



**Audit Committee
Monday 22 August 2016
(Presiding Member: Mr Laurie Kozlovic)**

The meeting of the Audit Committee will be held in the Civic Centre, 128 Prospect Road, Prospect commencing at 4:30pm

A G E N D A

1. **On Leave** – Nil.
2. **Apologies** – Nil.
3. **Confirmation of the [Minutes](#) of the Audit Committee Meeting Held on 16 May 2016**
4. **Presiding Member's Report** – Nil.
5. **Questions With Notice** – Nil.
6. **Deputations** – Nil.
7. **Notices Of Motion** – Nil.
8. **Declaration by Members of Conflict of Interest**
9. **Protocol**

The Council has adopted the protocol that only those items on Committee reports reserved by members will be debated and the recommendations of all items will be adopted without further discussion.

10. Reports

Reports of the Chief Executive Officer

Nil.

Reports of the Director Corporate Services

- 10.1 [Business and Economic Development Update](#)
(Pages 1-61, Recommendation Page 1)
- 10.2 [Human Resource Management Roadmap Update](#)
(Pages 62-66, Recommendation Page 62)
- 10.3 [Internal Audit Report - Business Planning and Budget Process](#)
(Pages 67-83, Recommendation Page 67)
- 10.4 [First Interim Audit 2015-2016](#)
(Pages 84-94, Recommendation Page 84)
- 10.5 [Internal Audit Annual Report 2015-2016](#)
(Pages 95-119, Recommendation Page 95)
- 10.6 [Annual Self-Assessment and Annual Report 2015-2016](#)
(Pages 120-138, Recommendation Page 120)
- 10.7 [Audit Committee Outstanding Resolutions](#)
(Pages 139-147, Recommendation Page 139)
- 10.8 [Audit Committee Work Program Status Report](#)
(Pages 148-165, Recommendation Page 148)

11. Questions Without Notice

12. General Business

Council has resolved that an Agenda Item "General Business" be included on Council and Committee Agendas for members to raise matters of a minor nature for action by the Administration, or to call for reports.

13. General Business – Urgent Matters

Council has resolved that an Agenda Item "General Business – Urgent Matters" be included on Council and Committee Agendas for members to raise matters of a genuinely urgent nature, is not a change to Council Policy and can not wait until the next Council or Committee meeting recognising that the leave of meeting will be required for each item on each occasion.

14. Confidential Items – Nil.

15. Closure



Ginny Moon
Director Corporate Services

AGENDA ITEM NO.: 10.1 ON AGