change Request Form be completed for all significant variations to City infrastructure projects. However, for minor/minimal impact changes, the Project Manager/ Superintendent (or representative) can approve variations directly.</p> <p>During our testing of the six (6) projects we identified the following anomalies with regards to variation approval for minor variations:</p> <ul style="list-style-type: none"> <li>▶ Project #23732 - Broadstock Green Completion Reserve Upgrade did not contain written confirmation of approval for tree removal. We understand from discussion with CoS staff that this variation was of low value (\$220) and was therefore approved verbally only.</li> <li>▶ Project #23022 - Wright Road Western Junction Traffic Device did not contain documented approval of Variation Order V006 from SEM Group. CoS staff advised that approval is deemed to have occurred by virtue of the fact that the progress claim relating to this variation was approved.</li> </ul> <p>As much as we appreciate that formal approval of variations may not always be required for minor variations, better practice suggests that written documentation of variation approval (at a minimum via email or file note) should be recorded for all project changes.</p> <p>We note that no anomalies were identified for the major variations tested.</p>	<p>Finding accepted.</p> <p>The importance of staff ensuring that all variation approvals are adequately documented will be reinforced.</p>	<p>CoS management will reinforce to staff the importance of adhering to this work process.</p>	<p>Low</p>	<p>Divisional Manager (Infrastructure Delivery)</p>	<p>June 2018</p>

Finding and Recommendation	Management Response - including whether the finding was accepted	Agreed Actions	Risk Assessment	Responsibility	Due Date
<p><b>Implication:</b></p> <p>Lack of documented variation approvals may result in potential disputes with project contractors.</p> <p><b>Recommendation:</b></p> <p>CoS management should ensure that all variation approvals are adequately documented.</p>					

## 3. Appendices

### 3.1 Summary of Testing

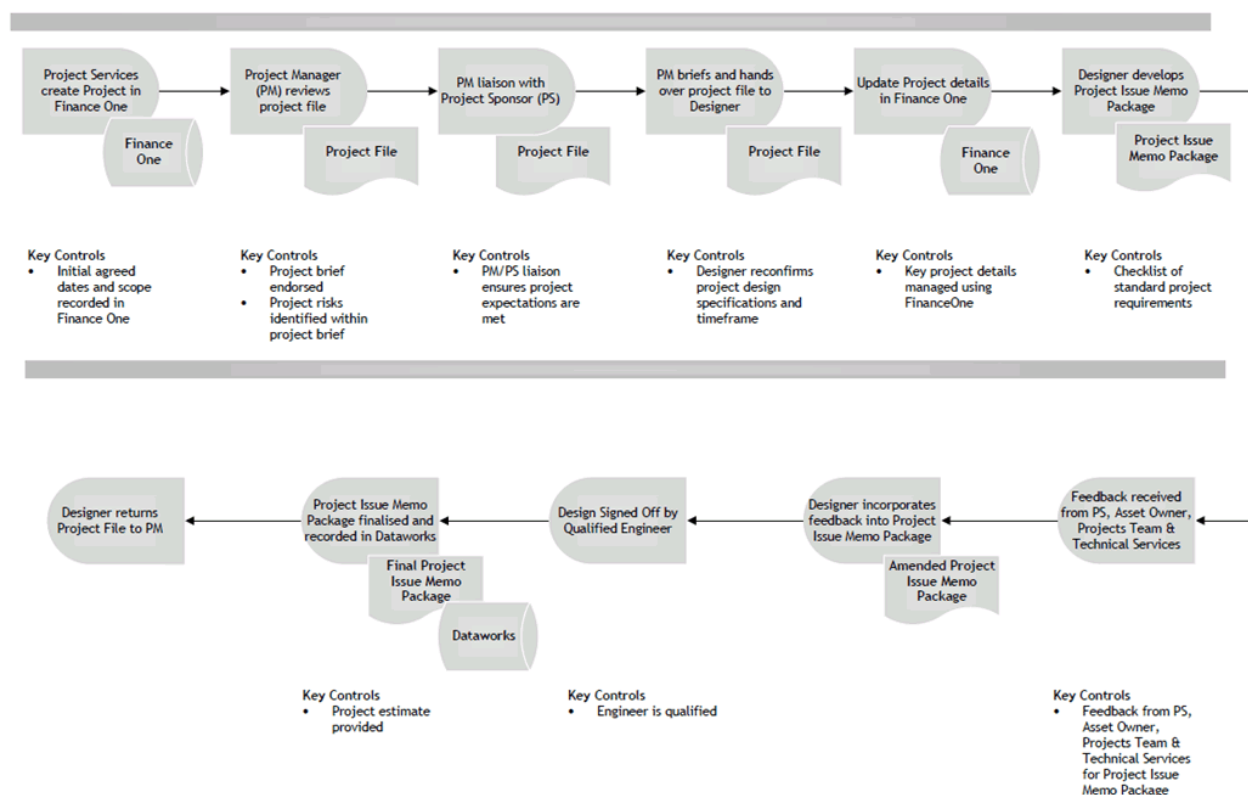
Test Description	Work Performed	Sample Size	Test Results/Comments
PROJECT DESIGN			
To ensure capital project design processes are in compliance with the CoS Project Management Manual	Reviewed endorsed Project Briefs and Project Issue Memo Package capturing project risks and management strategies, estimates and timeframes	6 Projects	Two (2) anomalies noted: 1. Projects #23022 and #23061 - project briefs were incomplete, particularly in relation to risk assessment and endorsement (refer Finding #3) 2. Project Issue Memo Package for Project #22517 not provided as project was outsourced (refer Finding #4).
	Obtained copy of project estimate	6 Projects	One (1) anomaly noted: 1. Project estimate was not created for Project #23061 (refer Finding #4)
PROJECT EXECUTION			
To ensure capital project execution processes are in compliance with the CoS Project Management Manual	Reviewed Handover Induction form capturing PM and CR signatures	6 Projects	Two (2) anomalies noted: 1. Handover Induction form for Project #23356 not provided (refer Finding #5) 2. Project #22795 Handover Induction form not current/valid for period of project completion - signed at commencement of panel contract in 2011 (refer Finding #5).
	Obtained copy of monthly progress claim and confirmed approval	6 Projects - 1 monthly progress claim tested for each	No anomalies noted

Test Description	Work Performed	Sample Size	Test Results/Comments
	Obtained copy of endorsed contract payment summary certificates	6 Projects - 1 certificate tested for each	No anomalies noted
PROJECT CHANGE REQUESTS			
To ensure capital project change management processes are in compliance with the CoS Project Management Manual	Minor Variation Request: - Reviewed copy of variation order / email and variation approval from PM	5 Minor Variation Requests	One (1) anomaly noted: 1. Written approvals for projects #23732 and #23022 change requests not provided (refer Finding #8)
	Major Variation Request: - Obtained copy of change request and confirmed against change request report - Obtained copy of CoS approval of change request.	1 Major Variation Request	No anomalies noted
PROJECT FINALISATION			
To ensure capital project finalisation processes are in compliance with the CoS Project Management Manual	Obtained copy of signed Practical Completion (PC) and Asset Handover Form and PC Certificate	6 Projects	Two (2) anomalies noted: 1. Projects #22517 and #23732 - PC and Asset Handover form not signed by Project Manager or Asset Owner (refer Finding #6) 2. Practical Completion and Asset Handover form, and PC Certificate not provided for Project #22975 (refer Finding #6).
	Obtained copy of Defects Register agreed to by PM and CR	6 Projects	No anomalies noted
	Reviewed evidence of 1 <sup>st</sup> and 2 <sup>nd</sup> bank guarantee release	6 Projects	No anomalies noted

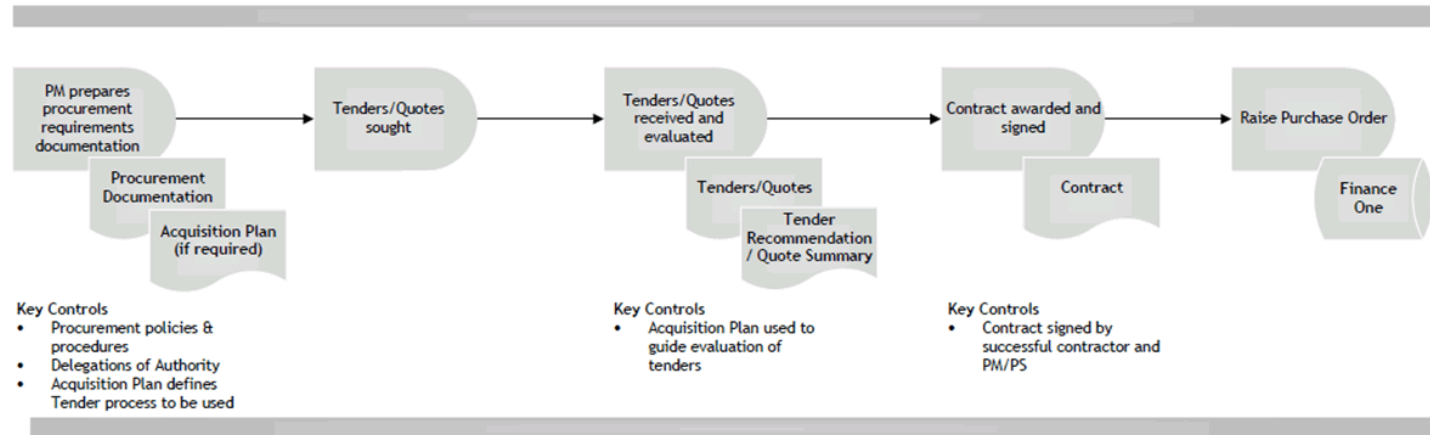
Test Description	Work Performed	Sample Size	Test Results/Comments
	Obtained copy of Final Completion (FC) Certificate	6 Projects	Two (2) anomalies noted: 1. FC Certificate not provided for Project #22975 (refer Finding #7) 2. Project #23061 FC Certificate was not signed by the Acting Superintendent (refer Finding #7).
	Reviewed evidence of QA of Project file and Project Closure Report	6 Projects	No anomalies noted
REPORTING			
To ensure capital project reporting processes are in compliance with the CoS reporting requirements	Reviewed reporting and evidence of distribution/review for suite of capital projects reports	Monthly reporting - 4 months Quarterly reporting - 2 quarters Works & Service Committee reporting - 2 months	No anomalies noted

## 3.2 Process Overview

### A. Project Design

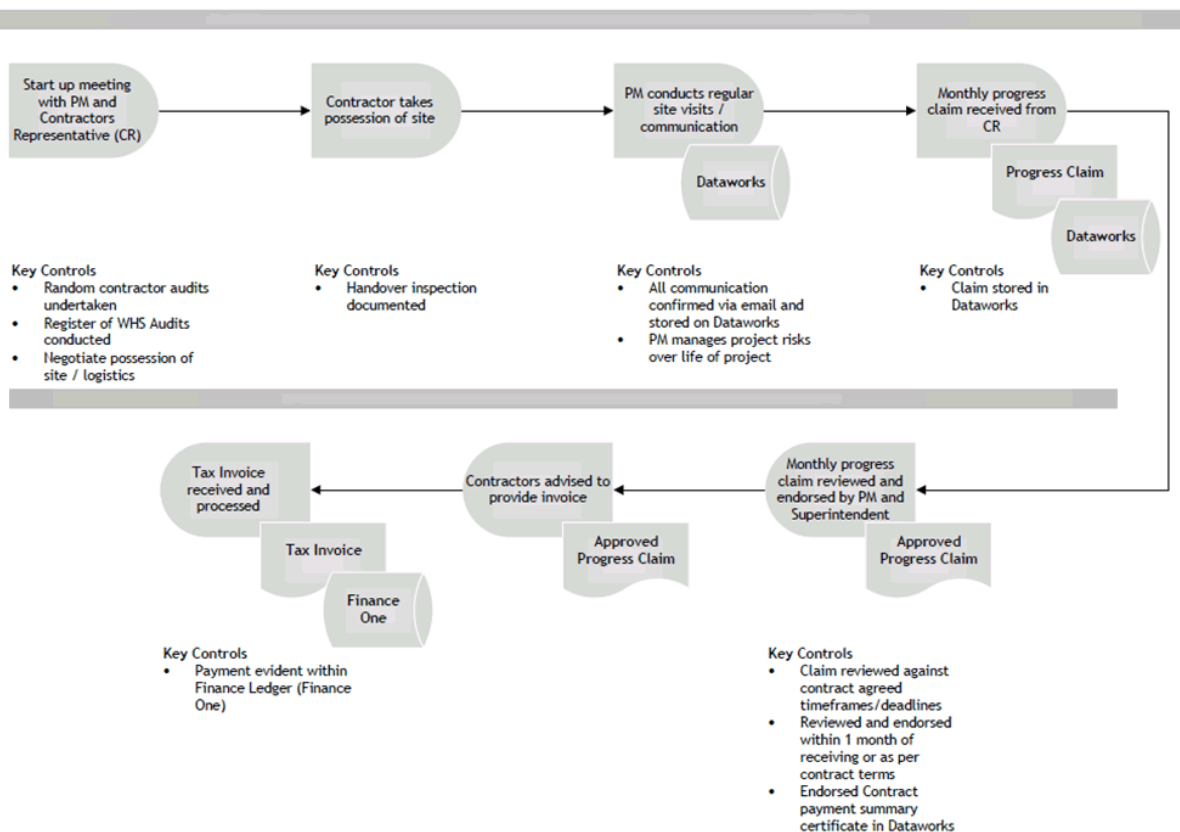


## B. Project Procurement

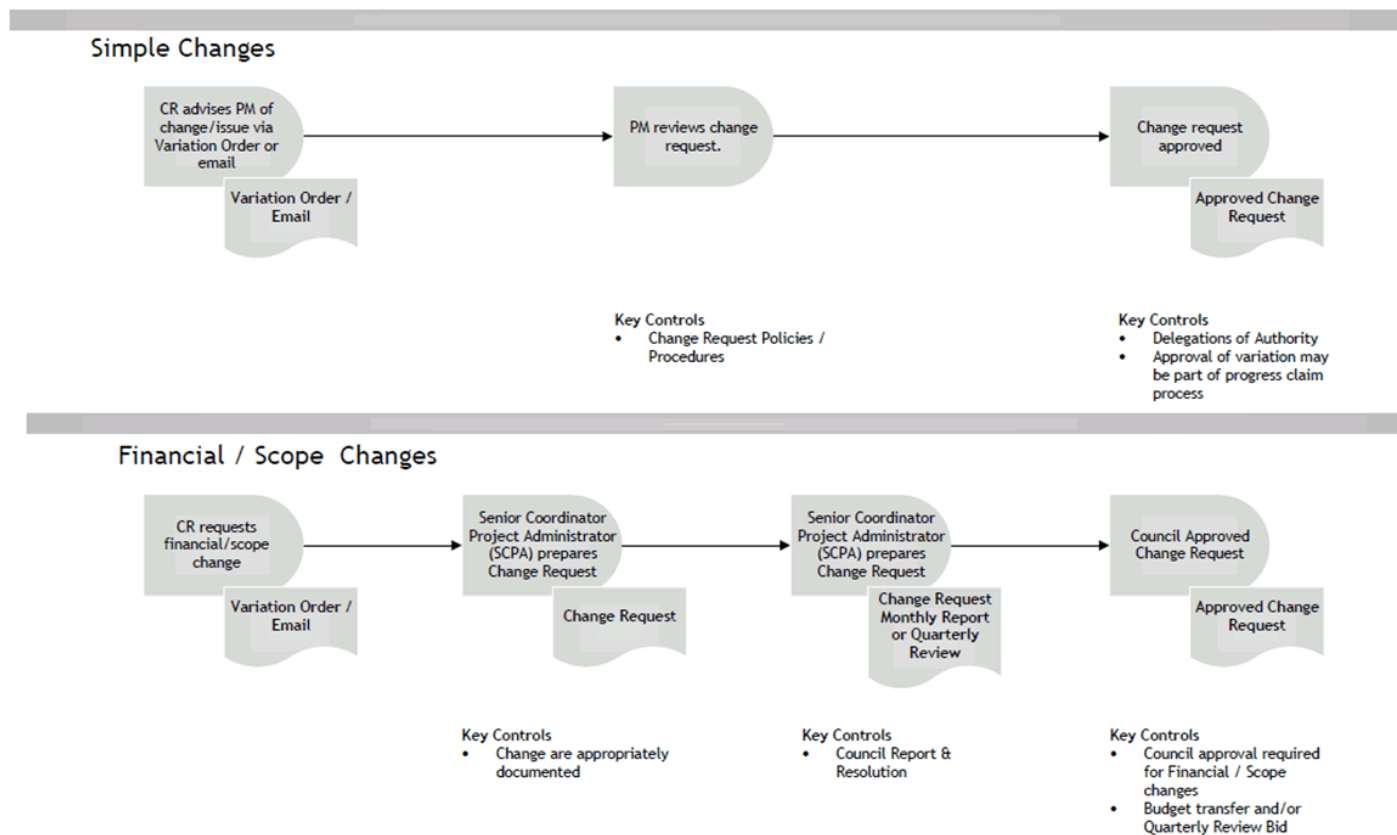




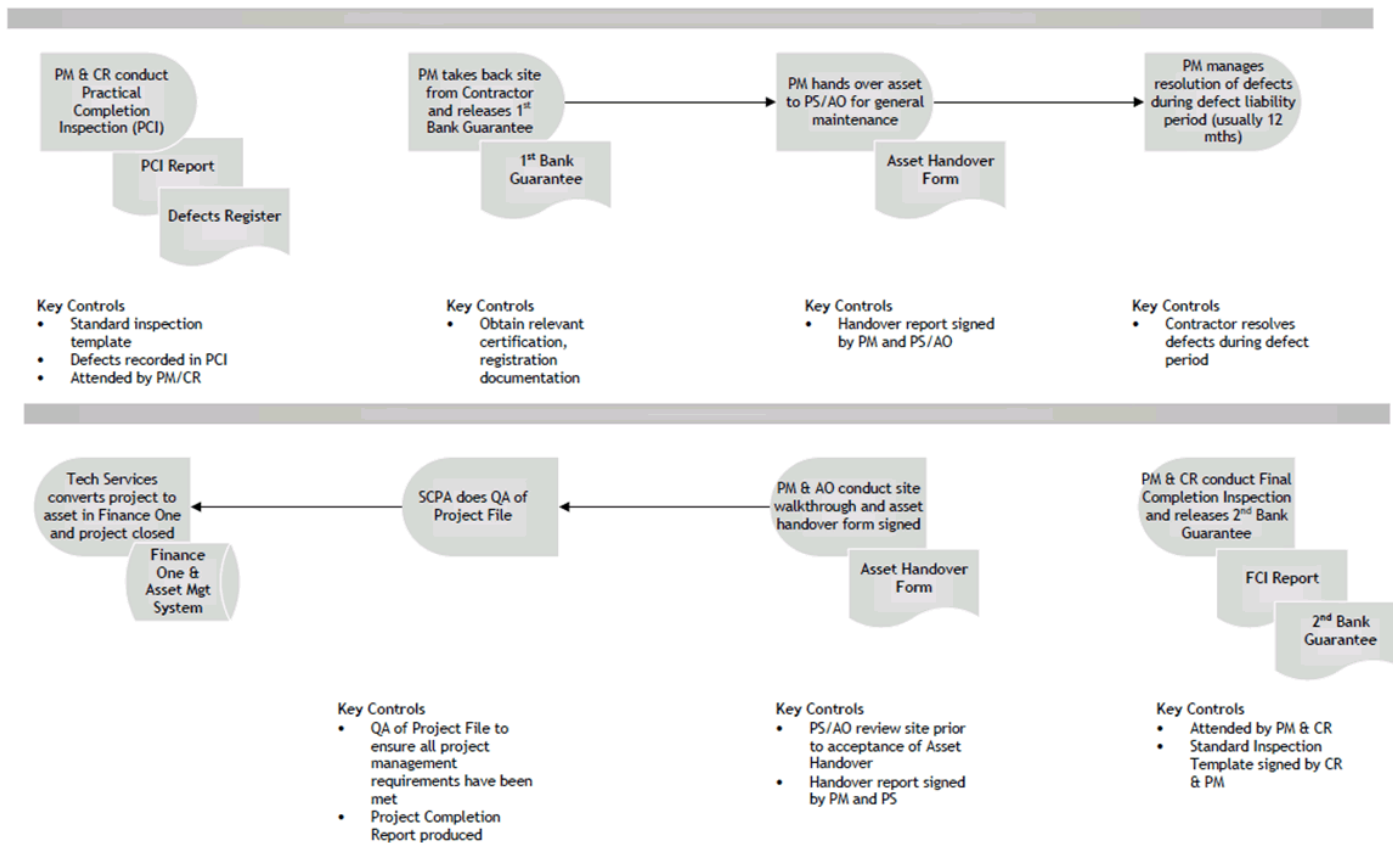
### C. Project Execution



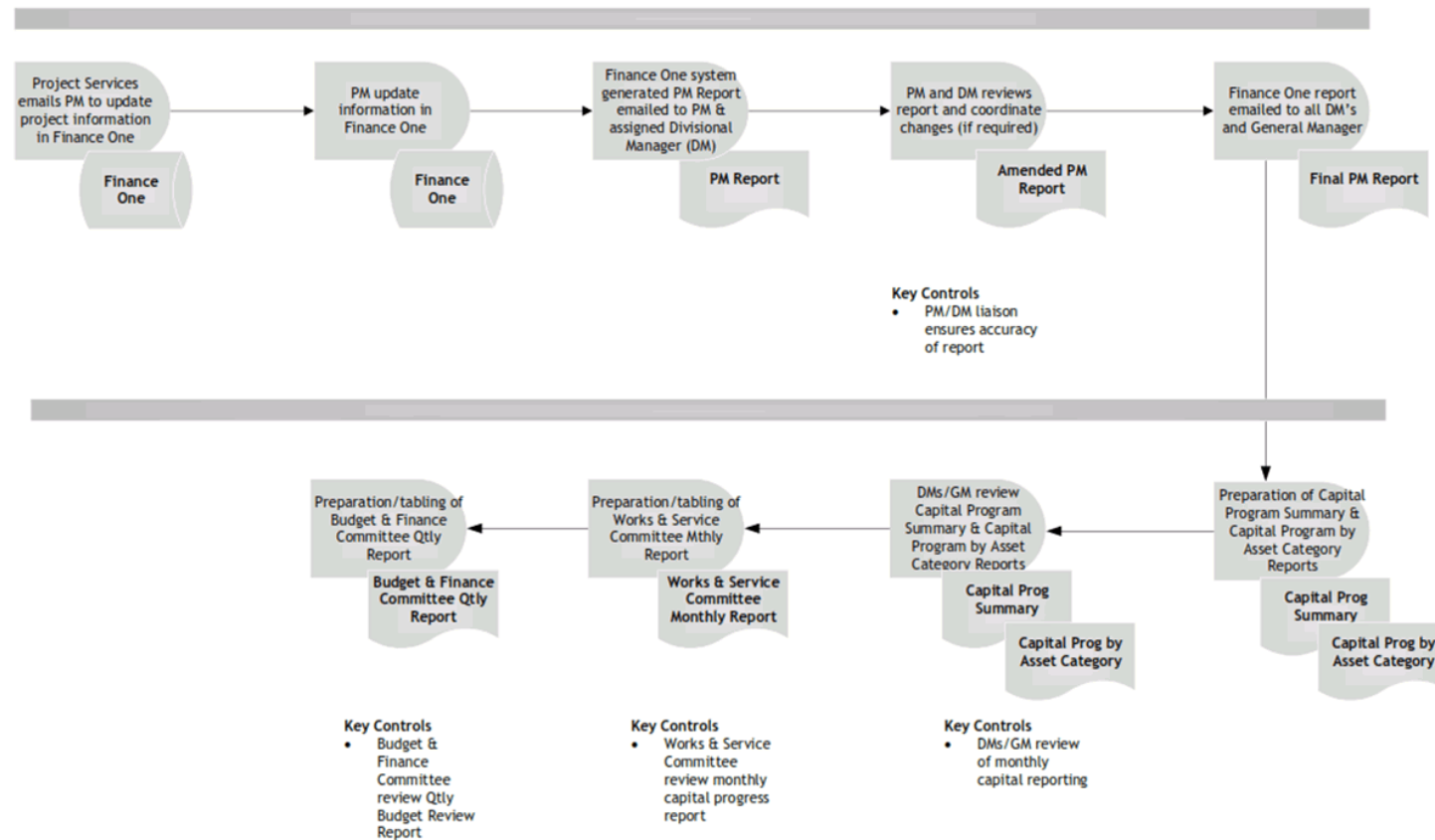
## D. Change Requests



## E. Project Finalisation



## F. Project Reporting





Project Management		2018/19 PROJECT BRIEF	
Details	PR No:	<input type="text"/>	Parent PR No: <input type="text"/>
			Budget Bid No: <input type="text"/>
	Project Title:	<input type="text"/>	
	Location (St & Suburb):	<input type="text"/>	UBD Ref (Page / Grid): <input type="text"/>
	Reserve:	<input type="text"/>	
	Building:	<input type="text"/>	
	Primary Asset Mngt Plan:	<input type="text"/>	
	AMP Service Level:	<input type="text"/>	
	AMP KPI:	<input type="text"/>	
	Objective:	<input type="text"/>	
Background:	<input type="text"/>		
Project Scope:	<input type="text"/>		
Related Projects /Activities:	<input type="text"/>		

Design Brief			
Aboriginal Heritage:		Private Property Consideration:	
Development Approval:		Railway Notification:	
Dial Before You Dig:		Site Inspection:	
DPTI Approval:		Site Survey:	
Exist Svs Consideration:		SmarterWorks:	
Geotechnical Report:		Traffic Survey:	
Hazardous Materials:		Tree Inspection:	
Other/Comment: <input type="text"/>			
GIS Map Only:	<input type="text"/>	Concept Only:	<input type="text"/>
		Full Set:	<input type="text"/>
Design Scope:	<div style="border: 1px solid black; height: 200px;"></div>		
Concept Design Doc #:	<input type="text"/>		
DWG Location:	<input type="text"/>		
Budget			
Budget Source:	<input type="text" value="Budget Bid"/>		Budget Mix: <input type="text" value="Mix Capital &amp; Operating"/>
		<input type="text" value="PR"/>	
Est Concept Design:	\$0		
Est Detail Design:	\$0		
Est Construction:	\$0		
Est Project Mngment:	\$0		
Est Contingency:	\$0		
<b>Estimated Total:</b>	<b>\$0</b>		
Expenditure Deadline:	<input type="text" value="30/09/18"/>		
	<small>(Grant / Approved project completion date)</small>		
Project Income:	<input type="text" value="No"/>	Concept Estimate Doc #:	<input type="text"/>
Funding Body:	<input type="text"/>		
Status of Funding Application:	<input type="text"/>		



PR / GL:	2018/19		2019/20		2020/21		Total
	Capex	Opex	Capex	Opex	Capex	Opex	
	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total:	\$0		\$0		\$0		\$0

**Procurement**

☐ Below \$50k
 ☐ \$50k - \$100k
 ☐ \$100 - \$150k
 ☐ \$150k +

Procurement Strategy:

Strategic Procurement Review Officer:  Date:

**Project Management**

Resourcing:

Constraints:

Seasonal Impacts:

Quality & Compliance:

Communication / Media Plan:

Concept Consultation:

Project Delivery Consultation:

Risk Management			
<b>Risk No. 1</b>			
Title:		Impact:	
		Key Existing Controls:	
Likelihood:	Rare	Treatment Plan:	
Consequence:	Minor		
Residual Risk:	Low		
Res. Risk Acceptable?:	Yes		
Responsible Officer:			
<i>NB: If current Residual Risk Rating is unacceptable, Treatment Plan is required</i>			
<b>Risk No. 2</b>			
Title:		Impact:	
		Key Existing Controls:	
Likelihood:	Rare	Treatment Plan:	
Consequence:	Minor		
Residual Risk:	Low		
Res. Risk Acceptable?:	Yes		
Responsible Officer:			
<i>NB: If current Residual Risk Rating is unacceptable, Treatment Plan is required</i>			
<b>Risk No. 3</b>			
Title:		Impact:	
		Key Existing Controls:	
Likelihood:	Unlikely	Treatment Plan:	
Consequence:	Moderate		
Residual Risk:	Medium		
Res. Risk Acceptable?:	Yes		
Responsible Officer:			
<i>NB: If current Residual Risk Rating is unacceptable, Treatment Plan is required</i>			
<b>Risk No. 4</b>			
Title:		Impact:	
		Key Existing Controls:	
Likelihood:	Unlikely	Treatment Plan:	
Consequence:	Moderate		
Residual Risk:	Medium		
Res. Risk Acceptable?:	Yes		
Responsible Officer:			
<i>NB: If current Residual Risk Rating is unacceptable, Treatment Plan is required</i>			
<b>Risk No. 5</b>			
Title:		Impact:	
		Key Existing Controls:	
Likelihood:	Unlikely	Treatment Plan:	
Consequence:	Moderate		
Residual Risk:	Medium		
Res. Risk Acceptable?:	Yes		
Responsible Officer:			
<i>NB: If current Residual Risk Rating is unacceptable, Treatment Plan is required</i>			

Risk Management			
<b>Risk No. 6</b>			
Title:		Impact:	
		Key Existing Controls:	
Likelihood:	Likely	Treatment Plan:	
Consequence:	Insignificant		
Residual Risk:	Medium	Responsible Officer:	
Res. Risk Acceptable?:	Yes		
NB: If current Residual Risk Rating is unacceptable, Treatment Plan is required			
<b>Risk No. 7</b>			
Title:		Impact:	
		Key Existing Controls:	
Likelihood:	Almost Certain	Treatment Plan:	
Consequence:	Catastrophic		
Residual Risk:	Very High	Responsible Officer:	
Res. Risk Acceptable?:	Yes		
NB: If current Residual Risk Rating is unacceptable, Treatment Plan is required			
<b>Risk No. 8</b>			
Title:		Impact:	
		Key Existing Controls:	
Likelihood:	Unlikely	Treatment Plan:	
Consequence:	Moderate		
Residual Risk:	Medium	Responsible Officer:	
Res. Risk Acceptable?:	Yes		
NB: If current Residual Risk Rating is unacceptable, Treatment Plan is required			
<b>Risk No. 9</b>			
Title:		Impact:	
		Key Existing Controls:	
Likelihood:	Unlikely	Treatment Plan:	
Consequence:	Moderate		
Residual Risk:	Medium	Responsible Officer:	
Res. Risk Acceptable?:	Yes		
NB: If current Residual Risk Rating is unacceptable, Treatment Plan is required			
<b>Risk No. 10</b>			
Title:		Impact:	
		Key Existing Controls:	
Likelihood:	Possible	Treatment Plan:	
Consequence:	Moderate		
Residual Risk:	High	Responsible Officer:	
Res. Risk Acceptable?:	Yes		
NB: If current Residual Risk Rating is unacceptable, Treatment Plan is required			

Schedule	Start Date	Finish Date	Comment	Responsible Officer
Draft Project Brief Package:				
SAM Review:				
Acquisition/Procurement:				
Dev / Tree Approvals:				
Detail Design & Specification:				
Construction Tender:				
Construction:				
Closure:				
Approved Completion Date:				

Specific Milestones	Due Date	Milestone Description:
Milestone 1:		
Milestone 2:		
Milestone 3:		

Hold Points	Date	Hold Point Description:
Hold Point 1:		
Hold Point 2:		

**Governance**

Concept Designer:

Nominated Asset Manager Rep to accept handover of asset upon completion:

Prudential Management Reporting:

Project Board:

(Note if not required)

Project Team Members:

Key Stakeholders:

Project Governance:

**Approval**

Asset Manager	Mgr Infrastructure Managmt
Signed: <input type="text"/>	Signed: <input type="text"/>
Name: <input type="text"/>	Name: <input type="text" value="D Roy"/>
Date: <input type="text"/>	Date: <input type="text"/>

PM0015 23/4/18

CoS PRACTICAL COMPLETION & ASSET HANDOVER FORM (GENERAL)					Project Management		
PR #:	0	Project Title:	0				
Contractor #:		Contractor:					
Inspection Date:	____/____/20____	Inspection Officers:					
Inspection Time:	: AM/PM	Project Classification:	Circle most appropriate NEW / RENEWAL / MIXED				
Defects Liability Period Starts:							
Asset Group	Asset Type	Asset Info	Measurements				Comments
			Measurement Type	Value	Measurement Type	Value	
Road Reserve	Roads	Road Name(s)	Name				
		Seal Type/Treatment	Type				
		Road Seal Area	Area m2				
	Traffic Control Devices	Roundabout	No of		Area m2		
		Road Speed Hump	No of				
		Road Safety Fence	No of				
		Road Safety Barrier	No of				
		Road Safety Bollard	No of				
		Koala Crossing	No of				
		Emu Crossing	No of				
		Wombat Crossing	No of				
		Traffic Calming Device	No of		Area m2		
		Other					

Road Reserve	Landscaping	Mulching	Area m2				
		Planting	Area m2				
		Retaining Wall	Length m		Height m		
		Tree Grates	No of				
		Tree Guards	No of				
		Bollards	No of				
	Kerbing	Kerbing	Length m				
		Spoon Drain	Length m				
		Median / Traffic Island Kerb	No of		Area m2		
		Other					
	Footpath	Footpath	Length m		Area m2		
		Bus Stop Pad	Length m		Area m2		
	Pram Ramp	Pram Ramp with Tactile	No of				
		Pram Ramp without Tactile	No of				
	Signs	Sign	Sign Type		No of		
	Lighting	Lighting	Type		No of		
		Owner (SAPN/Council Owned)	Owner				

Road Reserve	Street Furniture	Bus Shelter	No of				
		Seat/ Bench	No of				
		Bollards	No of				
		Bins	No of				
		Smoke Bin	No of				
Drainage	Pipes	Pipe RCP	Length m		Diam mm		
		Pipe PVC	Length m		Diam mm		
	Pits	SEP	No of		Size		
		Junction Box	No of		Size		
		Grate	No of		Size		
		Gross Pollution Trap	No of		Size		
		Trash Rack	No of		Size		
		Trash Grille	No of		Size		
		Other					
	Headwalls	Headwall	No of		Size		
	Box Culverts	Box Culvert	No of		Size		

Drainage	Open Drainage	Earth (Non-lined)	Area m2				
		Concrete Lined	Area m2				
		Detention Basin	Area m2				
		Reno Mattress	Area m2				
	Open Drainage	Gabion	No of				
		Rip Rap	No of				
		Eco Cell	No of				
		Rock Retaining Wall	No of				
Reserve	Reserve Assets	Bin	No of		Type		
		Fencing	Length m		Height m		
		Gate	Length m		Height m		
		Seat/ Bench	No of				
		Bollard	No of		Material		
		Dog Park	No of				
		Playground	No of				
		BBQ	No of				
		Building	Area m2				
		Structures	Area m2		Type		
		Coaches Box/Shelter	Area m2				
		Bridge	Area m2				
		Sports Surface	Area m2				
		Other					



Reserve	Landscaping	Mulching	Area m2			
		Planting	Area m2			
		Retaining Wall	Length m		Height	
		Tree Grates	No of			
		Tree Guards	No of			
		Bollards	No of		Material	
	Irrigation	Pipe	Length m		Diam	
		Sprinkler Heads	No of			
		Valves	No of			
		Controllers	No of			
		Backflow devices	No of			
	Carparking	Seal	Area m2		Type	
		Pavement	Area m2			
	Footpath	Concrete	Area m2			
		Paving Blocks	Area m2			
		Bitumen	Area m2			
		Gravel	Area m2			
		Dolomite	Area m2			
		Rubber Matting	Area m2			

Reserve	Lighting	Lighting	No of		Type		
Other	Other	Other					
All documentation to be stored in ECM within the Project Index, Property Index and Contract Index							
Inspection Officers Sign Off:							
Projects Representative Name:				Projects Rep Signature:			
Maintenance Representative Name:				Maintenance Rep Signature:			
Any other information							

CoS PRACTICAL COMPLETION & ASSET HANDOVER FORM (BUILDINGS)				Project Management	
PR #:	0		Project Title:	0	
Contractor #:			Contractor:		
Inspection Date:	____/____/20____		Inspection Officers:		
Inspection Time:	: AM/PM		Project Classification:	Circle most appropriate NEW / RENEWAL / MIXED	
Defects Liability Period Starts:					
Component Group	Component Type	Component	Supplied Yes No	Defects Yes No	Comments
Electrical Services	Distribution Boards	Distribution Boards, Meter Boxes, Switchboards			
	Lighting	Cables			
		GPO's & Switches			
		Lights & Fittings (Internal)			
		Lights & Fittings (External)			
Exterior Works	Buildings	Carports			
		Covered Ways			
		Garages			
		Sheds (Garden / Tool Shed)			
		Sun Screen/Awnings			
		Verandah - Roof Only			
	Drainage	Kerb & Watertable			
		Spoon Drains & Grated Drains			
		Pits			

Exterior Works	Civil works	Carparks			
		Paths / Walkways			
		Retaining Walls			
		Fencing			
		Gates			
		Stairs & Rails			
	Civil works	Water Tanks			
	Furniture	Bollards			
		Park Seats			
		Picnic Tables			
		Rubbish Bins			
	Hard stand	Type(s):			
External Fabric	Miscellaneous	Decking			
		Paint			
		Shade Cloth			
		Signage			
	External Walls	Type:			

External Fabric	Roof	Roofing - Type:			
		Downpipes			
		Skylights			
		Guttering			
		Fascia			
	Windows & Doors	Doors - General			
		Windows - General			
		Door Hardware (Handles/Locks)			
Interior Finishes	Ceiling Finish				
	Fixtures & Fittings - General	Blinds & Curtains			
		Dishwashers			
		Fixed Desks, Tables, Benches, Seating			
	Fixtures & Fittings - General	Handrails, Grabrails			
		Joinery Fttgs - Built-In			
		Kitchen Bench and Joinery			
		Kitchen Exhaust Hoods			
		Shelving			
		Stoves			
		Water Boiling Unit			

Interior Finishes	Fixtures & Fittings - Toilets	Hand Dryers			
		Mirrors			
		Paper Dispenser			
		Soap Dispensers / Hand Cleaners			
		Toilet Paper Outlets			
		Towel rails			
	Floor Finishes	Type:			
	Interior Doors & Windows	Doors - General			
		Windows - General			
		Door Hardware (Handles/Locks)			
	Wall Finishes	Walls - general			
		Skirtings			
Plumbing	Sanitary Plumbing	Baths			
		Handbasins			
		Laundry Tubs			
		Shower Units			
		Sinks			
		Taps			
		Toilets (Pans)			
	Sanitary Plumbing	Urinals			
		Vanity (Incl Basin)			

Heating / Cooling Systems & Ventilation	Air Heat / Cool	Electric Heating				
		Evaporative Cooler				
		Gas Heating				
		Oil Heating				
		Reverse Cycle Air Conditioning				
		Solar Heating				
	Ventilation	Ceiling Fans				
		Exhaust Fans				
		Vented Windows				
	Water Systems	Chilled Water System				
		Hot Water System				
General Access / Egress	Building Access	Clear exit path(s)				
		No Obstructions				
		No Trip Hazards				
		Signed				
DDA Compliance Issues	Satisfactory Access to Building	> 800mm Effective Door Widths				
		Adequate No. of Carparking Spaces				
		Lever Door Handles				
		Low Force to Open/Hold Door				
		Satisfactory Access to Building (Ramps Where Required)				

DDA Compliance Issues	Toilet Facilities	> 800mm Effective Door Widths			
		Circulation Space			
		Grabrails			
	Toilet Facilities	Fixtures at Appropriate Height: Basins 770 - 800mm			
		Fixtures at Appropriate Height: Flushing Control Button 600 - 1100mm			
		Fixtures at Appropriate Height: Grab Rails 800 - 810mm			
		Fixtures at Appropriate Height - Soap Dispensers 900 - 1100mm			
		Fixtures at Appropriate Height - Toilet Paper Outlets 460 - 700mm			
		Fixtures at Appropriate Height - Paper (Towel) Dispensers 900 - 1100mm			
		Taps either lever handle, capstan or sensor plate control, easy to turn on & off.			
	Benchtop Counters	Acceptable Height (floor to top of unit): 830 - 870mm			
		Acceptable Height For Two Units: Unit 1: 830 - 870mm, Unit 2: 730 - 770mm			
Miscellaneous Issues	General	Asbestos Register			
		Evacuation Plan			
		Fire Extinguishers (in place & tested within the last 6 months)			
		Fill material up against the building			
		Graffiti			
		Pests (Termites, Whiteants, etc)			
		Rubbish / Litter			
		Trees or branches causing problems			
		Vandalism			



Building Check List	Certificates	Certificate of Compliance (Electrical, Gas, Water)			
		Provide Meter Number to Technical Services, Sustainable Energy Coordinator			
		Certificate of Occupancy			
		Certificate of Compliance with Maintenance Procedures For Essential Safety Provisions			
		Certificate of Compliance with Essential Safety Provisions (may need to be authorised by multiple parties ie; emergency lighting - electrical contractor, fire hose reels - fire contractor, etc)			
		Trade Waste approvals and discharge permits			
		Environment & Hazardous material Reports			
		Plant Certification Test and Commissioning Results (List provided with Certificates at hand-over)			
	Testing & Documentation	Keys (List provided with tagged Keys at hand-over)			
		Furniture (List provided at hand-over for checking; although earlier check possible)			
		Servicing Schedules (List provided at hand-over with schedules, unless contained in manuals)			
		Fire Protection Equipment (List provided with all test certificates at hand-over.)			
Building Check List	Testing & Documentation	Security Alarm System (List provided with test certificates at hand-over)			
		Access Control System (List provided with test certificates at hand-over)			
		Fuel Tanks and Gas Storage (Pressure certificates provided at hand-over.)			
		Suppliers (List and samples provided at hand-over)			
		Fixed Plant and Equipment (FP&E list provided with Certificates at hand-over)			
		As Constructed Drawings, Finishes Schedule & CCTV (To be provided within 30 days of Practical Completion, with digital data.)			
		Defects (Outstanding Defects or outstanding works to be finalised prior to hand-over: confirm on hand-over. Additional defects identified at handover. Contractor to be advised of time period for rectification.)			
Contractor Management	Contractor Checklist	Bank Guarantees/Retention released			
		Training of equipment / facility familiarisation with occupants & maintenance personnel			
		Final accounts paid			
		Returned borrowed keys to Depot			

All documentation to be stored in ECM within the Project Index, Property Index and Contract Index			
Inspection Officers Sign Off:			
Projects Representative Name:		Projects Representative Signature:	
Maintenance Representative Name:		Maintenance Representative Signature:	
Any other information			

<b>ITEM</b>	4.2.4
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	09 October 2018
<b>HEADING</b>	Audit Committee Self-Assessment
<b>AUTHOR</b>	Janet Crook, Risk & Governance Program Manager, CEO and Governance
<b>CITY PLAN LINKS</b>	4.2 Develop strong capability and commitment to continually improve Council's performance.
<b>SUMMARY</b>	Best practice indicates that the performance of the Audit Committee should be reviewed on a regular basis. The Committee approved the process for its self-assessment at the July 2018 meeting. A self-assessment questionnaire was issued to all members of the committee, who completed and returned it to the Risk & Governance Program Manager. This report summarises the results from the completed questionnaires.

## **RECOMMENDATION**

1. That the outcomes of the self-assessment questionnaire be accepted and noted.

## **ATTACHMENTS**

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

1. Audit Committee Self Assessment Questionnaire Jan 2017 to Jun 2018

## **1. BACKGROUND**

- 1.1 It is a facet of good governance that committee performance is regularly reviewed. To that end the City of Salisbury ("CoS") has adopted a self-assessment approach for assessing the performance of the Audit Committee of Council. At its July 2018 meeting the Committee approved the self-assessment process and the questionnaire (see Attachment 1) was issued to all members of the Audit Committee. Subsequently the Audit Committee members completed and returned the questionnaire to the Risk & Governance Program Manager. This report summarises the findings and issues identified in the returned questionnaires.

## **2. REPORT**

- 2.1 The self-assessment questionnaire is divided into seven sections dealing with the structure and operations of the Audit Committee. Each section has a series of questions followed by a rating box and space for comments / suggestions for improvement. The questions are rated by either answering a Yes/No question or selecting from a series of answers numbered 1 to 4. The findings and issues

identified, listed by section, including where a respondent has asked a question or made a suggestion for improvement are set out below.

2.1.1 **Section A – Establishment of the Committee.** This section contains questions regarding the adequacy of the terms of reference, the skills and understanding of the Audit Committee as a whole and the integrity of the Committee.

- All members agreed that the terms of reference, skills and integrity of the Committee were adequate.
- One comment was that the financial literacy of some Committee Members could be improved and that, potentially, additional training could be provided which would be beneficial. Following the election process in November 2018, training for Committee members can be considered, should that be the desire of the Committee.
- A question was asked as to whether the Audit Committee pre-approves all internal audits or are engagements made and the Committee informed afterwards. The Audit Committee approves the Audit Plan. Where an internal audit is outsourced to an external provider, a tender process is followed to appoint the provider. The Audit Committee is notified of the provider after the tender process has been completed.
- A comment was made that the independent members have more skills but the councillors are savvy enough to keep up to speed and their knowledge of Council helps.

2.1.2 **Section B – Meetings.** Questions in this section focus on meeting arrangements, procedures, participation and effectiveness.

- The CoS has a set of Council endorsed meeting procedures that apply to all Council and Standing Committee meetings, such as the Audit Committee. All members understand the procedures and agreed that they are effective and ensure the smooth operation of the Committee.
- Occasionally the scheduling of the meetings conflict with other meetings for elected members. A comment indicated that having the CEO Review Committee meeting prior to the Audit Committee meeting was not appropriate as, on one occasion, it caused a delay to the Audit Committee. One comment displayed displeasure with the 6:30pm time slot. This issue can be considered when setting the schedule for 2019.
- Another comment was that a very healthy level of discussion is had, that everyone appears comfortable to contribute and no-one seems to hold back.
- With regard to the appropriateness of the written documentation provided to the Committee, one comment was that a few Internal Audit reports have been delayed or the management response does not fully reflect management's view on the risk of the Internal Audit findings. The Administration has recognized the delay of some Internal Audits and provided reasons to the Audit Committee.

It has been noted that improved communication about the reasons for delays on internal audits should be provided to the Audit Committee.

- The Administration has been encouraged to focus on brevity and clarity in its written documentation.
- Audit Committee meetings are effective. It was noted that the key for effectiveness for one respondent was that everyone contributes and that staff take on board comments constructively.
- A comment indicated that meetings can take too long. Effort is being put into ensuring that reports to the Audit Committee are comprehensive and informative. Recommendation wording has been critically considered to ensure that the recommendations put to the Audit Committee are positive and proactive. It is intended that improved reporting to the Audit Committee will result in more efficient meetings.

2.1.3 **Section C – Internal Audit.** This section has questions on the role of, and access to, the internal audit function as well as activities and information in the Internal Audit Plan.

- There was some confusion regarding the Audit Committee's access to the internal audit function. The Audit Committee is entitled to have access to the internal audit function, and can make contact with the Internal Auditor as necessary. A recruitment process is underway to appoint an Internal Auditor & Risk Coordinator following the resignation of the Business Analyst Internal Audit & Risk in May 2018. That process is ongoing.
- It was agreed that the internal audit plan activities address areas of concern and provide assurance to Council. The activities are developing, evolving and improving. It was mentioned that it would be good to get another elected member's perspective after the Council elections.

2.1.4 **Section D – External Audit.** This section centres on the access the Committee has to the external auditor, the information provided by the external auditor and any subsequent discussion between the Committee and the external auditor.

- There was some confusion regarding the Audit Committee's access to the external auditor. Section 126(4)(b) of the *Local Government Act 1999* provides that the functions of the Audit Committee include liaising with the council's auditor. The Committee also meets with the external auditor, in camera, once per year.
- There was agreement from all members of the Committee that the information provided by the external auditor was understood. It was also agreed by the Committee that significant findings from the work of the external auditor were discussed.

2.1.5 **Section E – Financial Oversight.** Questions in this area address whether the annual financial statements reflect accounting principles and are

complete and consistent, as well as questioning whether significant accounting and reporting issues are considered by the Committee.

- It was agreed that the Committee assesses whether the annual financial statements reflect appropriate accounting principles and are complete and consistent with the operations of the CoS.
- A comment was made that in FY17 there was minimal discussion of the impact of significant transactions on the financial statements.

2.1.6 **Section F – Risk Management.** This section assesses whether there is an effective risk management framework and senior management risk culture. It also assesses whether the Committee understand and discuss significant organisational risks.

- All members agreed that there is an effective risk management framework, that senior managers take responsibility for risks and that the Committee understands and discusses significant risks.
- One comment stated that the risk management framework at CoS appears to be evolving and improving and should continue to focus on addressing key risks. As part of the Risk and Governance Program, CoS is focusing on developing a consistent, usable risk management framework to encourage and inform risk management. This includes ongoing updating and review of the Strategic Risk Register and development of operational risk registers.
- Other comments recognized that the risk management framework has been the topic of much debate and scrutiny and that issues presenting significant risk to the organization have been discussed.

2.1.7 **Section G – Oversight of Other Activities.** This section assesses the system for reviewing outstanding actions and whether there were any further topics that the Committee should have oversight of.

- The members accepted that the system for reviewing outstanding actions is adequate. One comment mentioned that some items take too long to come back. Another comment recognized that, as discussed at recent meetings, items should be tracked in a standing paper. This has been addressed by establishing the Actions List report which contains a list of actions taken from previous Audit Committee meetings.


### 3. CONCLUSION / PROPOSAL

3.1 Overall the Audit Committee members were satisfied with the performance of the Audit Committee in each of the sections reviewed. Some comments and suggestions for improvements were made in the questionnaires and these have been addressed in the body of this report.

### CO-ORDINATION


Officer:

Date:

	<b>31 January 2017 to 30 June 2018</b>
<b>Audit Committee of Council Self-Assessment Questionnaire</b>	


Please complete this questionnaire based on your views as a member of the Audit Committee of Council. Where a “No” rating, or a rating of 3 or 4, is provided please include comments/information that quantifies your response. Results from the self-assessment questionnaire will be used to identify areas for development/improvement in the operations of the Audit Committee.

Section A – Establishment of the Committee		Rating	Comments / Suggestions for Improvement
1.	Do the Terms of Reference of the Committee provide clear information on the role and functions of the Committee and its oversight responsibilities on behalf of Council?	Yes / No	
2.	Are Committee Members’ qualities (i.e. financial literacy and skills, understanding of City of Salisbury, industry and capital markets) as a whole, appropriate to discharge the Committee’s oversight responsibilities on behalf of Council?	Please rate: 1. Completely appropriate 2. Mostly appropriate 3. Somewhat appropriate 4. Not appropriate	
3.	Do Committee Members demonstrate the highest level of integrity (including maintaining the utmost confidentiality and identifying, disclosing and managing conflicts of interest and acting appropriately where conflicts or interests arise)?	Yes / No	


	31 January 2017 to 30 June 2018
<b>Audit Committee of Council Self-Assessment Questionnaire</b>	

Section B – Meetings		Rating	Comments / Suggestions for Improvement
1.	Are arrangements for Committee meetings appropriate (i.e. frequency, time of day, duration, venue, location and format)?	Please rate: 1. Completely appropriate 2. Mostly appropriate 3. Somewhat appropriate 4. Not appropriate	
2.	Does the Committee ensure that appropriate internal and external stakeholders attend meetings as necessary (e.g. CEO, GM Business Excellence, external audit representative, etc.)?	Yes / No	
3.	Do all members of the Committee participate actively and constructively during meetings (i.e. Members disagree without being disagreeable, assumptions are constructively challenged, views are skilfully explored, differences of opinion are appropriately acknowledged and resolved, and consent is forged)?	Yes / No	




	31 January 2017 to 30 June 2018
<b>Audit Committee of Council Self-Assessment Questionnaire</b>	

Section B – Meetings		Rating	Comments / Suggestions for Improvement
4.	Is the written documentation (e.g. meeting agendas, reports, minutes and supporting documentation) provided to the Committee appropriate (i.e. clearly explains matters to be dealt with, is aligned to strategic directions and business plans, is distributed and followed up in a timely manner)?	Please rate: 1. Completely appropriate 2. Mostly appropriate 3. Somewhat appropriate 4. Not appropriate	
5.	Do separate private meetings without Management contribute to the Committee's effectiveness (e.g. with Internal Audit, External Auditors, with only committee members or with any external advisor, as needed or appropriate)?	Yes / No	
6.	Do you fully understand the meeting procedures and processes in place at the City of Salisbury to ensure the smooth operation of the Audit Committee?	Yes / No	

	31 January 2017 to 30 June 2018
<b>Audit Committee of Council Self-Assessment Questionnaire</b>	


Section B – Meetings		Rating	Comments / Suggestions for Improvement
7.	Do you consider meetings to be effective? – if not, please provide details and include how they could be improved.	Please rate: 1. Completely effective 2. Mostly effective 3. Somewhat effective 4. Not effective	

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

	31 January 2017 to 30 June 2018
<b>Audit Committee of Council Self-Assessment Questionnaire</b>	


Section C – Internal Audit		Rating	Comments / Suggestions for Improvement
3.	Do the activities in the internal audit plan address areas of concern and provide assurance to Council?	Please rate: 1. Fully address areas of concern and provide assurance 2. Mostly address areas of concern and provide assurance 3. Somewhat address areas of concern and provide assurance 4. Do not address areas of concern and provide assurance	
4.	Do you receive sufficient information regarding internal audits and activities in the internal audit plan? If not, what further information would you like to receive?	Yes / No	

Section D – External Audit		Rating	Comments / Suggestions for Improvement
1.	Do you have direct and unrestricted access to the external auditor?	Yes / No	
2.	Do you understand the information being presented to you by the external auditor? If	Yes / No	

	31 January 2017 to 30 June 2018
<b>Audit Committee of Council Self-Assessment Questionnaire</b>	


Section D – External Audit		Rating	Comments / Suggestions for Improvement
	not, what further information would assist with your understanding?		
3.	Does the Committee discuss significant findings from the financial and internal controls audits with the external auditor?	Yes / No	

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

	31 January 2017 to 30 June 2018
<b>Audit Committee of Council Self-Assessment Questionnaire</b>	

Section F – Risk Management		Rating	Comments / Suggestions for Improvement
1.	Is the Committee satisfied that there is an effective risk management framework in place at the City of Salisbury? If not, what actions should be taken to address this?	Please rate: 1. Completely satisfied 2. Mostly satisfied 3. Somewhat satisfied 4. Not satisfied	
2.	Does the Committee assure itself that the Chief Executive Officer and General Managers take personal responsibility for risk identification and control?	Yes / No	
3.	Does the Committee understand and discuss issues which present significant risks to the organisation?	Yes / No	

Section G – Oversight of Other Activities		Rating	Comments / Suggestions for Improvement
1.	Do you believe that the system for reviewing outstanding items arising from external or internal audit reports is efficient and effective? If not, why not and what could be done to improve it?	Please rate: 1. Completely efficient and effective 2. Mostly efficient and effective	

	31 January 2017 to 30 June 2018
<b>Audit Committee of Council Self-Assessment Questionnaire</b>	

Section G – Oversight of Other Activities	Rating	Comments / Suggestions for Improvement
	3. Somewhat efficient and effective 4. Not efficient and effective	
2. Is there anything further that you believe the Audit Committee should have oversight of in order to fulfil its obligations under the Terms of Reference? If Yes, please be specific regarding your expectations.	Yes / No	

Name

Signature

Date

<b>ITEM</b>	4.2.5
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	09 October 2018
<b>HEADING</b>	Update on the Risk Management and Internal Controls Activities
<b>AUTHOR</b>	Janet Crook, Risk & Governance Program Manager, 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 an update on the risk management and internal controls activities conducted in the 2018-19 financial year. The report also includes an update on the outstanding actions from internal audits.

### RECOMMENDATION

1. The information be received.
2. The Update on Risk Management and Internal Controls Activities, as set out in Attachment 1 to this report (Item 4.2.5, Audit Committee, 9/10/2018) be endorsed for approval by Council.
3. The Audit Committee notes the update on outstanding actions from completed Internal Audits, as set out in Attachment 5 to this report (Item 4.2.5, Audit Committee, 9/10/2018).

### ATTACHMENTS

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

1. Risk Management and Internal Controls Activities update for 2018/2019
2. Management Response to Business Continuity Test 2018
3. 2017 Risk Evaluation Summary Report
4. 2017 Risk Evaluation Summary report - Management response
5. Outstanding actions arising out of completed internal audits

### 1. BACKGROUND

- 1.1 This report provides an update on risk management and internal controls activities in the 2018/2019 financial year. The report allows the Audit Committee to monitor and review the activities and the assurance they provide.

### 2. REPORT

- 2.1 Attachment 1 is a summary of the risk management and internal controls activities to be undertaken in the 2018/2019 financial year. The plan was endorsed at the July 2018 meeting of the Audit Committee.

- 2.2 The following activities have been updated since they were last reviewed by the Audit Committee in July 2018:
- 2.2.1 The External Audit of financial internal controls and Cash Management actions have been completed.
  - 2.2.2 The Audit Committee self-assessments have been completed and the results are presented in a separate report on the agenda for this Audit Committee meeting.
  - 2.2.3 **Business Continuity Test**
  - 2.2.4 CoS has in place a range of documentation designed to inform the organization on the actions to take during a business continuity event, namely: Business Continuity Policy, Business Continuity Procedure, Incident Management Team (“IMT”) Command Plan and Business Continuity Plans for those areas of the business deemed to be a critical business process.
  - 2.2.5 On 30 May 2018 the LGRS facilitated a test of the Business Continuity framework with the IMT. A variety of high consequence / low frequency scenarios were presented to the IMT which were designed to encourage the IMT to use the business continuity plans to respond to the events. The exercise was designed to validate the Business Continuity Framework and provide assurance on the strategic risk “inadequate preparation of and response to a business continuity event”.
  - 2.2.6 Following the conduct of the scenarios, the LGRS prepared a report containing recommendations and observations. The IMT was also encouraged to provide feedback on the session. The recommendations and observations from the report and the feedback from the IMT were documented and considered by the IMT in a debrief session. The results of the report and the debrief are summarized below:
    - The business continuity documents making up the business continuity framework, as they currently appear, require a comprehensive review in order to make them easier to follow, more user friendly, less repetitive, and up to date;
    - As part of the review, identify the positions within each department which currently have the ability to operate remotely and locations where other staff are able to operate from in a loss of building scenario. Consideration should be given to ensuring that positions required in a business continuity event have the ability to operate remotely;
    - Once the review has been completed, consideration must be given to the manner in which the framework documents will be stored and continually updated. It has been recognized that all of the documents are not currently available in one centralized location;



- It was recognized that the participation and collaboration of the IMT members was excellent, as was the consideration for periodically re-assessing where the IMT was up to in terms of actions identified, closed out and identification of open actions. That having been said, recommendations and feedback were received about ways to use whiteboards to capture and update events in real time.
- 2.2.7 The LGRS report found that the CoS' planning and response capability in relation to the strategic risk "*Inadequate response to a business continuity event*" is adequate.
- 2.2.8 The recommendations and observations from the report and the feedback from the IMT have been documented into one report which appears as Attachment 2. The actions will be progressed.
- 2.2.9 **Local Government Association Mutual Liability Scheme Risk Evaluation**
- 2.2.10 The Local Government Association Mutual Liability Scheme and Workers Compensation Scheme undertake a biannual risk evaluation review of each member's risk management systems to determine conformance with local government industry agreed sector baselines and other relevant external performance requirements. This is the first year that the summary report has been presented to Council as a combined evaluation of Risk, WHS and Injury Management. The results of the evaluation are provided in a summary report. The 2017 Risk Evaluation Summary report ("the Report") appears as Attachment 3. Only the results as they pertain to the Risk Management System review are being presented to the Audit Committee. The WHS and Injury Management sections have been independently considered and presented to the Executive Group. The WHS System Evaluation Findings identified one non-conformance relating to hazard management process in the workshop at the Operations Centre. This has been addressed through an external consultant as the competent person conducting a review of all machinery in both the carpenter and mechanical workshops and provided a report. Based on the report, an action plan was developed by the WHS team in consultation with the relevant Divisional Managers and actions are on track to be completed by 30 November 2018.
- 2.2.11 Overall, it was recognized that CoS has a risk management framework in place, but that the framework is not fully implemented across all Council functions. It was noted that the other areas within the scope of the Risk Management section appear to be well managed. Most of the opportunities for improvement noted had already been recognized and were in progress for completion.
- 2.2.12 The Report identifies opportunities for improvement in relation to the CoS Risk Management Systems, Roads and Footpaths, Planning and Development Administration, and Tree Management. The recommendations have been considered by the Administration. Management response to the Report appears in Attachment 4.

**2.2.13 Financial Internal Controls 2017/2018**

2.2.14 The assessment and review of CoS' Financial Internal Controls and Risks has been completed.

2.2.15 CoS utilizes Control Track to store its financial internal controls and risks and perform the assessments on the effectiveness of those internal financial controls. CoS currently utilizes 372 controls within Control Track across six categories: Strategic Financial Planning, Assets, Liabilities, Revenue, and Expenses.

2.2.16 The total number of controls assessed in 2017/2018 was 372. Of those controls, 369 were assessed as having an effectiveness rating of four or five. Two controls were assessed as having an effectiveness rating of three.

2.2.17 Where a control receives a rating of three or below, an action plan is recorded. Action plans were identified for the following controls:

- "Formal disaster recovery plan adopted by Council or Senior Executive."

This is a control for the risk "Data within the General Ledger is permanently lost." That risk is rated residually Low. The action plan is for the disaster recovery plan to be reviewed in line with the actions from the recent audit of Business Systems & Solutions. The due date for the relevant actions identified in the Business Systems and Solutions audit is 30 April 2019.

- "Insurance coverage of relevant capital items is regularly reviewed."

This is a control for the risk "Fixed assets are inadequately safeguarded." That risk is rated residually Low. The action plan is for Governance to work with City Infrastructure to introduce a mechanism of notification when new assets are purchased or developed. An initial meeting has been held with relevant stakeholders.

2.2.18 One control was assessed as not applicable. That control is "money collected on behalf of other organisations should be covered by written agreement clearly stating responsibilities." This is a control for the risk "Receipts are either inaccurately recorded or not recorded at all". That risk is rated residually Low. The control is not applicable at this stage, however from 1 July 2018 Council will potentially receive payments for Dog and Cat Management online.

2.2.19 The total number of risks reviewed in 2017/2018 was 89. Of those risks, one was residually rated High, and eight were residually rated Medium. The remainder were rated Low. The High risk falls within the Revenue category and relates to Grants. The risk is "Council loses recurrent Grant funding to provide existing service".

**2.3 Outstanding Actions from Completed Internal Audits**

- 2.3.1 Attachment 5 to this report provides an update on the status of all agreed action items arising from completed internal audits.
- 2.3.2 Progress against all outstanding actions is monitored, with regular updates sought from the relevant divisional managers.

**3. CONCLUSION / PROPOSAL**

- 3.1 This report has provided a summary of the risk management and internal controls work to be conducted in the 2018/2019 financial year, including the outstanding actions from the Internal Audits. The next update will be provided at the next meeting of the Audit Committee.

**CO-ORDINATION**

Officer:

Date:



Risk Management and Internal Controls Activities – July 2018 to June 2019

v1.1

Annual Plan - July 2018 to June 2019					
Activity	Type of Activity (Risk Management or Internal Controls)	Resourcing (Internal, External, Co-sourced)	Status: Completed, In progress, Not yet commenced	Rationale for piece of work	Update on progress
External Audit of financial internal controls	Internal Controls	External	Completed	This piece of work is legislatively mandated. Internal audit is heavily involved in facilitating the work.	The final report from the external auditors was delivered at the October 2018 meeting of the Audit Committee as a separate report.
Cash Management	Internal Controls	Internal	Completed	This work needs to be completed annually as a part of the financial internal controls framework; it includes the end of year reconciliations of petty cash and till floats.	The petty cash and till float reconciliations were performed in July 2018 for the 2017/2018 period to substantiate the information to be contained within the 2018 Annual Financial Statements. A memo to the GM, Business Excellence was prepared. No significant issues were identified.
Report on the findings of the Audit Committee self-assessments	Internal Controls	Internal	Completed	The annual self-assessment reviews the performance of the Audit Committee.	The Audit Committee members completed the self-assessment questionnaires and the results were presented at the October 2018 Audit Committee meeting as a separate report.
Update to the latest version of the Control Track system	Internal Controls	Internal	In progress	The Control Track system is used by the City of Salisbury to assess and review both financial risks and financial internal controls, a new version of this system has been released and support for the existing version has not been officially confirmed beyond the end of the last financial year.	A meeting was held between Manager Governance, Risk and Governance Program Manager and the Product Manager from Control Track on 26 September 2018 to discuss updating to a more recent version of Control Track.

Risk Management and Internal Controls Activities – July 2018 to June 2019

v1.1

Annual Plan - July 2018 to June 2019					
Activity	Type of Activity (Risk Management or Internal Controls)	Resourcing (Internal, External, Co-sourced)	Status: Completed, In progress, Not yet commenced	Rationale for piece of work	Update on progress
Review the Fraud and Corruption Prevention Strategy	Internal Controls	Internal	In progress	The Fraud and Corruption Prevention Strategy needs to be reviewed because it has been some time since it was last reviewed and it needs to be updated to reflect changes in legislation.	Work has begun on a revised framework and policy, however the work has been paused because it needs to reflect the act that will arise from the South Australia <i>Public Interest Disclosure Bill 2018</i> .
Assisting in the completion of the Local Government Association Mutual Liability Scheme (LGA MLS), biennial Risk Assessment on the City of Salisbury	Risk Management and Internal Controls	Internal	Completed	The LGA MLS have now changed to a biennial Risk Evaluations of Council's risk management frameworks and associated processes, procedures and controls. These evaluations are compulsory for all Councils in South Australia.	The LGA MLS Risk Evaluation was conducted in November 2017 and the final report was issued. The Administration formulated responses to the considerations identified and those management responses were presented to the Executive Group. The report and responses have formed part of the Risk Management Activities update to the October 2018 Audit Committee meeting.
Completion of Control Self-Assessments and Risk Assessments through the Control Track system, including external audit preparation	Internal Controls	Internal	Not yet commenced	The external auditor's expectations are that at least one control self-assessment will be conducted annually and a risk assessment should also be conducted on financial internal controls.	

Risk Management and Internal Controls Activities – July 2018 to June 2019

v1.1

Annual Plan - July 2018 to June 2019					
Activity	Type of Activity (Risk Management or Internal Controls)	Resourcing (Internal, External, Co-sourced)	Status: Completed, In progress, Not yet commenced	Rationale for piece of work	Update on progress
Review of Business Continuity corporate documentation	Risk Management	External	Not yet commenced	Following the BCP Test conducted in May-June 2018 it has been determined that a comprehensive review of City of Salisbury's business continuity documentation should be conducted.	
Develop documented risk management framework	Risk Management	Internal	In progress	Contributes to the vision of having an organisation wide, consistent, usable risk management framework to encourage and inform risk management.	Scope of Work developed with LGRS Strategic Risk Services Team
Develop Operational Risk Register	Risk Management	Internal	In progress	The Operational Risk Register forms a part of the Risk Management Framework at the City of Salisbury.	Forms part of the Scope of Work developed with LGRS Strategic Risk Services Team





## BUSINESS CONTINUITY PLAN EXERCISE REPORT

### Detailed Findings

Recommendations	Management Response	Proposed Actions	Responsibility	Due Date
<p>1. Consider diagrammatically representing the relationship of the various plans which make up the BCM Framework (in the IMT Command Plan) to ensure people are quickly able to understand where each document fits in relation to the others, its purpose and who is responsible for referring to the plan in response.</p> <p><i>(Relates to Observations - 2, 3, 4)</i> <i>(Relates to IMT Feedback – 5, 8, 17)</i></p>	<p>Accepted.</p> <p>Feedback from the IMT members following the test was that the documents are cumbersome to use in a practical way as an event is unfolding. The format of the plans will be revised and will include easy to follow information describing how the documents operate in relation to each other.</p> <p>Also, a comprehensive review will be undertaken on the suite of documents making up the business continuity framework.</p>	<p>Conduct a comprehensive review of the suite of documents making up the business continuity framework, including the implementation of a diagrammatic representation of the relationship between the documents in the framework.</p>	<p>Risk and Governance Program Manager and relevant staff from across the organisation.</p>	<p>30 June 2019</p>
<p>2. Consider aligning the Escalation Model in Section 2 of the Communications BCP Response with the CoS Consequence Ratings Table in the Audit Report Template (pg. 3). Have one Consequence Table for all of CoS and include modified table in the IMT Command Plan and as part of any BC/risk/safety training.</p> <p><i>(Relates in part to Observation - 2)</i> <i>(Relates to IMT Feedback – 5, 8, 17, 19, 22)</i></p>	<p>Accepted.</p> <p>City of Salisbury is embarking upon a Risk Management Program to design and implement a whole-of-organisation program to systemically improve our internal decision making processes, promote a proactive risk management approach and develop a culture of awareness and encourage ethical behaviours. Included in the program will be a revision of our current risk management</p>	<p>Conduct a review of the current risk management documentation and consider having one consequence table for all of CoS.</p>	<p>Risk and Governance Program Manager and representative from People and Culture</p>	<p>30 June 2019</p>

Recommendations	Management Response	Proposed Actions	Responsibility	Due Date
	framework documentation and a move to consistently employing risk management practices across the organisation.			
3. Consider reviewing with NAWMA their contingencies for business interruption events which may impact on the CoS's business objectives	Accepted. An initial meeting has been held with NAWMA's CEO and Finance & Corporate Performance Manager.	Coordinate with NAWMA to understand their contingency plans and business continuity plans.	Manager Governance	December 2019
4. Consider defining as far as practicable – which personnel within each department are able to operate remotely (i.e. have laptops or remote log in capability to perform their roles), or other locations where other staff can operate from (for a loss of building scenario) and include this in the existing appendix to the 'Loss of Facilities' sub plan to help guide this type of scenario.  <i>(Relates to IMT Feedback – 3, 6, 8, 11, 12, 17, 22)</i>	Accepted. This will form part of the review of the business continuity framework, especially the business continuity plans. A review needs to be performed which identifies the number of staff from each area which will be required in business continuity scenarios to ensure that critical actions continue to be performed during an event. This process was performed when the business continuity plans for critical business areas were developed, and needs to be revisited.  In addition to determining the staff required during an interruption, a review will be performed to determine where those staff will be relocated to in circumstances where a building has been lost. Remaining staff will be sent home.	Conduct a review of the suite of documents making up the business continuity framework, including performance of a business impact analysis.	Risk and Governance Program Manager and Divisional Managers	30 June 2019
5. Move Appendix 7 (Current Business Continuity Plan Heat Map) to the front of the IMT plan where it is more visible, as this will help the	Accepted	Conduct a review of the suite of documents making up the	Risk and Governance Program Manager	30 June 2019

Recommendations	Management Response	Proposed Actions	Responsibility	Due Date
<p>IMT to identify priorities early.  <i>(Relates to Observation. 4)</i>  <i>(Relates to IMT Feedback – 5, 8, 17, 19)</i></p>		business continuity framework. Include in the review the currency of the Maximum Acceptable Outage definitions and the location of this information in the IMT Command Plan.	and Divisional Managers	
<p>6. Consider removing much of the ‘contextual/preamble’ information at the start of each BCP and IMT Command Plan. This could either be placed at the back of each of the documents or used in a PowerPoint presentation as part of an annual planned training exercise for relevant staff; (as one example, elements within pages 1-5 of Communications BCP (as well as others)).  <i>(Relates to Observation. 4)</i>  <i>(Relates to IMT Feedback – 5, 8, 17)</i></p>	<p>Accepted</p> <p>Feedback from the IMT members following the test was that the documents are cumbersome to use in a practical way as an event is unfolding. The format of the plans will be revised to ensure ease of use.</p> <p>Also, a comprehensive review will be undertaken on the suite of documents making up the business continuity framework.</p>	Conduct a review of the suite of documents making up the business continuity framework, including giving consideration to restructuring the documentation to make it more user friendly.	Risk and Governance Program Manager	30 June 2019
<p>7. Consider any opportunity to reduce the word/page count in each of the plans to be purely a response document and easier to refer to in a crisis.  <i>(Relates to Observation. 4)</i>  <i>(Relates to IMT Feedback – 3, 5, 8, 17)</i></p>	<p>Accepted.</p> <p>Refer commentary for previous recommendations.</p>	Conduct a review of the suite of documents making up the business continuity framework, including giving consideration to restructuring the documentation to make it more user friendly	Risk and Governance Program Manager	30 June 2019

Recommendations	Management Response	Proposed Actions	Responsibility	Due Date
8. As there appeared to be a number of assumptions made about the capability of IT processes to recover quickly etc. in the scenario; if not already done, consider an independent review/test of Council's ITDR plan.	Accepted. This action has already been identified from a separate review and will be addressed	Actions identified from a separate review will be completed.	Team Leader, Information Technology Services	30 April 2019
9. Consider the ability to document 'actions' from IMT discussions on a whiteboard or A1 posters (within a predefined template – <i>i.e. what is the action, who, complete?</i> ) so all IMT members can keep on top of current and completed actions at once – include in relevant responsibility statement.  (Relates to Observations. 3, 5) (Relates to IMT Feedback – 2, 19)	Accepted. Feedback received from an IMT member was that better use should be made of whiteboards to trigger or capture outcomes. Consideration can be given during the review of the business continuity framework documentation to developing a template for the recording of actions, however I note that each of the business continuity plans have an Event Log included as an attachment to the plan. The plans state that the Event Log is to be used to record information, decisions and actions taken when a disruption has occurred.	Develop a template / review Event Log documentation and produce large scale copies.	Risk and Governance Program Manager	30 June 2019

## Observations

No.	Observation
1.	Excellent participation from all IMT members.
2.	As each new scenario emerged there was some opportunity for the IMT to ask follow up questions to ensure as many 'facts' were gained as possible and as 'clear a picture as possible' was formed on the incident details before moving to response mode.
3.	Excellent delegation from IMT Lead to team members during the scenarios which allowed him to maintain perspective and avoid getting bogged down in the 'doing'.
4.	A better 'working knowledge of the various BC plans would make it easier for relevant IMT members to refer to them (not rely) in a crisis; ensuring nothing is missed or forgotten as response strategies are developed.
5.	Excellent consideration for periodically reassessing / recapping where the IMT was up to in terms of actions identified, closed out and identification of any further open actions.
6.	IMT members predominantly received and held phone conversations within the EOC room. This may be more challenging in a real event with multiple conversations occurring at once but would likely be addressed by the IMT if the situation became untenable (i.e. all phone calls to be conducted out of the room).
7.	Excellent collaboration within the team – sharing ideas and challenging many of the assumptions made.

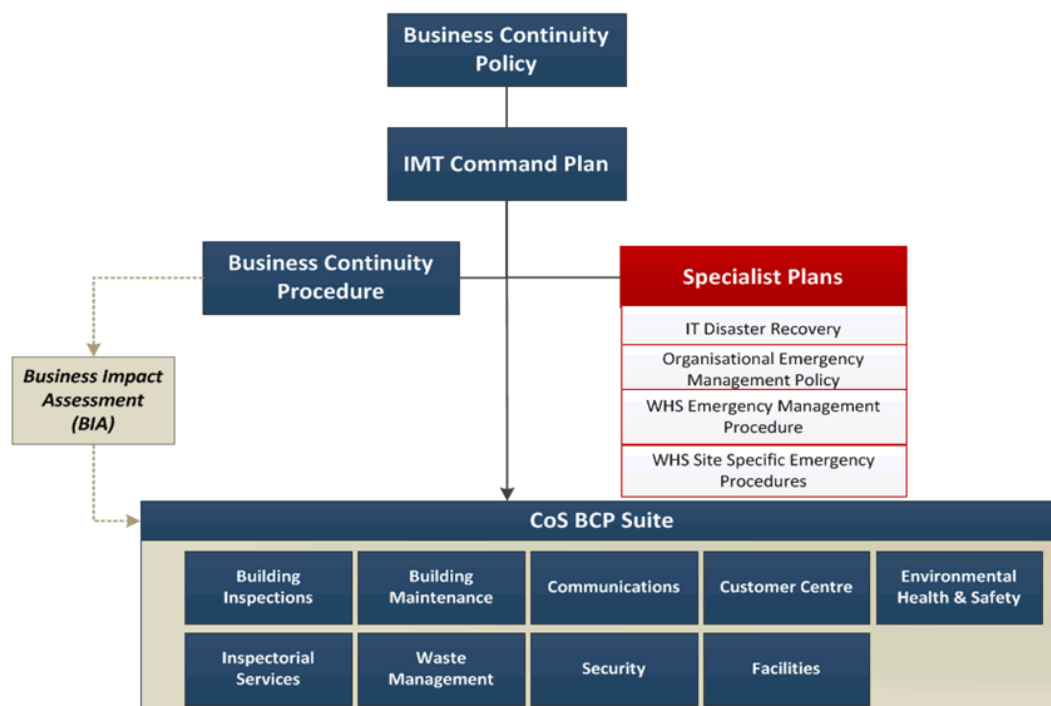
## IMT Feedback

No	Comment	Relevant Finding
1.	Name used of staff member - should use fictional names	
2.	Make better use of whiteboards to trigger or capture actions. Use whiteboards by having templates of action plans projected onto screens, and updated as events unfold. Action items can be progressed and closed out in real time.	9
3.	Documents are out of date in terms of people's names. Names and position titles should be updated	4, 7
4.	Documents on intranet are incomplete – need to have a full set. Consider how the documents are stored and made available to all staff – in a cloud based system, Skytrust, on USBs, Cosi, OneDrive...	
5.	Documents are cumbersome to use in a practical way as an incident is unfolding. Consider including hyperlinks in the documents for easy manoeuvring between documents.	1, 2, 5, 6, 7
6.	Need a list of community facilities with their rooms/capability to house re-located staff for service delivery. E.g. we have mobile devices which could be used by staff temporarily	4
7.	Staff emails need to identify those staff which are not located at James Street with a particular message and those which are located at different sites with another message	
8.	All documents need updating	1, 2, 4, 5, 6, 7
9.	Contacts for our neighbouring Councils CEO's in case we want to make an approach	
10.	Letting contractors who might be attending the building know that they won't be needed e.g. for cleaning	
11.	Compile a list of phone numbers for where staff were re-deployed to maintain contact	4
12.	Ensure each GM has up to date phone numbers and contacts for all sites in case they need to deploy resources there	4
13.	Make all information easily accessible on a stick and in a folder. Consider how the documents are stored and made available to all staff – in a cloud based system, Skytrust, on USBs, Cosi, OneDrive...	
14.	Wasn't clear what we were testing. Was it people's capacity or was it the emergency planning documentation that we have? If it was the documentation (testing that anyone can pick up the document and work through it) we probably need to go through virtually line by line, scrutinize the recorded actions and correct it as we go.	
15.	Is someone authorised to purchase \$110K plus of hardware under an emergency authorisation, to source and purchase the items we need without going through a 3 week procurement process? (noting we would be insured for this and reimbursed for purchases but not for leasing).	
16.	Does everyone that is required to action anything have 24/ 7 access to the plans offsite, eg on their phone, tablet, USB, etc?	
17.	The format of the plans could be revised to ensure "essential information" and checklists are up-front in the BCPs as a ready reference, and with clear headings. In a real BCP incident that requires quick decisions and actions and will often be time-constrained it is preferable that we shouldn't need to search for the checklist or read through pages of preamble.	1, 2, 4, 5, 6, 7
18.	When using names in the scenario it would be good to not use names of real staff.	

19.	As an outcome, would be good to have a one pager (even a larger version that could be placed on a wall) of the process/flow we should be following as it's hard to refer to the guide and most of the actions were based on our own experience and what we thought was right. In the end I think we got there but it wouldn't hurt to have a summary page/flow chart of key decisions or actions we need to do as a must. I recall having some basic material in a box in the JB room for use by the EMT. It raises the situation where we couldn't get to it due to the fire but flags that we may need to have a another set available elsewhere that we can access.	2, 5, 9
20.	Update documents with Union information	
21.	Localised BCP's for all areas?	
22.	Align business continuity with the induction process to ensure that when personnel change, that information is captured in the business continuity document and the relevant staff receive training on their responsibilities in relation to business continuity. Update position descriptions to recognise business continuity responsibilities. Ensure relevant staff have access to the systems required in an event (e.g. Skytrust).	2, 4
23.	Ensure that business continuity locations are set up with spare devices that are set up with the applications necessary to operate in an event.	
24.	For future testing, consider physical test, rather than desk top. Include staff other than the IMT.	



## BUSINESS CONTINUITY MANAGEMENT FRAMEWORK



Document	Purpose
BC Policy	To establish an overarching policy for the preparation and maintenance of plans that will ensure the continued achievement of critical objectives. It provides the minimum requirements for satisfying business continuity management within the CoS.
IMT Command Plan	This plan is a centralised command plan to be used by the Incident Management Team (IMT) to guide response to an incident. It provides IMT roles and responsibilities, activation criteria and collective actions in the event of a loss of ICT, staff or facility.
Business Continuity Management Procedure	This document provides an overview of the entire framework and instructions on how to perform a Business Impact Assessment (BIA) and complete a Business Continuity Plan (BCP).
Specialist Plans	Not solely belonging to the Business Continuity Management Framework, these documents are specialist business plans that will be called on to respond to an incident. They enable Management to progress more efficiently past the initial response to an event to the Business Continuity phase.
Business Impact Assessment (BIA)	This is the process of identifying critical business processes. It involves an assessment of the impact severity if the process was not available over a period of time.
Business Continuity Plan (BCP)	A detailed plan for the continuity of each critical process identified in the BIA process. The plan will identify the Business Continuity Management Team that will be activated with the plan, contact details for all key stakeholders, process tolerances, strategies for continuity and high level checklists for navigating through four phases of event response. In some cases a BCP has been developed for processes that may be necessary to respond to an event. These BCP's have been modified with appropriate response strategies.





Mutual Liability Scheme  
Workers Compensation Scheme  
**Local Government Association**  
of South Australia

LGAWCS and LGAMLS Risk Evaluation 2017 Summary Report Template V1.0  
Issued: 16/10/2017  
R:\Governance\Audit\_Risk\Internal Audit, Risk Management and Internal  
Controls\Risk Management\LGAMLS Annual Risk Review\2017 Risk Review\JC  
Wardle\2017 City of Salisbury Risk Evaluation - Summary

## 2017 Risk Evaluation Summary Report

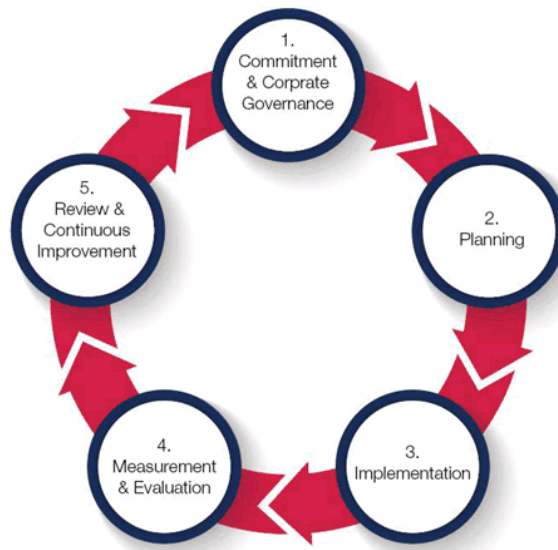
City of Salisbury  
27<sup>th</sup>-29<sup>th</sup> November  
Evaluators-Vicky Smith  
and Jo Calliss



## Risk Evaluation Overview

The LGAWCS and LGAMLS provide a Risk Evaluation service to their Members, every two years. The aim of the Risk Evaluation process is to review each Member's risk management systems (including WHS and IM) against both LG Industry agreed Sector Baselines and other external requirements (e.g. RTWSA Performance Standards for Self Insurer requirements and relevant legislation). The objective of the evaluation is to assist Members to recognise and share LG risk management excellence, identify where opportunities for system improvements exist and to work in partnership with them to implement identified improvements.

The Risk Evaluation in its current format was introduced in 2017. Please see the overview on the Members Centre for more information in relation to the structure and process.



### The summary report is structured as follows:

- An Executive Overview, which is completed by the Lead Evaluator, for both Risk and WHS/IM system aspects and briefly outlines the overall results of the evaluation and potential focus areas and recommended actions.
- A Results Table, which summarises the results for both Risk Management (RM) and Work, Health and Safety (WHS) and Injury Management (IM) components.
- The RM Evaluation Report, which includes the chosen evaluation scope, names of evaluators, summary of findings and specific recommendations for each evaluated question within the identified evaluation scope.
- The WHS and IM Evaluation Report, which includes the evaluation scope, names of evaluators, summary of findings and specific recommendations for each sub-element within the evaluation scope.
- A conclusion, which is completed by the Lead Evaluator. This aims to identify where overall system trends and issues are occurring and what may be of assistance to the Member to progress them forward.



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## 1. Executive Summary

The scope of the 2017 evaluation and results for each question and sub-element are detailed in section 2. The completed workbooks will be available in your documents in the Members Centre.

However, the following Executive Summary details identified areas of positive system performance and areas where potential improvements might be considered as part of the organisation's planning and review processes, in relation to those specific aspects tested within the RM evaluation scope.

### Risk Management

Although Council has a risk management framework in place, it is evident that it is not fully implemented across all Council functions. Implementation of the framework (and related documents and registers) should be a priority for 2018, which will assist in better identifying and managing key risk exposures.

The other areas within the scope of this evaluation appear to be well managed, with only some opportunities for improvement noted. However, in most instances this had already been recognised by Council and plans are either in place or being developed to bridge the gaps.

### Work Health and Safety

It is evident that the City of Salisbury Executive, Management and staff are committed to building a robust WHS Management System. This commitment has been apparent for many years.

There are some areas that have recently been or are being reviewed eg Emergency Management, Contractor Management and Training. The reviews are assisting Council to improve these areas of their WHS Management System.

Some other areas identified throughout the evaluation require further development ie hazard management, that is the work that was started in the development of task risk assessment for high risk activities needs to continue for the rest of the organisation.

With eleven sub-elements evaluated, five were found to be conforming, five rated as an observation with opportunities for improvement identified and one as non-conforming, due to not meeting the requirements for full implementation of a system.

### Injury Management

Council's injury management and return to work processes are up-to-date and all staff have undertaken and maintained necessary training. Employees have ready access to information relating to reporting injuries, making claims and industry service standards. Regular monitoring of claims statistics occurs. All sub-elements in the injury management and return to work set were conforming.

**Note: the recommendations made in this report are suggestions only. The responsibility sits with Council to identify sustainable system solutions that address the identified issue and meet its business needs.**



## 1.1 Table of results

### 1.1.1 RM Systems Evaluation Results

Q #	Topic Area	Question Detail (refer to hyperlinks on question numbers for results)	Baseline Met or Not Yet Met
<u>1</u>	Risk Management Systems	Has Council endorsed a Risk Management System?	Baseline met
<u>1a</u>	Risk Management Systems	Has Council implemented a Risk Management System?	Not yet met
<u>1b</u>	Risk Management Systems	What does Council's Risk Management System consist of?	Baseline met
<u>1c</u>	Risk Management Systems	Does Council have a Risk Register?	Not yet met
<u>1d</u>	Risk Management Systems	Has training been identified and provided to all persons with responsibilities and accountabilities for risk management?	Not yet met
<u>1e</u>	Risk Management Systems	Which risks has Council identified via the risk management process as the top three operational risks, in order of priority?	Baseline met
<u>2</u>	Roads and Footpaths	Does Council have systems in place to authorise or permit 3rd party alterations to a public road (non-business purposes)?	Baseline met
<u>2a</u>	Roads and Footpaths	Does the authorisation process or permit consider structures and installations for their safety and suitability?	Baseline met
<u>2b</u>	Roads and Footpaths	Does the authorisation or permit include an indemnity from the applicant to the Council?	Baseline met
<u>2c</u>	Roads and Footpaths	Does Council have an Infrastructure and Asset Management Plan that covers the management and maintenance of roads and footpaths?	Baseline met
<u>2d</u>	Roads and Footpaths	Does Council have an inspection and maintenance regime (or schedule) to inspect roads and footpaths?	Baseline met
<u>2e</u>	Roads and Footpaths	How does Council prioritise <b>roads</b> during scheduling of maintenance/-repair?	Baseline met
<u>2f</u>	Roads and Footpaths	How does Council prioritise <b>footpaths</b> during scheduling of maintenance/-repair?	Baseline met
<u>2g</u>	Roads and Footpaths	If Council has Railway Interface/s, does Council fulfil its duties as a Road Manager?	Not yet met
<u>3</u>	Planning and Development Administration	Does Council have systems in place to guide Planning and Development activities?	Baseline met
<u>3a</u>	Planning and Development Administration	Are Building Surveyors, Inspectors, Planners, Planning Officers, or Planning staff who are employed or engaged by Council accredited to provide planning advice, and assess new development applications?	Baseline met
<u>3b</u>	Planning and Development Administration	Does Council have a process in place to manage written <b>complaints</b> related to development applications and completed projects?	Baseline met
E3a	Volunteers	Does Council have systems in place for the management of volunteers?	Baseline met
E3b	Volunteers	Do these systems include central coordination to ensure consistent management of Volunteers across all areas of Council?	Baseline met





E3c	Volunteers	Does Council identify training needs and provide training to volunteers?	Baseline met
E3d	Volunteers	Are Volunteer activities or programs subject to existing risk management structures (approved activities with appropriate supervision)?	Baseline met
E4a	Tree Management	Does Council have systems in place to manage existing and new trees?	Baseline met
E4b	Tree Management	Does the system provide a process for identifying, analysing, assessing, evaluating and treating risks related to trees during development & planning, planting, and maintenance?	Baseline not yet met
E4c	Tree Management	Has Council taken "reasonable action" in response to all tree requests regarding street trees in the last 24 months?	Baseline met

### 1.1.2 WHS System Evaluation Results

Q #	Sub-Element	Sub-Element Requirements (refer to hyperlinks on sub-element numbers for results)	Conformance/Non-Conformance or Observation
2	<a href="#">1.2.1</a>	Evidence of policies and/or procedures to support the policy statement	Conformance
13	<a href="#">3.2.1</a>	The organisation must ensure a relevant training program is being implemented	Observation
14	<a href="#">3.3.2</a>	The organisation must ensure accountability mechanisms are being used when relevant	Conformance
18	<a href="#">3.7.1</a>	The organisation must ensure contingency plans are periodically tested and/or evaluated to ensure an adequate response, if required	Observation
19	<a href="#">3.8.1</a>	The organisation must ensure a hazard management process that includes identification, evaluation and control is in place	Non-Conformance
19	<a href="#">3.8.3</a>	The organisation must ensure control measures are based on the hierarchical control process	Conformance
20	<a href="#">3.8.5</a>	The organisation must ensure program(s) are in place to ensure an appropriate WHS consideration is given at the time of purchase, hire or lease of plant, equipment and substances	Conformance
21	<a href="#">3.8.6</a>	The organisation must ensure program(s) are in place to meet the organisation's duty of care for all persons in the workplace	Observation
23	<a href="#">3.9.1</a>	The organisation must ensure that the implementation of relevant inspection and testing procedures are conducted by the relevant, competent person(s)	Observation
27	<a href="#">4.1.1</a>	The organisation ensures planned objectives, targets and performance indicators for key elements of program(s) are maintained and monitored	Conformance
29	<a href="#">5.3.1</a>	The organisation ensures the system is reviewed and revised, if required, in line with current legislation, the workplace and work practices	Observation



### 1.1.3 IM System Evaluation Results

Q #	Sub-Element	Sub-Element requirement (refer to hyperlinks on sub-element numbers for results)	Conformance/ Non-Conformance or Observation
1	<a href="#">1.2.1</a>	Documented job descriptions for all injury management / RTW personnel and where relevant management, supervisors and employees.	Conformance
1	<a href="#">1.2.2</a>	Ensuring injury management personnel are competent to administer their role in a reasonable manner.	Conformance
1	<a href="#">1.2.3</a>	Ensuring the allocation of resources is appropriate for the organisations type, volume and complexity of the case load.	Conformance
1	<a href="#">1.2.4</a>	Suitability of facilities and accommodation to ensure restricted access to information, including maintaining confidentiality during interaction with injured workers and service providers.	Conformance
1	<a href="#">1.2.5</a>	A Scheme Member is required to appoint a Return to Work Coordinator (IRC) and ensure the person appointed to this role has successfully completed relevant LGAWCS training. Where this role becomes vacant, the Scheme Member is required to re-appoint an employee within 3 months and ensure the employee(s) appointed have received relevant LGAWCS training within 3 months of the appointment being made.	Conformance
2	<a href="#">1.6.1</a>	How to report a work related injury	Conformance
2	<a href="#">1.6.2</a>	The process for lodging a claim for compensation	Conformance
3	<a href="#">2.8.5</a>	Where a worker has not returned to pre-injury employment within 6 months from date of first incapacity and is not working to their full capacity, new or other employment options are considered for the worker by the Scheme Member in conjunction with the LGAWCS.	Conformance
3	<a href="#">2.8.6</a>	Where a Scheme Member does not provide suitable employment to a former work injured employee the Scheme Member notifies and consults with LGAWCS.	Conformance
4	<a href="#">4.1.1</a>	Processes are in place that monitor, measure and review the effective implementation of the injury management system and where relevant, strategies to improve performance of the injury management system are identified.	Conformance
4	<a href="#">4.1.3</a>	The Service Standards set out in Schedule 5, Part 2 of the Return to Work Act 2014 are in place.	Conformance



## 2. Risk Management Report

The evaluation of the City of Salisbury risk management (RM) system included a review of existing documentation and meeting with employees and other workers. Comments and recommendations, including action items will provide management with some suggested ways to improve their systems, however it may be appropriate to implement an alternative action and this is at the discretion of each individual organisation and their management team.

### Workers involved in the risk management evaluation process included:

- George Kendall, Business Analyst Internal Audit & Risk
- Tim Starr, Coordinator Property
- James Corletto, Team Leader Strategic Asset Management
- Savvas Ktisti – Coordinator Civil Infrastructure
- Pat Trimboli, Senior Traffic Engineer
- Chris Zafiropoulos, Manager Development Services
- Michelle Hodgson, Volunteer Development Officer
- Michael Oborn, Coordinator - Tree Services
- Denise Fowler-Banks Learning and Development Coordinator
- Bronwen Fisher Learning and Development Business Partner

### Documentation Review

The review included reviewing policies, procedures and supporting documentation within the Council's RM, and supporting organisational systems.

It should be recognised that the findings of this report should be used for planning and continuous improvement by Council of its RM Systems.





## 2.1 RM Systems Evaluation Findings

Q #	Topic Area	Question and Findings Summary
1	Risk Management Systems	<p><b>Has Council endorsed a Risk Management System?</b></p> <p><b>Outcome: Baseline met</b></p> <p>A new united risk matrix was launched in February 2017; the role of the risk matrix in the risk management framework is explained in the Risk Management Guide. The covering report and the guide were received by the Audit Committee and Council.</p> <p>The risk matrix was developed in consultation with owners and administrators of individual risk matrices (previously 6+) and endorsed by Executive and Audit Committee in February 2017, together with Risk Management Guide (based on ISO 31000) which provides guidance in its application.</p> <p>Although there is no scheduled review date noted on the Risk Management Guide, it is Council practice that policies and procedures are reviewed every two years.</p>
1a	Risk Management Systems	<p><b>Has Council implemented a Risk Management System?</b></p> <p><b>Outcome: Baseline not yet met</b></p> <p>Presentations on the new risk management framework have been given to the Executive Group and divisional managers, general managers, team leaders of City Infrastructure (which includes project management), Business Excellence, City Development and Community Development Departments, with an all-staff email to launch the new Risk Management Guide.</p> <p>Could not find any evidence of discussion of risk in last 2 council agendas. Elected members, with the exception of those on the Audit Committee, have not had training/awareness session in risk management &amp; there are no plans to provide it at this stage. Recommend re-positioning &amp; providing awareness of risk management principles/practices as a decision making framework to ensure that decision making &amp; allocation of resources is consistent with achievement of Council's objectives.</p> <p>Audit committee receive reports on risk management activities and the strategic risk register at each audit committee meeting. (The Audit Committee Minutes from November 2017 included an update on the Risk Management and Internal Controls Activities for the 2017-18 financial year and outstanding Internal Audit actions at item 4.2.5.) The risk management framework &amp; process was explained when risk management guide endorsed and audit committee have requested a risk appetite statement.</p> <p>A Risk Management e-Learning module has been developed – every new starter gets risk management training as part of induction – evidence sighted that this is occurring.</p> <p>There is some application of risk management processes in the project management area, although Council is still working towards full integration.</p> <p><b>Consider:</b></p> <ul style="list-style-type: none"> <li>• <b>Re-positioning &amp; providing awareness of risk management principles/practices as a decision making framework to ensure that decision making &amp; allocation of resources is consistent with achievement of Council's objectives</b></li> <li>• <b>Reviewing the format/content of Council reports in relation to risk management so that drives a more risk-aware decision making process</b></li> </ul>
1b	Risk Management Systems	<p><b>What does Council's Risk Management System consist of?</b></p> <p><b>Outcome: Baseline met</b></p> <p>The risk management charter outlines risk management objectives &amp; responsibilities for the risk management process; the risk management guide provides details on the process itself &amp; includes consequence &amp; likelihood ratings, risk matrix &amp; risk treatment options. Strategic risk register includes 10 strategic risks and, where applicable, treatment plans. A heat map &amp; overview is used for monitoring/reporting to Audit Committee.</p> <p>Residual risk/control effectiveness are monitored by senior management &amp; audit committee, tables in Strategic risk register are regularly revised to reflect control implementation/effectiveness.</p>
1c	Risk Management Systems	<p><b>Does Council have a Risk Register?</b></p> <p><b>Outcome: Baseline not yet met</b></p> <p>Council's strategic risk register includes potential risks resulting from failure to manage business</p>



Q #	Topic Area	Question and Findings Summary
		<p>continuity/environmental/water contamination/public health/safety events, assets, financial sustainability, strategic objectives, fraud, IT, WHS legislative compliance. Strategic risks were arrived at following sessions with executive group to identify high level risks that would stop Council from achieving objectives – initially identified 20 – 30 which have been refined to current listing, (based on level of risk and impact on the organisation and its objectives.)</p> <p>Planning/development risks are managed/reported via strategic property development/project management areas rather than in the strategic risk register.</p> <p>Finance risk register is based around internal controls, as required by the LG Act &amp; LG (Financial Management) Regulations.</p> <p>Whilst strategic risks have been identified &amp; documented, there is not yet an organisation-wide operational risk register – this is currently under development by Business Analyst – Internal Audit &amp; Risk. Business Analyst – Internal Audit &amp; Risk has initiated process of identifying operational risks with divisional managers, common themes identified need to be consolidated &amp; developed further with Executive.</p> <p><b>Consider:</b></p> <ul style="list-style-type: none"> <li>• <b>Developing organisation-wide operational risk register</b></li> <li>• <b>Identification and implementation of suitable software to enable collation of risks and controls, (particularly given Council's integrated approach to risk management)</b></li> </ul>
1d	Risk Management Systems	<p><b>Has training been identified and provided to all persons with responsibilities and accountabilities for risk management?</b></p> <p><b>Outcome: Baseline not yet met</b></p> <p>The Training Needs Analysis is based solely around WHS risk exposures, rather than strategic/organisational risk. WHS mandatory training is captured via the competency framework.</p> <p>Risk management training is occurring as a part of the rollout of ongoing development and improvement of Council's risk management framework, (delivered by Business Analyst – Risk). The focus is currently on implementing and embedding risk into new systems so a schedule for refresher training has not been developed as yet.</p> <p>Although the audit committee have been provided with information about the risk management guide prior to its endorsement, there has been no formal training for them, (although it is noted that some independent members have a strong risk management background.) Elected members have not been provided with specific risk management training.</p> <p>The risk management e-Learning module is provided to all new starters, (which is included in job training plans.)</p> <p>The People &amp; Culture team are seeking to exploit the learning management capability within Empower, which will be integrated with HR records. This is currently being scoped, with a focus on outputs/ deliverables.</p> <p><b>Consider:</b></p> <ul style="list-style-type: none"> <li>• <b>Develop a schedule for refresher training in the application of Council's risk management framework</b></li> <li>• <b>Providing training/awareness session to elected members about Council's risk management framework</b></li> <li>• <b>Including development &amp; maintenance of skills &amp; knowledge of risk management in the new training needs/planning process</b></li> </ul>



Q #	Topic Area	Question and Findings Summary
1e	Risk Management Systems	<p><b>Which risks has Council identified via the risk management process as the top three operational risks, in order of priority?</b></p> <p><b>Outcome: Baseline met</b></p> <p>Highest focus is given to risks that may impact on Council achieving its strategic objectives.</p> <p>Top 4 risks listed as:</p> <ul style="list-style-type: none"> <li>• Inadequate preparation and response to a business continuity event</li> <li>• Lack of management of a major incident at a Council facility that affects public and staff safety</li> <li>• Failure to comply with WHS legislative obligations</li> <li>• Lack of alignment and integrity of IT systems for support of business needs</li> </ul>
2	Roads and Footpaths	<p><b>Does Council have systems in place to authorise or permit 3rd party alterations to a public road (non-business purposes)?</b></p> <p><b>Outcome: Baseline met</b></p> <p>There is an "Application for authorisation to erect on install an alteration on a road", which includes application &amp; authorisation.</p> <p>Most authorisations are for structural change – canopy/balcony/portico/sign, (e.g. for community or strata corporations – mixed use &amp; residential.) Driveway crossovers are regarded as a road – usually planning are involved in that process.</p> <p>Generally applications come from planning &amp; development services, (already with support/planning consent) – seeking landowners (Council's) consent. Authorisation consent entered into corporate system, (Pathway) which maintains details of permit/agreement from which Council can monitor agreement expiry.</p> <p>On sale of property, applicants obligations are to inform the new owner – if new owner doesn't agree, Council seek legal assistance.</p> <p>Within the property team – coordinator &amp; manager are delegated to approve. If absent, delegations would transfer to acting officer.</p> <p>Within pathway program, special conditions are registered however these are not inspected/monitored due to resourcing constraints, (see comments below).</p> <p>Verge Development applications (for planting/removal of trees on Council verges) are referred to tree removal committee, (examples sighted) refer to E4 a - c below</p>
2a	Roads and Footpaths	<p><b>Does the authorisation process or permit consider structures and installations for their safety and suitability?</b></p> <p><b>Outcome: Baseline met</b></p> <p>Retaining walls/other structures encroaching on road reserve often occur without consent &amp; council "discovers" them later – try to get removal rather than go through road closure process.</p> <p>Applications Driveway crossovers are managed by Field Services division via a residential vehicle crossover application form, which requires consideration of existing infrastructure (e.g. stormwater pits, street lights, stobie poles, pram ramps or service pits and trees.</p> <p>Council also have standard detail drawings for vehicle &amp; kerb crossovers &amp; residential driveway crossovers, which are published on its website.</p>
2b	Roads and Footpaths	<p><b>Does the authorisation or permit include an indemnity from the applicant to the Council?</b></p> <p><b>Outcome: Baseline met</b></p> <p>Application &amp; authorisation includes indemnification &amp; release (section 2) &amp; a requirement that the applicant takes out public risk insurance policy of \$20M (section 3).</p> <p>The office use only section includes a check that insurance has been sighted (page 10).</p>





Q #	Topic Area	Question and Findings Summary
2c	Roads and Footpaths	<p><b>Does Council have an Infrastructure and Asset Management Plan that covers the management and maintenance of roads and footpaths?</b></p> <p><b>Outcome: Baseline met (opportunity for improvement)</b></p> <p>Transport asset management plan includes roads, traffic devices, kerbs, signage, bridges, culverts, bush shelters, footpaths, park, paths, car parks, lighting &amp; electrical &amp; extends over a 20 year period. It is based on the IPWEA model plan.</p> <p>AMP Includes community &amp; technical levels of service for footpaths &amp; kerbing only. There are plans to increase level of detail around roads to align with more comprehensive internal list – looking to include/expand in 2018 review of plans. Road seal, pavement &amp; footpath condition profiles are included at Fig. 5.1.3.1, 5.1.3.2 &amp; 5.1.3.3. Pavement condition index 1- 10 – graphs based on 1 – 5</p> <p>Critical risks are identified at 5.2 &amp; include entrapment of vehicles in the ford at The Strand at Mawson Lakes (and others) and flooding at Little Para &amp; Dry Creek Shared use underpasses disrupting connectivity. Appendix D – Transport Risk Management Plan also identified risks relating to transport assets generally. Some of these risks are being actioned through new initiative bid planning process, however there is no regular monitoring, (i.e. is only looked at in line with AMP review.) There are plans to review annually/every 2 years. Review will go through Exec &amp; Audit Committee.</p> <p><b>Consider:</b></p> <ul style="list-style-type: none"> <li>Improving level of detail around community and technical levels of service for roads in asset management plan</li> <li>Developing a process to monitor risks identified (and treatments proposed) in the asset management plan</li> </ul>
2d	Roads and Footpaths	<p><b>Does Council have an inspection and maintenance regime (or schedule) to inspect roads and footpaths?</b></p> <p><b>Outcome: Baseline met</b></p> <p>The asset inspection schedule sets out due dates for inspection of different asset types, (rolling schedule – 3 – 5 years)</p> <p>Inspection is undertaken by using scooters with GPS fitted – which picks up defects &gt;10mm – starts from scratch each 2-3 year cycle.</p>
2e	Roads and Footpaths	<p><b>How does Council prioritise roads during scheduling of maintenance/- repair?</b></p> <p><b>Outcome: Baseline met</b></p> <p>DPTI road hierarchy criteria feeds into review data.</p> <p>During inspection, video capture every 5 metres when collected by IMG allows Council to go back &amp; check condition if an incident occurs. Comparable data is available over 5 years. Council are trialling innovative treatment methods and this assists in monitoring effectiveness.</p> <p>Maintenance/renewal maps produced for ops centre have overlay of aged care, child care, shops, bus routes, road hierarchy to prioritise.</p>
2f	Roads and Footpaths	<p><b>How does Council prioritise footpaths during scheduling of maintenance/-repair?</b></p> <p><b>Outcome: Baseline met</b></p> <p>Council footpath policy is endorsed every 2 years.</p> <p>Instead of only using condition ratings, individual faults are targeted.</p> <p>Defects maps produced for ops centre – 25mm + defects are repaired.</p> <p>Footpath renewal program that was in place a couple of years ago was abandoned in favour of addressing defects.</p> <p>Maps produced for ops centre has overlay of aged care, child care, shops, bus routes, road hierarchy to prioritise; 2/3 budget proactive, remainder reactive.</p> <p>Majority of footpath faults are caused by tree roots. When faults are reported, they are compared against list provided to ops; if not on the list, there is a reactive budget available. For trip hazards – assume someone's had a fall – person receiving phone call raises request via Dataworks – generates jobs, goes through to Tech Officer who schedules inspection &amp; determines whether high, medium or low risk. If immediate hazard, rapid response team may apply cold mix, relay pavers or alternatively place bollards if job is too big &amp; reports back to Coordinator Civil Infrastructure what needs to be done. Generally completed within 24 hours. Report on outstanding footpath issues is generated every quarter or on request to</p>



Q #	Topic Area	Question and Findings Summary
		<p>investigate/close out.</p> <p>Proactive work is based on plan from assets, which incorporate criteria - very rarely any issues after contractors been through.</p> <p>For new footpath requests, evaluation team consider requests for footpaths every quarter &amp; respond to residents.</p>
2g	Roads and Footpaths	<p><b>If Council has Railway Interface/s, does Council fulfil its duties as a Road Manager?</b></p> <p><b>Outcome: Baseline not yet met</b></p> <p>Council are in the preliminary stages of developing the Interface Agreement, (stakeholders: DPTI/ARTC/Tramway museum.)</p> <p>Waiting on outcome of DPTI/City of Unley negotiations &amp; will use that agreement as basis for City of Salisbury's agreement.</p> <p>Risk assessments have been completed using ALCAM methodology (dated December 2017).</p> <p><b>Consider:</b></p> <ul style="list-style-type: none"> <li>Negotiating rail interface agreement(s) with rail managers</li> </ul>
3	Planning and Development Administration	<p><b>Does Council have systems in place to guide Planning and Development activities?</b></p> <p><b>Outcome: Baseline met</b></p> <p>There are a range of Development Services fact sheets, information and application forms on Council's website.</p> <p>Applications are assigned into a Planning and Building Class Category at lodgement and a predetermined workflow is applied to that application type. Checklists within workflow are tailored &amp; identify key things to look for – currently hard copy transitioning to electronic.</p> <p>Delegated officer's procedure statement outlines who has authority to determine development plan/building rules consent for different types of development.</p> <p>There are currently 6 positions within each of planning &amp; building (1 vacant, mixture of senior &amp; junior) and a consultancy budget to cover peak periods/routine "leg-work".</p>
3a	Planning and Development Administration	<p><b>Are Building Surveyors, Inspectors, Planners, Planning Officers, or Planning staff who are employed or engaged by Council accredited to provide planning advice, and assess new development applications?</b></p> <p><b>Outcome: Baseline met</b></p> <p>Annual Performance development plans for each officer are developed corporately. Team leaders identify individual training.</p> <p>Individuals are responsible for maintaining their own CPD &amp; Council verifies that qualifications/accreditation are maintained via payment of subscriptions.</p> <p>People &amp; culture (training &amp; development) manage training centrally. Corporate training &amp; events calendar is done on a quarterly basis – looks at mandatory training but does not yet pick up on maintenance of professional accreditation.</p> <p><b>Consider:</b></p> <ul style="list-style-type: none"> <li>Including maintenance of professional accreditation/skills within new learning management system</li> </ul>
3b	Planning and Development Administration	<p><b>Does Council have a process in place to manage written complaints related to development applications and completed projects?</b></p> <p><b>Outcome: Baseline met (opportunity for improvement)</b></p> <p>Customer service framework allows complainants to lodge complaints via phone, email or a customer feedback form.</p> <p>Notice to applicants advises applicants of the appeal process (via Environmental Resources &amp; Development Court) if they disagree with decision.</p> <p>There is no documented process for referrals from the minister under Development Regs S103 – if come from minister, it would go to CEO. This is not documented as it's never been an issue. Council's process should include notification to MLS if a complaint may give rise to a claim.</p> <p>Potential greatest risk exposures:</p> <ul style="list-style-type: none"> <li>Processes around exercise of delegations,</li> </ul>



Q #	Topic Area	Question and Findings Summary
		<ul style="list-style-type: none"> <li>managing expectations (being predictable),</li> <li>systems &amp; process – culture (involvement in reaching consensus)</li> </ul> <p>Council do go beyond legislative requirements – offer free pool fencing inspections if they have concerns.</p> <p>Internal audit has occurred (by Business Analyst Internal Audit &amp; Risk)</p> <p>Council also outsource planning &amp; development services staff to Roxby Downs.</p> <p><b>Consider:</b></p> <ul style="list-style-type: none"> <li><b>Documenting process for processing of Section 103 appeals, which should include notification to the LGAMLS should there be potential for a claim.</b></li> </ul>
E3a	Volunteers	<p><b>Does Council have systems in place for the management of volunteers?</b></p> <p><b>Outcome: Baseline met</b></p> <p>Policy is in place &amp; current. It sets out roles &amp; responsibilities as well as the roles &amp; responsibilities of each party &amp; insurance cover extended to volunteers.</p> <p>Volunteer role statements are in place, which include duties, skills &amp; knowledge, experience/qualification required, training, health and safety responsibilities and special conditions.</p> <p>Electronic systems are in place for management of volunteers &amp; volunteer records.</p>
E3b	Volunteers	<p><b>Do these systems include central coordination to ensure consistent management of Volunteers across all areas of Council?</b></p> <p><b>Outcome: Baseline met</b></p> <p>A centralised process exists for the recruitment of volunteers including the application process, initial interview and referral, background screen, driver accreditation and medical functional capacity assessment.</p> <p>A person applying to volunteer with Council must complete a Volunteer Expression of Interest Form. Following confirmation from a Volunteer Coordinator that an individual is to be engaged as a volunteer with Council, the individual is registered in the Volunteer Management System.</p> <p>Council's volunteer management requirements are communicated to staff on their induction and available on Council's intranet site known as CoSi.</p>
E3c	Volunteers	<p><b>Does Council identify training needs and provide training to volunteers?</b></p> <p><b>Outcome: Baseline met</b></p> <p>Volunteers currently fill admin, crèche, ground keeping, tutoring, drivers, graffiti removal, fundraising, maintenance &amp; social programs roles.</p> <p>There is a comprehensive induction and training program in place which links to volunteer role statements.</p> <p>Manual handling training is mandatory &amp; is discussed at site induction &amp; training is offered annually.</p> <p>Training is managed via volunteer training register and this identified individually in the Volunteer Management System, which also monitors currency of training.</p>
E3d	Volunteers	<p><b>Are Volunteer activities or programs subject to existing risk management structures (approved activities with appropriate supervision)?</b></p> <p><b>Outcome: Baseline met</b></p> <p>The Hazard Register includes details of volunteer activities. Risk Assessments are conducted - they are undertaken by relevant staff (i.e. team leaders and managers) at an activity or event level.</p> <p>Volunteer role statements identify role specific training requirements (which include training in work instructions &amp; safe operating procedures as well as health and safety responsibilities. It is the responsibility of the volunteer coordinator to identify and mitigate any risks prior to engaging volunteers and to identify any risks and take action to reduce the risk with the volunteer during their site induction and orientation.</p>





Q #	Topic Area	Question and Findings Summary
E4a	Tree Management	<p><b>Does Council have systems in place to manage existing and new trees?</b></p> <p><b>Outcome: Baseline met</b></p> <p>Tree management policy is in place &amp; current; refers to Tree Management 'Risk Management Guidelines for Local Government', Local Government Mutual Liability Scheme, 2013. Includes identification of risks associated with managing trees &amp; significant/regulated trees.</p> <p>Policy is supported by</p> <ul style="list-style-type: none"> <li>- Landscape Design Policy</li> <li>- City Landscape Plan</li> <li>- Street Tree Asset Management Plan</li> <li>- Tree Management Procedures</li> <li>- Tree Removal Procedure</li> </ul> <p>Street Tree Asset Management Plan identifies 1 critical risk (&amp; has a treatment plan) at 5.2 which relates to allocation of budget for Street Trees /Streetscape Renewal Program.</p> <p>Tree management procedure has been in draft for some time pending endorsement by Exec as it does have impact on budget/resources (see comment below)</p>
E4b	Tree Management	<p><b>Does the system provide a process for identifying, analysing, assessing, evaluating and treating risks related to trees during development &amp; planning, planting, and maintenance?</b></p> <p><b>Outcome: Baseline not yet met</b></p> <p>The City Landscape Plan gives an overarching guidance on the Landscape of Salisbury including the Urban Forest.</p> <p>The Tree Management Policy concentrates on a high level overview of Trees in the environment.</p> <p>The Street Trees Asset Management Plan details the strategic objectives for Street Trees, species diversification, renewal processes and maintenance overviews.</p> <p>Tree Management Procedure (Draft) is a document detailing the processes and systems to maintain trees, from this document a number of guidelines are extracted including</p> <ul style="list-style-type: none"> <li>• Tree Assessment methodology</li> <li>• Street Tree Planting Guidelines</li> <li>• Tree Planting Specifications</li> <li>• Unit pruning specifications</li> </ul> <p>Ideally, this procedure should be adopted to ensure consistency in treatment of tree management issues and minimise risk to Council by having a documented, endorsed process.</p> <p>Tree Removal Procedure details the process for dealing with Tree Removal Request and the criteria to be applied when determining the request.</p> <p>Proactive maintenance programs have been developed for Unit Pruning and reserve tree risk.</p> <p>Process is in place for significant/regulated trees (development application) &amp; information is available to the public on Council's <a href="#">website</a>.</p> <p>Tree removal committee, (referred to in procedure) is made up of a mix of landscape architects, Coordinator Tree Services, Tech Support Officer who has knowledge of trees, Landscape persons (Craig) &amp; Development officer (significant/regulated). Schedule is generated &amp; there is a sign off sheet.</p> <p>There is a database of significant trees (developed in 2005) and Council are currently developing a database of landmark trees, with particular amenity values, may or may not be regulated or significant.</p> <p><b>Consider:</b></p> <ul style="list-style-type: none"> <li>• <b>Endorsing Tree Management Procedure</b></li> </ul>



Q #	Topic Area	Question and Findings Summary
E4c	Tree Management	<p>Has Council taken "reasonable action" in response to all tree requests regarding street trees in the last 24 months?</p> <p><b>Outcome: Baseline met</b></p> <p>Complaints about street trees assessed by tree services L5/L3 arborist desktop assessment – line of sight/blocking footpath. More complex issues require a site inspection.</p> <p>City of Salisbury Tree Assessment methodology is included in draft tree management procedure, (see notes above.)</p> <p>Records of enquiries are kept in Dataworks with notes and all related documents. Trees are assessed under the City of Salisbury Tree Assessment methodology. Photos taken and linked to enquiry. Any works undertaken as a result of an enquiry are kept in the asset management system "Confirm" with any additional information and images.</p>

### 3. WHS/IM Management Report

The evaluation of the City of Salisbury's work, health and safety (WHS) management system and injury management (IM) processes included a review of existing documentation and meeting with employees and other workers. Comments and recommendations, including action items will provide management with some suggested ways to improve their systems, however it may be appropriate to implement an alternative action and this is at the discretion of Council and its management team.

#### Workers involved in the evaluation process included:

- John Harry CEO
- Charles Mansueto General Manager Business Excellence
- Gail Page Manager People and Culture
- Kevin Husler Senior WHS Advisor
- Lee Knightley WHS Officer
- Denise Fowler-Banks Learning and Development Coordinator
- Bronwen Fisher Learning and Development Business Partner
- Michelle Hodgson Volunteer Coordinator
- Martin Schmidt Manger Infrastructure Delivery
- Jarred Collins Senior Project Manager Projects division
- Les Hubiak Acting Manager Property & Buildings
- Robert Sendi HSR Property & Buildings

#### Documentation Review

The review included reviewing policies, procedures and supporting documentation within the Council's RM, WHS and IM systems.

It should be recognised that the findings of this report should be used for:

- Planning and continuous improvement by Council of its WHS and IM Systems
- Reviewing levels of conformance with the RTWSA Performance Standards for Self Insurers





### 3.1 WHS System Evaluation Findings

Q #	Sub-Element	Sub-Element Details and Findings Summary
2	1.2.1	<p><b>Evidence of policies and/or procedures to support the policy statement</b></p> <p><b>Outcome: Conformance</b></p> <p>Council have in place a WHS Document frame work which includes adapted policies and procedures from the LGAWCS one system. Council also has additional procedure eg Occupational Violence suggest including these documents in the document map.</p> <p>The document register identifies that policies and procedures are being reviewed.</p>
13	3.2.1	<p><b>The organisation must ensure a relevant training program is being implemented</b></p> <p><b>Outcome: Observation</b></p> <p>The Induction and Training Procedure details arrangement for the training plan (s)</p> <p>"The Corporate Learning and Development Coordinator or delegate will develop the training plan(s) to meet the training gaps within a defined timeframe"</p> <p>The procedure also details the process for monitoring training absences, a report is provided to the WHS Committee on training.</p> <p>There is a Competency framework (TNA) in place which is very comprehensive.</p> <p>Sighted 3 Job training plans.</p> <p>Interview with Denise Fowler-Banks Learning and Development Coordinator and Bronwen Fisher Learning and Development Business Partner re TNA, training plan and training records.</p> <p>The TNA is in place but requires review. Training is being scheduled in response to expiry dates. There is a review of the training system planned with an expectation the manual (person centric) training system be migrated to Empower.</p> <p>Denise provided documents which demonstrated that mandatory training is being undertaken. There is a report generated via Empower for training required, this training is then organised and put into the training plan. An attendance sheet is completed and any non-attendance is followed up.</p> <p>The Planning team have their own training calendar and the Contracts area have arranged their own training.</p> <p>Request for training is not always happening.</p> <p>Training in eg Contractor Management, High Risk Construction Work has not been provided to staff in infrastructure.</p>
14	3.3.2	<p><b>The organisation must ensure accountability mechanisms are being used when relevant</b></p> <p><b>Outcome: Conformance</b></p> <p>There is a City Infrastructure Expectation Matrix which outlines accountabilities however the document does not have document control and does not explain how if these expectations are not met how staff will be held accountable.</p> <p>There are procedures that are out of date and JSAs that require development.</p> <p>However there has been breaches of safety which staff have been held accountable for.</p> <p>None attendance at training is being tracked reported to Executive and acted on.</p> <p>Notifiable incidents are being reported to the regulators.</p>



18	3.7.1	<p><b>The organisation must ensure contingency plans are periodically tested and/or evaluated to ensure an adequate response, if required</b></p> <p><b>Outcome: Observation</b></p> <p>There are Site Emergency Plans (SEP) which are in draft and are being implemented.</p> <p>The Evacuation Diagrams have been reviewed and the new plans are being displayed.</p> <p>The EPC has not met for 18months</p> <p>A review has been undertaken of the Emergency Management system were gaps were identified in the system; there are several actions to be closed out.</p>
19	3.8.1	<p><b>The organisation must ensure a hazard management process that includes identification, evaluation and control is in place</b></p> <p><b>Outcome: Non-Conformance</b></p> <p>Kevin Husler Senior WHS Advisor and Lee Knightley WHS Officer demonstrated the hazard management system in Skytrust.</p> <p>The Hazard Register (excel spread sheet is being maintained). JSA (TRAs) sit in Skytrust there are still a number of identified activities which require JSAs. There are JSA which need to be placed in Skytrust which may require review. It is suggested a review of the hazard register is undertaken to ensure all hazardous activities are identified.</p> <p>Chemical management risk assessments have been undertaken.</p> <p>High risk construction work tasks have been identified and SWMS have been completed.</p> <p>Some plant risk assessments have been undertaken.</p> <p>Walk through of work shop there were a few machines which may not be adequately guarded the pestle drill in the mechanics work shop has a guard but it does not provide protection from moving parts when drill is in operation. There was a machine in the mechanics workshop which was not guarded but I was advised this machine is not used. There are machines which require Safe Operating Procedures and others that may need a stop button.</p> <p>It is suggested that a review by a competent person of all machinery in the workshops is undertaken to ascertain that they have adequate guarding, the correct stop button and an up-to-date SOP, any machinery that is not being used should be removed.</p> <p>The emergency showers inspection tag showed the last inspection was undertaken June 2016 it should have been inspected in June 2017.</p> <p>The worker is the carpenters work shop who was working alone was undertaking a noisy task and was not wearing PPE.</p>
19	3.8.3	<p><b>The organisation must ensure control measures are based on the hierarchical control process</b></p> <p><b>Outcome: Conformance</b></p> <p>Sighted incident investigation reports were the HOC is being applied.</p> <p>Recent investigation training included</p> <p>"participants are able to effectively use a hierarchy of controls to determine and apply control measures"</p> <p>Documents sighted showed the application of the HOC.</p>
20	3.8.5	<p><b>The organisation must ensure program(s) are in place to ensure an appropriate WHS consideration is given at the time of purchase, hire or lease of plant, equipment and substances</b></p> <p><b>Outcome: Conformance</b></p> <p>Evidence of pre-purchasing was provided after the audit the documentation does show some pre-purchase risk assessments being undertaken.</p>



21	3.8.6	<p><b>The organisation must ensure program(s) are in place to meet the organisation's duty of care for all persons in the workplace</b></p> <p><b>Outcome: Observation</b></p> <p>Visitors are signed in and given a visitors pass. They are accompanied by a staff member.</p> <p>Interview with Michelle Holland Volunteer Coordinator re duty of care in relation to Volunteer Management, Council use the Empower System for the management of volunteers.</p> <p>Sighted Volunteer Training Calendar Feb-March 2018 which included Sun Safety for Outdoor Workers, Driver Awareness Training.</p> <p>Volunteers have role statements which identify what skills are required.</p> <p>Volunteers are surveyed every three years in regards to health and safety, results are provided in a report to Executive.</p> <p>Sighted training records for Volunteer eg induction, first aid, WZTM.</p> <p>Interview with Martin Schmidt Manager Infrastructure Delivery Jarred Collin Senior Project Manager Projects division</p> <p>Sighted tender for Para Hills Community Hub where Contractor had provided WHS Plan.</p> <p>Martin and Jarred talked about the selection process, the request for documentation, site induction and monitoring.</p> <p>Corporate Contractor induction is not taking place.</p> <p>A review of the Contractor Management system is being undertaken due to gaps in the system.</p>
23	3.9.1	<p><b>The organisation must ensure that the implementation of relevant inspection and testing procedures are conducted by the relevant, competent person(s)</b></p> <p><b>Outcome: Observation</b></p> <p>There is no central register for corrective action; some actions are managed in Skytrust and some manually by the WHS Team.</p> <p>There is no central register for eg compliance register for the identification of the Councils equipment, plant etc which requires testing, tagging and inspecting.</p> <p>Sighted several documents for inspection and testing.</p>
27	4.1.1	<p><b>The organisation ensures planned objectives, targets and performance indicators for key elements of program(s) are maintained and monitored</b></p> <p><b>Outcome: Conformance</b></p> <p>Sighted Business plan quarterly report where the WHS programs progress is reported to Executive.</p>
29	5.3.1	<p><b>The organisation ensures the system is reviewed and revised, if required, in line with current legislation, the workplace and work practices</b></p> <p><b>Outcome: Observation</b></p> <p>Reviews have been undertaken in regards to Emergency Management and Contractor Management. There are also procedures that have been reviewed.</p> <p>Executive are reviewing the WHS Management system via quarterly reports and meetings.</p> <p>The Planning and Program Development procedure states:</p> <p>"The final analysis and review of the WHS system by Executive shall occur at the end of the planning cycle"</p> <p>An annual WHS Management System review undertaken by Executive has not occurred.</p> <p>There are approx 11 procedures that are out of date.</p> <p>The TNA and the hazard register require review.</p>





### 3.2 IM System Evaluation Findings

Q #	Sub-Element	Sub-Element Details and Findings Summary
1	1.2.1	<p><b>Documented job descriptions for all injury management / RTW personnel and where relevant management, supervisors and employees.</b></p> <p><b>Outcome: Conformance</b></p> <p>Position descriptions include IM/RTW duties as follows:</p> <ul style="list-style-type: none"> <li>RTW Coordinator role includes claims, rehabilitation &amp; return to work in primary objectives.</li> <li>WHS Officer – High Risk role includes coordination and early involvement in the injury and claims management process</li> <li>WHS Officer Objectives include assisting the Internal Rehabilitation Coordinator and the Senior Coordinator Organisational Wellbeing to ensure that agreed standards for the administration of workers compensation claims and injury management procedures are observed.</li> <li>Senior WHS Advisor has key responsibility to assist, as required, in the injury management process to ensure the earliest possible return to work for injured employees.</li> <li>Team Leader Safety &amp; Wellbeing provides an overview of the IM/RTW roles &amp; systems.</li> </ul>
1	1.2.2	<p><b>Ensuring injury management personnel are competent to administer their role in a reasonable manner.</b></p> <p><b>Outcome: Conformance</b></p> <p>RTW role, including contingencies have all attended RTW training held by LGA WCS in line with current RTW legislation.</p> <p>New Managers with Injury Management mapped are assigned an on-line training module for Managers and supervisors.</p> <p>RTW training for Managers and Supervisors was delivered in November 2015 &amp; November 2017.</p>
1	1.2.3	<p><b>Ensuring the allocation of resources is appropriate for the organisations type, volume and complexity of the case load.</b></p> <p><b>Outcome: Conformance</b></p> <p>There is evidence that IM/RTW statistics are reported to WHS Committees &amp; Management. Current number of claims/RTW appears to be well resourced, with a number of back-up personnel available when RTW Coordinator is not on site.</p>
1	1.2.4	<p><b>Suitability of facilities and accommodation to ensure restricted access to information, including maintaining confidentiality during interaction with injured workers and service providers.</b></p> <p><b>Outcome: Conformance</b></p> <p>Private meeting rooms are available in both Operations Centre and Administration. There is a lockable cabinet to store confidential claims/RTW files located, RTW Officer carries keys on his person.</p>
1	1.2.5	<p><b>A Scheme Member is required to appoint a Return to Work Coordinator (IRC) and ensure the person appointed to this role has successfully completed relevant LGAWCS training. Where this role becomes vacant, the Scheme Member is required to re-appoint an employee within 3 months and ensure the employee(s) appointed have received relevant LGAWCS training within 3 months of the appointment being made.</b></p> <p><b>Outcome: Conformance</b></p> <p>IRC &amp; back-ups have all had training.</p>
2	1.6.1	<p><b>How to report a work related injury</b></p> <p><b>Outcome: Conformance</b></p> <p>Procedures are current &amp; based on LGAWCS model document. Injured worker action sheets include an overview of the process/time for workers/ supervisors/ managers.</p>
2	1.6.2	<p><b>The process for lodging a claim for compensation</b></p> <p><b>Outcome: Conformance</b></p> <p>RTW Procedure endorsed March 2016 &amp; is based on the LGAWCS model procedure. (Refer Section 4)</p>



3	2.8.5	<p><b>Where a worker has not returned to pre-injury employment within 6 months from date of first incapacity and is not working to their full capacity, new or other employment options are considered for the worker by the Scheme Member in conjunction with the LGAWCS.</b></p> <p><b><u>Outcome: Conformance</u></b></p> <p>Suitable Employment Procedure endorsed June 2016 &amp; consultation process evident. No changes made to LGAWCS model procedure.</p>
3	2.8.6	<p><b>Where a Scheme Member does not provide suitable employment to a former work injured employee the Scheme Member notifies and consults with LGAWCS.</b></p> <p><b><u>Outcome: Conformance</u></b></p> <p>Re-employment (Work Injury) Procedure endorsed March 2016 &amp; consultation process evident. No changes made to LGAWCS model procedure.</p>
4	4.1.1	<p><b>Processes are in place that monitor, measure and review the effective implementation of the injury management system and where relevant, strategies to improve performance of the injury management system are identified.</b></p> <p><b><u>Outcome: Conformance</u></b></p> <p>Regular reporting occurs at team, WHS Committee &amp; Management level.</p> <p>People &amp; Culture Business Plan includes a focus on maintaining currency, relevance &amp; availability of WHS &amp; IM Procedures.</p> <p>Council has identified opportunities for continuous improvement and these are included in WHS&amp;IM Business Plan</p>
4	4.1.3	<p><b>The Service Standards set out in Schedule 5, Part 2 of the Return to Work Act 2014 are in place.</b></p> <p><b><u>Outcome: Conformance</u></b></p> <p>Service Standards sighted on noticeboards.</p> <p>Managers &amp; Supervisors training delivered by LGAWCS IM team in November 2017 covered service standards.</p>



## 4. Conclusion

We would like to thank those who were involved in the preparation of the evaluation tools and in participating in interviews during our visit, particularly George Kendall and Kevin Husler who were instrumental in pulling the whole process together.

In regards to WHS, Council are continuing to build a robust system which is continuously improving. There are some areas that require attention ie hazard management but Council are already planning for this body of work.

Continued conformance in all elements of the Injury Management and Return to Work systems demonstrates the effectiveness of the systems in place.

Although there is work to do in implementation of Council's risk management framework, there has been some excellent groundwork done and it is evident that there is a good degree of awareness of it across the organisation, even though it has not yet been fully integrated across all Council functions. Full implementation and integration of the risk management framework should be the focus for Council's risk action plan in 2018. The other areas within the scope of this evaluation appear to be well managed, with only minor system improvements required.

I (Vicky Smith) will be available throughout the year to assist Council going forward and to ensure that the focus continues to be on system development and improvement.

Please note that WHS and Risk action plans need to be submitted by the end of January 2018 to address the issues identified in the evaluation. As in the past, I will be happy to assist with developing actions to include in your plan and provide a template for you to work with.

Once again, thank you for the preparation put into this year's Risk Evaluation. As this year was the first combined WHS and risk evaluation, we would welcome your feedback on the process.



Mutual Liability Scheme  
Workers Compensation Scheme  
**Local Government Association**  
of South Australia

## 2017 Risk Evaluation Summary Report City of Salisbury

R:\Governance\Audit\_Risk\Internal Audit, Risk Management and Internal  
Controls\Risk Management\LGAMLS Annual Risk Review\2017 Risk Review\JC

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### LGRS 2017 Risk Evaluation Summary Report – Review of Risk Management Evaluation Findings and Agreed Actions

Finding and Recommendation	Management Response - including whether the suggestion was accepted	Actions	Responsibility	Due Date
<b>RISK MANAGEMENT SYSTEMS</b>				
<p><b>1a. Has Council implemented a Risk Management System?</b></p> <p><b>Outcome: Baseline not yet met</b></p> <p>Presentations on the new risk management framework have been given to the Executive Group and divisional managers, general managers, team leaders of City Infrastructure (which includes project management), Business Excellence, City Development and Community Development Departments, with an all-staff email to launch the new Risk Management Guide.</p> <p>Could not find any evidence of discussion of risk in last 2 council agendas. Elected members, with the exception of those on the Audit Committee, have not had training/awareness session in risk management &amp; there are no plans to provide it at this stage. Recommend re-positioning &amp; providing awareness of risk management principles/practices as a decision making framework to ensure that decision making &amp; allocation of resources is consistent with achievement of Council's objectives.</p> <p>Audit committee receive reports on risk management activities and the strategic risk register at each audit committee meeting. (The Audit Committee Minutes from November 2017 included an update on the Risk Management and Internal Controls Activities for the 2017-18 financial year and outstanding Internal Audit actions at item 4.2.5.) The risk management framework &amp; process was explained when risk management guide endorsed and audit committee have requested a risk</p>	<p>1. Accepted.</p> <p>CoS is implementing a whole of organisation program to systemically change/improve our decision making processes, promoting a proactive risk management approach, and developing a culture of awareness. The intention is to develop a consistent, usable risk management framework to encourage and inform risk management at the CoS.</p> <p>CoS is working with the LGA Strategic Risk Services Team to develop and implement CoS' risk management framework across the organisation including ensuring that the senior management team understand the Risk Management Framework, their role and responsibilities and can implement it across the organisation. A workshop will be held with General Managers and Divisional Managers on 14 September 2018, presented</p>	<p>1. Implement the risk management framework / program as identified in the Scope of Works developed with the Strategic Risk Services Team.</p>	<p>Manager Governance Risk &amp; Governance Program Manager</p>	<p>1. February 2019</p>

Finding and Recommendation	Management Response - including whether the suggestion was accepted	Actions	Responsibility	Due Date
<p>appetite statement.</p> <p>A Risk Management e-Learning module has been developed – every new starter gets risk management training as part of induction – evidence sighted that this is occurring.</p> <p>There is some application of risk management processes in the project management area, although Council is still working towards full integration.</p> <p><b>Consider:</b></p> <ol style="list-style-type: none"> <li><b>1. Re-positioning &amp; providing awareness of risk management principles/practices as a decision making framework to ensure that decision making &amp; allocation of resources is consistent with achievement of Council's objectives</b></li> <li><b>2. Reviewing the format/content of Council reports in relation to risk management so that drives a more risk-aware decision making process</b></li> </ol>	<p>by representatives from LGRS Strategic Risk Services Team. The workshop comprises a risk management refresher focussing on understanding risk management, and accurately documenting risks and controls.</p> <p>The scope of work to be completed in conjunction with the Strategic Risk Services Team also includes reviewing CoS risk management corporate documentation and risk registers.</p> <p>2. Will be considered.</p> <p>Work has commenced to improve the format/content of reports provided to the Audit Committee, including in relation to risk management. Recommendations are more action oriented and designed for the Audit Committee to add value through their expertise and knowledge.</p> <p>Mention is made in the findings that no evidence could be found of discussion of risk in the last 2 council agendas (noting that the review was conducted at the end of November 2017). At the November 2016, February 2017 and April</p>	<p>2. Continue to work with the Audit Committee in the development of comprehensive and informative reports to drive a more risk aware decision making process.</p>		2. Ongoing

Finding and Recommendation	Management Response - including whether the suggestion was accepted	Actions	Responsibility	Due Date
	<p>2017 Audit Committee meetings, "new and emerging risks" were on the agenda. At item 4.2.3 on the May 2018 agenda "Strategic Risk Register Workshop" – it was noted that the Audit Committee has previously received information and reports relating to emerging risks and it was recognised that a report on emerging risks was not required for every Audit Committee meeting. It was suggested that the consideration of emerging risks be incorporated approximately every 6 months in Executive's review of the Strategic Risk Register and that, where necessary, a report come to the Audit Committee for consideration. The members of the Audit Committee are alive to emerging issues and trends and will raise them with Administration at Audit Committee meetings for discussion where relevant. As the approach to risk management matures at CoS consideration will be given to the further inclusion of risk management content in other administrative and Council reports.</p>			

<p><b>1c. Does Council have a Risk Register?</b>  <b>Outcome: Baseline not yet met</b>  Council's strategic risk register includes potential risks resulting from failure to manage business continuity/environmental/water contamination/public health/safety events, assets, financial sustainability, strategic objectives, fraud, IT, WHS legislative compliance. Strategic risks were arrived at following sessions with executive group to identify high level risks that would stop Council from achieving objectives – initially identified 20 – 30 which have been refined to current listing, (based on level of risk and impact on the organisation and its objectives.) Planning/development risks are managed/reported via strategic property development/project management areas rather than in the strategic risk register.  Finance risk register is based around internal controls, as required by the LG Act &amp; LG (Financial Management) Regulations.  Whilst strategic risks have been identified &amp; documented, there is not yet an organisation-wide operational risk register – this is currently under development by Business Analyst – Internal Audit &amp; Risk. Business Analyst – Internal Audit &amp; Risk has initiated process of identifying operational risks with divisional managers, common themes identified need to be consolidated &amp; developed further with Executive.  <b>Consider:</b></p> <ol style="list-style-type: none"> <li><b>1. Developing organisation-wide operational risk register</b></li> <li><b>2. Identification and implementation of suitable software to enable collation of risks and controls, (particularly given Council's integrated approach to risk management)</b></li> </ol>	<ol style="list-style-type: none"> <li>1. Accepted.   As part of the identified Risk Management Program and the work conducted in conjunction with the LGRS Strategic Risk Services Team, materials for presentation to management in relation to operational risks will be prepared.   It has been identified that workshops will be facilitated with selected business units to identify and assess some of Council's operational risks. Work will then continue with CoS departments to develop an organisation-wide operational risk register.</li> <li>2. For consideration.   The ControlTrack system is currently used to collate financial risks and controls. Consideration will be given as to whether a software system is required to maintain operational risks and controls as the operational risk register is developed.</li> </ol>	<ol style="list-style-type: none"> <li>1. Commencement of organisation wide operational risk register to be developed in coming 12 months.</li> <li>2. Commence process for identification of an enterprise risk management software system.</li> </ol>		<ol style="list-style-type: none"> <li>1. February 2019</li> <li>2. June 2019</li> </ol>
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<p><b>1d. Has training been identified and provided to all persons with responsibilities and accountabilities for risk management?</b></p> <p><b>Outcome: Baseline not yet met</b></p> <p>The Training Needs Analysis is based solely around WHS risk exposures, rather than strategic/organisational risk. WHS mandatory training is captured via the competency framework.</p> <p>Risk management training is occurring as a part of the rollout of ongoing development and improvement of Council's risk management framework, (delivered by Business Analyst – Risk). The focus is currently on implementing and embedding risk into new systems so a schedule for refresher training has not been developed as yet.</p> <p>Although the audit committee have been provided with information about the risk management guide prior to its endorsement, there has been no formal training for them, (although it is noted that some independent members have a strong risk management background.) Elected members have not been provided with specific risk management training.</p> <p>The risk management e-Learning module is provided to all new starters, (which is included in job training plans.) The People &amp; Culture team are seeking to exploit the learning management capability within Empower, which will be integrated with HR records. This is currently being scoped, with a focus on outputs/ deliverables.</p> <p><b>Consider:</b></p> <ol style="list-style-type: none"> <li><b>1. Develop a schedule for refresher training in the application of Council's risk management framework</b></li> <li><b>2. Providing training/awareness session to elected members about Council's risk management framework</b></li> <li><b>3. Including development &amp; maintenance of</b></li> </ol>	<ol style="list-style-type: none"> <li>1. For consideration  As part of the implementation of the Risk Management Program, materials will be presented to senior management through workshops facilitated by the Governance department and LGA Strategic Risk Services Team to establish a risk culture baseline. Through the embedding of the risk management framework, training will be provided to staff on its application.  Upon the initial embedding of the risk management framework, consideration can then be given to refresher training for staff.</li> <li>2. For consideration.  The Audit Committee receives regular updates on the progress of the implementation of the Risk Management Program.  Once the risk management framework has been reviewed and embedded within the organisation, consider providing an awareness session to Audit Committee and Council.</li> <li>3. For consideration.  Refer the response to item 1 above.</li> </ol>	<ol style="list-style-type: none"> <li>1a. Develop, in conjunction with LGA Strategic Risk Services, materials for presentation to senior management. Workshop the materials with senior management.</li> <li>1b. Meet with representative from People &amp; Culture to discuss options for development of refresher training for staff, once risk management framework is embedded.</li> <li>2. Consider providing a risk management awareness session to Council.</li> <li>3. Meet with representative from People &amp; Culture to discuss options for development of</li> </ol>	<p>Manager Governance  Risk and Governance Program Manager</p>	<p>1a. September 2018</p> <p>1b. June 2019</p> <p>2. December 2019</p>
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skills & knowledge of risk management in the new training needs/planning process		refresher training for staff, once risk management framework is embedded.		
<b>ROADS AND FOOTPATHS</b>				
<p><b>2c. Does Council have an Infrastructure and Asset Management Plan that covers the management and maintenance of roads and footpaths?</b></p> <p><b>Outcome: Baseline met (opportunity for improvement)</b></p> <p>Transport asset management plan includes roads, traffic devices, kerbs, signage, bridges, culverts, bush shelters, footpaths, park, paths, car parks, lighting &amp; electrical &amp; extends over a 20 year period. It is based on the IPWEA model plan.</p> <p>AMP Includes community &amp; technical levels of service for footpaths &amp; kerbing only. There are plans to increase level of detail around roads to align with more comprehensive internal list – looking to include/expand in 2018 review of plans. Road seal, pavement &amp; footpath condition profiles are included at Fig. 5.1.3.1, 5.1.3.2 &amp; 5.1.3.3. Pavement condition index 1- 10 – graphs based on 1 – 5</p> <p>Critical risks are identified at 5.2 &amp; include entrapment of vehicles in the fjord at The Strand at Mawson Lakes (and others) and flooding at Little Para &amp; Dry Creek Shared use underpasses disrupting connectivity.</p> <p>Appendix D – Transport Risk Management Plan also identified risks relating to transport assets generally. Some of these risks are being actioned through new initiative bid planning process, however there is no regular monitoring, (i.e. is only looked at in line with AMP review.) There are plans to review annually/every 2 years. Review will go through Exec &amp; Audit Committee.</p>	<p>1. Accepted</p> <p>An audit was performed on Strategic Asset Management Delivery in 2016. A suggestion from the audit related to Level of Service. Management response was that, upon establishment, the level of service data will be captured in the appropriate system, reported against and included in the relevant Asset Management Plan.</p> <p>The Transport Asset Management Plan has been comprehensively reviewed and, in addition to a number of other items, the level of detail around levels of service for roads will be improved.</p> <p>2. Noted.</p> <p>The Asset Management Plans, including the Transport Asset Management Plan, are regularly reviewed. During that review process the risks and treatment plans contained within the report are also reviewed and considered.</p>	<p>1. The revised Transport Asset Management Plan will be endorsed.</p> <p>2. The risks and treatment plans identified in the Asset Management Plans be extracted from the Plans and incorporated into the operational risk review process for the</p>	Manager Infrastructure Management	June 2019



<p><b>Consider:</b></p> <ol style="list-style-type: none"> <li><b>Improving level of detail around community and technical levels of service for roads in asset management plan</b></li> <li><b>Developing a process to monitor risks identified (and treatments proposed) in the asset management plan</b></li> </ol>	<p>The risks and treatment plans identified in the Plan can be extracted from the Plan and incorporated into the operational risk review process for the relevant area. It is not considered necessary for a separate process for the monitoring of risks and treatment plans to be developed.</p>	<p>relevant area.</p>		
<p><b>2g. If Council has Railway Interface/s, does Council fulfil its duties as a Road Manager?</b></p> <p><b><u>Outcome: Baseline not yet met</u></b></p> <p>Council are in the preliminary stages of developing the Interface Agreement, (stakeholders: DPTI/ARTC/Tramway museum.)</p> <p>Waiting on outcome of DPTI/City of Unley negotiations &amp; will use that agreement as basis for City of Salisbury's agreement.</p> <p>Risk assessments have been completed using ALCAM methodology (dated December 2017).</p> <p><b>Consider:</b></p> <ol style="list-style-type: none"> <li><b>Negotiating rail interface agreement(s) with rail managers</b></li> </ol>	<p>Agreed.</p> <p>Rail interface agreements need to be negotiated and signed off by all parties. The parties to the agreements will include DPTI (as the owner of the metro/local rail), ARTC (as the owner of the freight rail), and CoS (as the road manager). There will be a need to negotiate with the respective rail owners and the rail authority and this process has commenced</p> <p>The agreements will establish who the responsible authority for the management of particular rail safety risks is.</p> <p>A meeting has occurred between ARTC and DPTI and CoS. From that meeting, DPTI is in the process of completing some portions of the agreement and identifying the risk management process we will undertake for each of the crossings in CoS.</p> <p>We are also cognisant of the fact that interface agreements will need to be developed for the operation of trams at</p>	<p>Progress the development of the Rail Safety Interface Agreement.</p>	<p>Manager Infrastructure Management  Senior Traffic Engineer</p>	<p>Dec 2019</p>



	St Kilda. Crossings are currently being managed in an appropriate manner. Warning signs and general safety conditions are in place.			
<b>PLANNING AND DEVELOPMENT ADMINISTRATION</b>				
<p><b>3a. Are Building Surveyors, Inspectors, Planners, Planning Officers, or Planning staff who are employed or engaged by Council accredited to provide planning advice, and assess new development applications?</b></p> <p><b>Outcome: Baseline met</b></p> <p>Annual Performance development plans for each officer are developed corporately. Team leaders identify individual training.</p> <p>Individuals are responsible for maintaining their own CPD &amp; Council verifies that qualifications/accreditation are maintained via payment of subscriptions.</p> <p>People &amp; culture (training &amp; development) manage training centrally. Corporate training &amp; events calendar is done on a quarterly basis – looks at mandatory training but does not yet pick up on maintenance of professional accreditation.</p> <p><b>Consider:</b></p> <ol style="list-style-type: none"> <li><b>Including maintenance of professional accreditation/skills within new learning management system</b></li> </ol>	<p>Noted.</p> <p>CoS Building Officers require accreditation. That accreditation is provided through the Australian Institute of Building Surveyors ("AIBS"). In order to achieve ongoing accreditation, Building Surveyors need to complete 90 points of CPD over a 3 year period.</p> <p>The Development Services Division maintains a calendar in an excel spreadsheet which monitors the training completed by each staff member. The requirement to complete CPD is also included in staff Performance Development Plans.</p> <p>CoS pays for staff subscriptions to the AIBS which is another control for ensuring that staff are accredited. Officers submit their renewal accreditation certificates to the People and Culture Division.</p> <p>CoS is comfortable with the system in place to monitor qualifications and accreditations for Building Officers.</p> <p>The learning management system could be used to store accreditation information.</p>	<p>Review the current tools being used, and explore continuous improvement opportunities.</p> <p>A record of each Building Officer's submitted accreditation will be captured in Empower and Dataworks.</p>	<p>Manager Development Services</p>	<p>June 2019</p>

	A more holistic solution is being developed by the State Government to monitor the accreditation of Building Surveyors.			
<p><b>3b. Does Council have a process in place to manage written complaints related to development applications and completed projects?</b></p> <p><b>Outcome: Baseline met (opportunity for improvement)</b></p> <p>Customer service framework allows complainants to lodge complaints via phone, email or a customer feedback form.</p> <p>Notice to applicants advises applicants of the appeal process (via Environmental Resources &amp; Development Court) if they disagree with decision.</p> <p>There is no documented process for referrals from the minister under Development Regs S103 – if come from minister, it would go to CEO. This is not documented as it's never been an issue. Council's process should include notification to MLS if a complaint may give rise to a claim.</p> <p>Potential greatest risk exposures:</p> <ul style="list-style-type: none"> <li>Processes around exercise of delegations,</li> <li>managing expectations (being predictable),</li> <li>systems &amp; process – culture (involvement in reaching consensus)</li> </ul> <p>Council do go beyond legislative requirements – offer free pool fencing inspections if they have concerns.</p> <p>Internal audit has occurred (by Business Analyst Internal Audit &amp; Risk)</p> <p>Council also outsource planning &amp; development services staff to Roxby Downs.</p> <p><b>Consider:</b></p> <p>1. <b>Documenting process for processing of</b></p>	<p>Noted.</p> <p>The CoS Customer Service Framework sets out the approach for responding to complaints. The Compliments, Comments and Complaints Handling Procedure provides guidelines for dealing with customer compliments, comments and complaints and is designed to ensure that matters are addressed promptly and fairly and considered appropriately.</p> <p>Complaints pursuant to regulation 103 of the Development Regulations are made to the Minister, and not directly to CoS. A complaint received from the Minister would, as a matter of course, be received through the CEO. The CEO then refers the matter to the relevant department via the General Manager. Response to the complaint would follow the process in the tiered section of the Compliments, Comments and Complaints Procedure.</p> <p>CoS does not consider it necessary to develop a separate process for processing regulation 103 complaints under the Development Regulations.</p> <p>CoS notes the suggestion that the LGAMLS be notified should there be potential for a claim in relation to a section 103 complaint under the</p>	Consider including reference in the business process for complaints handling that matters which may give rise to an insurance claim should be brought to the attention of the Insurance Officer.	Manager Governance	June 2019

Section 103 appeals, which should include notification to the LGAMLS should there be potential for a claim	Development Regulations.			
<b>TREE MANAGEMENT</b>				
<p>E4b <b>Does the system provide a process for identifying, analysing, assessing, evaluating and treating risks related to trees during development &amp; planning, planting, and maintenance?</b></p> <p><b>Outcome: Baseline not yet met</b></p> <p>The City Landscape Plan gives an overarching guidance on the Landscape of Salisbury including the Urban Forest.</p> <p>The Tree Management Policy concentrates on a high level overview of Trees in the environment.</p> <p>The Street Trees Asset Management Plan details the strategic objectives for Street Trees, species diversification, renewal processes and maintenance overviews.</p> <p>Tree Management Procedure (Draft) is a document detailing the processes and systems to maintain trees, from this document a number of guidelines are extracted including</p> <ul style="list-style-type: none"> <li>• Tree Assessment methodology</li> <li>• Street Tree Planting Guidelines</li> <li>• Tree Planting Specifications</li> <li>• Unit pruning specifications</li> </ul> <p>Ideally, this procedure should be adopted to ensure consistency in treatment of tree management issues and minimise risk to Council by having a documented, endorsed process.</p> <p>Tree Removal Procedure details the process for dealing with Tree Removal Request and the criteria to be applied when determining the request.</p> <p>Proactive maintenance programs have been developed</p>	<p>Accepted.</p> <p>The Tree Management Policy and Tree Removal Procedure were reviewed and endorsed by Council in April 2018.</p> <p>A draft Tree Management Procedure has been prepared and is awaiting endorsement.</p> <p>The Tree Asset Management Plan has been prepared and will be endorsed and implemented.</p> <p>Council no longer has a tree removal committee. This committee was made up of staff from across different divisions and departments. Following a recent restructure, the relevant staff now reside in the same department (Parks and Open Space Assets), eliminating the need to have a committee for tree removal. Requests are considered by staff and staff have the delegated authority to decline requests, where necessary, resulting in less of an administrative burden.</p> <p>As part of the Street Tree Asset Management Plan a review will be performed of all CoS street trees (approximately 60,000 to 70,000 trees). The review will incorporate function, condition, capacity and risk and the review is scheduled to be</p>	<p>Implement Tree Asset Management Plan and Tree Management Procedure.</p> <p>Perform street tree review.</p>	<p>Manager Infrastructure Management</p> <p>Team Leader Parks and Open Space Assets</p>	<p>June 2019</p>

<p>for Unit Pruning and reserve tree risk.</p> <p>Process is in place for significant/regulated trees (development application) &amp; information is available to the public on Council's <a href="#">website</a>.</p> <p>Tree removal committee, (referred to in procedure) is made up of a mix of landscape architects, Coordinator Tree Services, Tech Support Officer who has knowledge of trees, Landscape persons (Craig) &amp; Development officer (significant/regulated). Schedule is generated &amp; there is a sign off sheet.</p> <p>There is a database of significant trees (developed in 2005) and Council are currently developing a database of landmark trees, with particular amenity values, may or may not be regulated or significant.</p> <p><b>Consider:</b></p> <p><b>1. Endorsing Tree Management Procedure</b></p>	<p>completed in December 2018.</p> <p>Following the review, high risk trees will be removed as part of the proactive assessment. This process is the next step on from the current Street Tree Asset Management Plan which only considers age and condition.</p> <p>Following the completion of the street tree review, a review will be performed on reserve trees, following the same review methodology.</p>			
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## OUTSTANDING ACTIONS ARISING OUT OF COMPLETED INTERNAL AUDITS

<i>Audit: Payroll</i>				
Opportunity for Improvement	Responsible Officer	Target Date	Revised Date	Comments
2.3 IT Access Controls - review Access rights are reviewed by Management. Agreed Action; 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.	Manager People and Culture / Manager Business Systems and Solutions	30 June 2017	31 October 2018	Part of the Empower transition project. Awaiting formal sign off on the complete transition.
2.6 IT Access Controls - responsibility Agreed Action; 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.	Manager People and Culture / Manager Business Systems and Solutions	30 June 2017	31 October 2018	Part of the Empower transition project. Awaiting formal sign off on the complete transition.

<i><b>Audit: Public and Environmental Health Management</b></i>				
<b>Opportunity for Improvement</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Revised Date</b>	<b>Comments</b>
<b>3. Lack of updated and maintained procedures</b> Council should develop procedure documentation, including checklists for its key environmental health activities, in particular food safety inspections, audits and general customer requests. Agreed Actions; As recommended and review the use of workflows in Pathways and opportunity to reintroduce with the transition to full mobility as a result of the Hub development.	Manager Environmental Health & Safety (MEHS)	31 December 2018		In Progress  All major environmental health activities have questionnaires associated with mobile inspections in both Food and Environmental Health to ensure requirements of inspections and audits are completed and recorded.
<b>4. Complainants Not Advised of Investigation Outcomes</b> Agreed Actions; Review procedures to ensure that All Customer requests are adequately completed and notes available to indicate the conclusion of the request along with feedback or documentation of conclusion with the complainant. and Support the introduction and development of City Watch.	Manager Environmental Health & Safety (MEHS) City Watch Project Team	31 December 2018		<b>Completed</b>  Staff reminded of their responsibilities, and feedback includes: Verbal, written and notes in CR module.  City watch development still in progress and will provide improved customer interface to self-manage complaints which has broader Council wide implications.



<i>Audit: Strategic Development Projects</i>				
Opportunity for Improvement	Responsible Officer	Target Date	Revised Date	Comments
<p><b>1. Quick decision emergency response process be formally documented, to address unforeseen/emergency issues arising</b></p> <p>Agreed Action: A Strategic Development Project Emergency Response Process be prepared and presented through Council Executive Group for endorsement and distributed to all Strategic Development Project staff and key contractors.</p>	Manager Strategic Development Projects	30 June 2018	31 December 2018	An emergency response process exists informally. Documentation of the process is to occur.

<i><b>Audit: Business Systems and Solutions</b></i>				
<b>Opportunity for Improvement</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Revised Date</b>	<b>Comments</b>
<p><b>1. IT Steering governance committees require implementation</b></p> <p>1.a) Revise the Terms of Reference for both the Application Steering Committee and IT Steering Committee, in line with the recommendations made in the Program Review;  <i><b>Action:</b> Agreed, in line with recommendations from the Program review and will be informed by the outcome of the digital strategy. A revised model for the governance of information technology and information management at operational, tactical and strategic levels will be developed based on stakeholder engagement and feedback.</i></p> <p>1.b) Reconvene the Application and IT Steering committees, ensuring the role of Business Systems and Solutions is well understood by the IT Steering Committee;  <i><b>Action:</b> Noted – see agreed action. Application and IT Steering committees will be based on the outcome of the agreed program review actions.</i></p> <p>and</p> <p>1.c) Ensure the membership of the IT Steering Committee includes a relevant selection of City of Salisbury Executives  <i><b>Action:</b> Noted – see agreed action</i></p>	Manager, Business Systems and Solutions	30/11/2018		

<b>Audit: Business Systems and Solutions</b>				
<b>Opportunity for Improvement</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Revised Date</b>	<b>Comments</b>
<p><b>2. The current Disaster Recovery plans require updating to increase the likelihood of managing a disaster event</b></p> <p>2.a) Fully document the DR plans. Consider the use of an external party with experience in the development of technology DR plans if there are no in-house parties with this experience;  <i>Action: Noted and agreed as recommended.</i></p> <p>2.b) Create a DR testing regime for major systems, that supports the business's documented MAO, RPO and RTO;  <i>Action: Noted and agreed as recommended.</i></p> <p>2.c) Align back-up regimes of all systems to Business Continuity plan MAO, RPO and RTO requirements.  <i>Action: Back up regimes will be reviewed and modified, if required.</i></p>	Team Leader, Information Technology Services	30/4/2019		
<p><b>3. Review of the use of generic admin accounts for applications</b></p> <p>3.a) Replace all generic admin accounts where they are used, with named admin accounts for all systems;  <i>Action: Noted. A review will be performed and implemented where feasible to do so.</i></p>	Team Leader, Information Technology Services	30/11/2018		

<p><b>4. No Service Level Agreements, and/or Key Performance Indicator's for Business Systems and Solutions</b></p> <p>4.a) Develop a Service Catalogue. <i>Action: Noted and agreed. Will be done as part of the work in 4.c.</i></p> <p>4.b) Define SLAs with vendors, where appropriate – agreed actions from Program Review will be implemented. <i>Action: Agreed actions from the Program Review will be implemented. Service levels with vendors are articulated in relevant contract documents.</i></p> <p>4.c) Obtain business endorsement of the Helpdesk metrics to enable the business to view the service levels provided. <i>Action: Noted and agreed.</i></p> <p>4.d) Implement KPIs as documented in the Program Review, in consultation with key application owners, and other stakeholders in the business. <i>Action: Noted and agreed. See response to recommendations in 1.a.</i></p> <p>4.e) Re-introduce the previously documented tools for control from the previous IT Strategy 2014-17 to provide a baseline to measure of the operational activities of the team – such as</p> <p>3.1 IT Principles, - <i>Agreed. The document will be updated</i></p> <p>3.4 IT Metrics, - <i>Agreed. The document will be updated as part of section 14 below.</i></p> <p>6.4 Governance Framework, - <i>Noted. Will be considered as part of the action detailed in 1.a.</i></p> <p>6.5 Application portfolio and support matrix, – <i>Noted and agreed. Will be delivered as part of related actions in this section</i></p> <p>Technical Support Responsibility Matrix – <i>Noted and agreed.</i></p>	4.a) –c.) Team Leader Service Desk	30/11/2018		
		28/2/2019		
		28/2/2019		
	4.d) Manager Business Systems and Solutions	30/11/2018		
	4.e) Team Leader, Information Technology Services	30/6/2018	30/11/2018	
				6.5 – Complete
				Technical Support Responsibility Matrix - Complete

<p>4.f) Build the reporting of KPI's and other operational controls into the Terms of Reference of the Steering Committees  <b>Action:</b> <i>Noted. Regular surveys of the performance of the IT functions will fall in line with program of Business Excellence surveys across the organisation. Refer action at 1.a.</i></p> <p>4.g) Promote and display the level of service provided by the Helpdesk against the agreed business metrics  <b>Action:</b> <i>Noted and agreed. As above at 4.f.</i></p> <p>4.h) Collate regular surveys as a standard measurement of Business Systems and Solutions performance, at least every 18 months  <b>Action:</b> <i>Noted. As above at 4.f.</i></p> <p>4.i) Include checkpoint surveys periodically for Helpdesk calls to trace ongoing customer satisfaction.  <b>Action:</b> <i>Noted and agreed. As above at 4.f.</i></p>	<p>4.f) - .i)  Team Leader Service Desk</p>	<p>4.f) - .i)  28/2/2019</p>		
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<p><b>5. Maintain an up to date application register to reduce security risk and upgrade costs</b></p> <p>5.a) Re-instate the centralised application and technology support matrix / register, including the version number currently used, the latest version released by the vendor, timescales for the life of vendor support, issues and reasons for not upgrading to the latest version and any vendor arrangements.</p> <p><i>Action: Noted and agreed. These documents are in use and will be updated. This will form part of the information contained in the Service Catalogue</i></p> <p>5.b) Determine if a policy or position is necessary for keeping software current. (e.g. No system will be x versions behind the latest version) - A formal position on this will be articulated in the next iteration of the ICT strategy/replacement document.</p> <p><i>Action: A formal position on this will be articulated in the next iteration of the ICT strategy/replacement document.</i></p> <p>5.c) Once the application and support matrix / register has been re-introduced, complete a review of all major systems to determine potential upgrade projects required.</p> <p><i>Action: Noted and agreed. A formal position on this will be articulated in the next iteration of the ICT strategy/replacement document.</i></p>	5a.) Team Leader Service Desk	30/6/2018	30/09/2018 <b>30/11/2018</b>	
	5.b) Manager Business Systems and Solutions	30/9/2018	<b>30/11/2018</b>	
	5.c) Manager Business Systems and Solutions	30/9/2018	<b>30/11/2018</b>	

<p><b>6. Continued focus is required on aligning business applications to business needs</b></p> <p>6.a) Improve resource management and the visibility of allocated BSS resources to manage business expectations. <i>Action: Resource planning and demand management framework under development by Team Leader, Planning and Business Engagement. Relevant to Planning and Business Engagement Services and Information Technology Services teams.</i></p> <p>6.b) Consider the use of a Business Impact Assessment as an objective method of assessing the requested changes to systems by the business to enable clear and agreed understanding by all parties. <i>Action: Noted. This will be reviewed and considered.</i></p> <p>6.c) Ensure a consistent structure and Terms of Reference are in place to support any Application Steering Committees, as required, including the process for documenting how a decision not to have a Committee was arrived at. (The decision and responsibility for forming and running Application Steering Committees rests with the relevant business areas). <i>Action: Noted and agreed.</i></p> <p>6.d) Develop a BSS Service Catalogue and promote throughout the organisation. <i>Action: Noted. Refer section 4. Service Catalogue will cover the information technology-related aspects of BSS</i></p> <p>6.e) Following the release of the digital strategy, ensure the BSS assessments from the Bid System include an assessment of the alignment of the proposal to the digital strategy. <i>Action: Noted and agreed. This will be discussed and agreed with the relevant divisional manager responsible for the bid system.</i></p>	6a.)-c.) Team Leader, Planning and Business Engagement Services	30/6/2018	30/11/2018	
	6d.) Team Leader Service Desk	30/11/2018		
	6.e) Manager Business Systems and Solutions	28/02/2019		



6.f) Review the success of the Business Engagement Group over time and realign the Terms of Reference, if required. <i>Action: Noted and agreed. An internal assessment will be performed with the independent assessment performed by the next external audit of the information technology areas of the BSS division.</i>	6f.) Team Leader Planning and Business Engagement	30/6/2018	30/06/2019	
<b>7. Greater awareness is required of the ownership of systems and roles and responsibilities for applications</b> 7.a) Ensure the business sponsor is consulted and in agreement of the application support model, with the development of a Responsibility Matrix for each major application, and the roles and responsibilities of all parties are understood and agreed to. <i>Action: Noted. This process will be done for all major corporate applications. Follow the example of management and support structure for Empower.</i> 7.b) Ensure there is clear ownership of applications. <i>Action: Refer comments for 7.a).</i> 7.c) BSS to provide a greater advisory role and work closely with business application owners in regards to informing the business on new technologies, solution roadmaps and upcoming functionality included in solution upgrades. <i>Action: Noted and agreed.</i>	7a.)-b.) Team Leader Information Technology Services  7.c) –Team Leader Planning and Business Engagement Services	28/2/2019  28/2/2019  30/4/2019		

<p><b>8. Continued alignment of the Digital Strategy to the Business Strategy is required</b></p> <p>8.a) Ensure that the Digital Strategy is able to achieve the City of Salisbury's City Plan 2030 overarching strategy and vision. <i>Action: Noted and agreed. Action to be passed on to the digital strategy working group.</i></p> <p>8.b) Ensure that the Application Owners and members of the Applications Steering Committees continue to be involved in the development of the Digital Strategy. <i>Action: Noted and agreed.</i></p> <p>8.c) Ensure the IT strategy contains roadmaps and an execution plan for each system within the City of Salisbury portfolio. <i>Action: Noted and agreed. Information to be included in updated ICT Strategy.</i></p> <p>8.d) Consider changing the title of the IT strategy to an "Digital Execution Plan" or similar to reflect the outcome of the document being to define a program of work to deliver the Digital Strategy. This will assist in the measurement of goals and objectives of the strategies; <i>Action: Noted and agreed. Broader than responsibility of IT function within BSS.</i></p> <p>and</p> <p>8.e) Define a program of work to deliver the Digital Strategy. <i>Action: Noted and agreed. Broader than responsibility of IT function within BSS.</i></p>	8.a)-.e) Manager Business Systems and Solutions	30/11/2018		
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<p><b>9. Improve project management rigour</b></p> <p>9.a) Ensure the progress of significant IT projects are reviewed by the an IT Portfolio governance group on a regular basis, as per Recommendation 1a.</p> <p><i>Action: Noted. Work to ensure there is clarity on what is a significant IT project and whether a different approach to report on IT projects is required over and above that required for the organisational approach to project reporting.</i></p> <p>9.b) Any IT Projects that are shown as being delayed against their schedules or unlikely to achieve the agreed business benefits should be reviewed and monitored to obtain confidence on the remediated progress and delivery of these projects.</p> <p><i>Action: Noted. Subject to the outcome of 9.a).</i></p> <p>9.c) Ensure there are templates for use by BSS for projects, developed in alignment with the overall Project Management methodology of the Council</p> <p><i>Action: Noted. Already in use - for example, vision and scope documents have been created for projects involving IT aspects. Work to continue on this part of the maturing of the Planning and Business Engagement function.</i></p> <p>9.d) Consider including specialised IT project managers within the project teams for the delivery of technology enabled projects, accountable to the nominated business owner.</p> <p><i>Action: Noted. This will be reviewed in consultation with relevant internal stakeholder.</i></p>	9.a) Manager Business Systems and Solutions	30/6/2018	30/11/2018	
	9.b) Manager Business Systems and Solutions	30/9/2018	30/11/2018	
	9.c) Team Leader Planning and Business Engagement	30/6/2018	30/11/2018	
	9.d) Manager Business Systems and Solutions			9.d) Complete – Currently in operation – for example on the Asset Improvement Project the project manager has the required skill set, went to market.

<p><b>10. A formal change framework is required</b></p> <p>10.a) Implement a formal CAB – recommendation to be raised with the Change Management Group.</p> <p><i>Action: Noted. This recommendation will be raised with the Change Management Group.</i></p> <p>10.b) Document the CAB processes – Subject to the outcome of 10a.</p> <p><i>Action: Noted. Subject to the outcome of 10.a)</i></p> <p>10.c) Provide awareness to the relevant business areas of the CAB processes and how the business outcomes are met – Subject to the outcome of 10a.</p> <p><i>Action: Noted. Subject to the outcome of 10.a)</i></p> <p>10.d) Develop and publish a forward schedule of change.</p> <p><i>Action: Noted and agreed. For applications and infrastructure – related work this action can be unilaterally implemented by the information technology function within BSS as it does not depend on the implementation of a formal change advisory board.</i></p>	10.a) - .c) Manager Business Systems and Solutions	30/11/2018		
	10.d) Team Leader Information Technology Services	30/6/2018	30/09/2018 <b>30/11/2018</b>	



<b>ITEM</b>	4.2.6
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	09 October 2018
<b>HEADING</b>	Risk and Governance Program
<b>AUTHOR</b>	Janet Crook, Risk & Governance Program Manager, 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>	A proposal to review the Governance and Executive Office program of Council's administration was endorsed by Council in May 2017. The report informing Council of the results of the program review was provided to Council in November 2017. A report to the Audit Committee in May 2018 was provided on the progress of developing the risk management and governance framework. This report provides a further update.

## **RECOMMENDATION**

1. That the report be noted and received.

## **ATTACHMENTS**

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

1. Scope of Works with LGRS Strategic Risk Services Team

## **1. BACKGROUND**

- 1.1 The Governance and Executive Office Program Review Brief and Background Paper were endorsed by Council in May 2017.
- 1.2 With regard to our opportunities for improvement, it was agreed by Council at its meeting in November 2017 that the Governance Division play an expanded role in the organization; to provide enhanced leadership and support on an organization-wide basis to promote a corporate approach to governance matters so as to enable and ensure that the organization is innovative – making decisions that are predicated on sound risk management principles for achieving desired outcomes.
- 1.3 Council agreed that an enhanced governance and risk management function can further underpin our service and project delivery, as well as our preparedness to grasp opportunities for growth and development.

- 1.4 One of the outcomes from the Governance and Executive Office program review was to continue improving Council's processes (and the Administration's) for informed decision making, so that they maintain currency. In particular:
  - 1.4.1 Designing and implementing a whole-of-organisation program to improve our internal decision making processes, promoting a proactive risk management approach, and maintaining a culture of awareness and encouraging ethical behaviours.
  - 1.4.2 Leading the transformation and embedding process of the risk and governance functions of the Division, consistently through the organisation.
- 1.5 A report was put to the Audit Committee at its February 2018 meeting updating the Committee on the aspects of the program review that focused on the Governance Division and the approach to the risk and governance component of the review.
- 1.6 A further report was put to the Audit Committee at its May 2018 meeting updating on the progress of the development of the risk management and governance framework. The Committee was advised that engagement has commenced with representatives from Local Government Risk Services (LGRS) in relation to the risk management framework at CoS and the services they can offer to assist with its development.

## **2. REPORT**

- 2.1 We have engaged with the LGRS Strategic Risk Services Team to develop a scope of work to assist CoS in delivering an organization-wide, consistent usable risk management framework to encourage and inform risk management. A copy of the scope of work is attached as Attachment 1.
- 2.2 The scope of works identified that materials would be developed for presentation to senior management. The Manager Governance and Risk and Governance Program Manager met with members of the LGRS Strategic Risk Services Team.
- 2.3 The Manager Governance and Risk & Governance Program Manager met with a member of the Strategic Risk Services Team in July 2018 to progress the implementation of the agreed program of works. It was agreed that two sessions would be facilitated with senior management by the LGRS. The first session was to consist of a risk management refresher. The second session is likely to address application of risk management principles and identification of some operational risks.
- 2.4 On 14 September 2018 the General Managers and Divisional Managers attended a workshop facilitated by members of the LGRS Strategic Risk Services Team. Topics covered in the workshop included:
  - Identifying common challenges in the Local Government Sector;
  - Understanding risk maturity and enterprise risk management;
  - Risk tools and definitions;
  - Learning how to document the risk;
  - Documenting the control properly; and
  - Understanding risk appetite and risk tolerance.



- 2.5 Of particular interest was the discussions had in relation to risk maturity, specifically the maturity levels that the group considers CoS to have now and the maturity levels we aspire to have.
- 2.6 It was recognized during the workshop that the session was an introduction to the risk management program and that the senior leaders will be engaged with again to progress the program.
- 2.7 The Risk and Governance Program Manager will work with the Strategic Risk Services Team to develop appropriate content for a follow up session which is likely to focus on risk identification and documentation and control documentation.
- 2.8 Additional Risk Program activities have included:
  - 2.8.1 The Risk and Governance Program Manager has worked with the project management team for the Salisbury Oval project to prepare a risk register for the project. Two risk workshops were held with the project managers and a risk register has been prepared using a template provided by the LGRS.
  - 2.8.2 CoS has commenced a review of its Emergency Management response mechanisms. The LGA is rolling out its three year *Council Ready* program to support councils with their overall emergency management planning. As a first step, CoS intends to participate in an Emergency Management Health Check workshop.
  - 2.8.3 Following the recent Business Continuity Test, several actions have been identified to perform a comprehensive review of the business continuity framework.
  - 2.8.4 A meeting has been held between the Manager Governance, the Risk and Governance Program Manager and a representative from Control Track to discuss CoS' upgrade of the Control Track system.

### 3. CONCLUSION / PROPOSAL

- 3.1 This report to the Audit Committee provides an update to the Audit Committee on the progress of the development of the risk management and governance framework.
- 3.2 From time to time the Audit Committee will be provided with advice on critical aspects of the development of the risk management and governance framework.

### CO-ORDINATION

Officer:

Date:



 <b>Mutual Liability Scheme Workers Compensation Scheme</b> <b>Local Government Association of South Australia</b>	<b>Scope – Strategic Risk Services</b>	<b>Council:</b> City of Salisbury
		<b>Date:</b> 06/06/2018
		<b>Key Contact:</b> Janet Crook, Risk and Governance Program Manager

<b>Scope: Strategic Risk Service Program</b>	
<b>Background</b>	The senior management of the City of Salisbury has recognised the importance and need to have an organisation wide, consistent, usable risk management framework to encourage and inform risk management within their Council. As a part of the initiative, they are keen to operationalise their current risk framework by undertaking a review and update of their existing strategic risk register and corporate documentation as well as continue the development of an operational risk register in order to manage and monitor key risks. They are also taking the opportunity to review their monitoring and reporting mechanisms. The City of Salisbury is seeking to engage the services of the MLS to facilitate this requirement and the Strategic Risk Consulting Team has been engaged to create a customised program to meet the Council's needs and structure the work to evolve Council's risk system to a point where the expectations of their Audit Committee and Senior Management Team can be met.
<b>Objectives:</b>	<ul style="list-style-type: none"> <li>• Support the development of a customised program for City of Salisbury's risk framework implementation</li> <li>• To support and mentor on an "as needs" basis as requested by the City of Salisbury and within the Scheme's resource capacity</li> <li>• That the City of Salisbury's Senior Management Team understand Council's Risk Management Framework, their role and responsibility and can implement it across the organisation</li> <li>• That a formal process is available and understood by the Council staff and is implemented within the City of Salisbury resulting in a proactive approach to risk management following the delivery of the services by the Scheme</li> </ul>
<b>Scope of Services:</b>	<ul style="list-style-type: none"> <li>• Create training materials for presentation to senior management. Provide materials to Risk &amp; Governance Program Manager for review prior to presentation. Facilitate workshop to review Councils existing Strategic Risks, risk maturity as well as identify and assess any additional strategic risk. Include back to basics risk management training in order to establish a baseline of risk culture at the City of Salisbury</li> <li>• Provide template documentation for risk register, policy, framework and implementation plan</li> <li>• Review and provide feedback for roadmap for risk implementation as provided by the Council</li> <li>• Create materials for presentation to management in relation to operational risks. Facilitate workshops to identify and assess some of Council's Operational Risks</li> <li>• Provide support and guidance to the Governance department to enable them to review and update the Council's Risk Management Framework</li> <li>• Provide guidance material on the revised Risk Management Framework including information about roles and responsibilities Provide deliverables such as completed documentation for Council's strategic risk register, operational risk register, policy and framework documentation, training materials (needs to be agreed with the City of Salisbury during the planning process), list of terminology and definitions</li> <li>• Provide mentoring as requested by the Council (this will depend on capacity of resources and would require prior planning) as a part of post program</li> </ul>

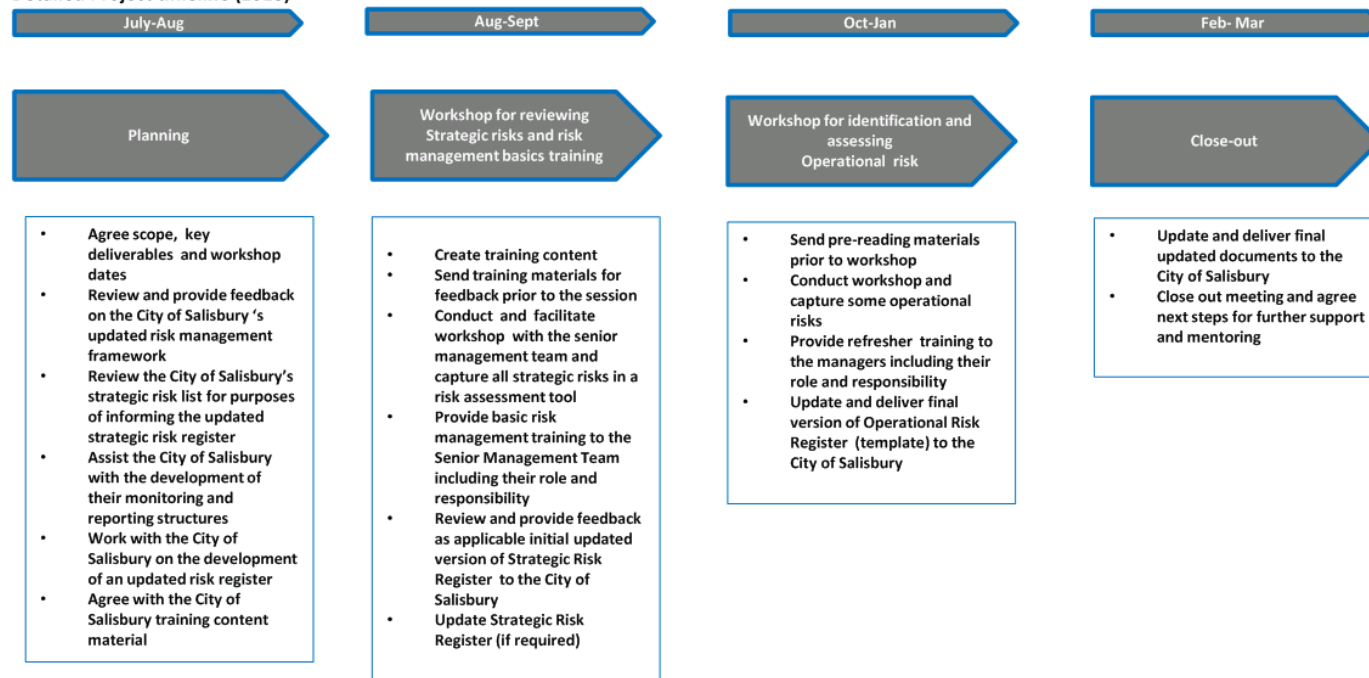
<i>Strategic Risk Services Scope Template V1.0</i> Issued on: 15-12-2017 Review Date: 15-12-2018	<i>Electronic version on the Intranet is the controlled version.</i> <i>Printed copies are considered uncontrolled.</i> <i>Before using a printed copy, verify that it is the current version.</i>  R:\Governance\Audit_Risk\Internal Audit, Risk Management and Internal Controls\Audit Committee of Council\Meetings\2018\04_July\Final Scope of Works for City of Salisbury 6 June 2018.docx (3).docx	Page 1 of 4
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 Mutual Liability Scheme Workers Compensation Scheme <b>Local Government Association</b> of South Australia	<b>Scope – Strategic Risk Services</b>	<b>Council:</b> City of Salisbury
		<b>Date:</b> 06/06/2018
		<b>Key Contact:</b> Janet Crook, Risk and Governance Program Manager

	support
<b>Out of Scope:</b>	The Strategic Risk team will not be responsible for design and implementation of controls for each risks identified. Testing and assessment of controls will not be performed.
<b>Timelines:</b>	The project will be delivered in phases from July 2018 – March 2019. Key dates will be agreed with Salisbury management with the commencement of the project.
<b>Sponsor:</b>	Mick Petrovski – Manager Governance

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 <b>Mutual Liability Scheme Workers Compensation Scheme</b> <b>Local Government Association of South Australia</b>	<b>Scope – Strategic Risk Services</b>	<b>Council:</b> City of Salisbury
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**Detailed Project timeline (2018)**

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		<b>Date:</b> 06/06/2018
		<b>Key Contact:</b> Janet Crook, Risk and Governance Program Manager

<b>Prepared by:</b>	Adity Roy Chowdhury (Strategic Risk Consultant - LGAWCS)	<b>Date:</b>	08/05/2018
<b>Reviewed by:</b>	Stevie Sanders (WHS & Risk Manager -LGAWCS)	<b>Date:</b>	09/05/18
<b>Approved by:</b>	Mick Petrovski – Manager Governance	<b>Date:</b>	30/05/18

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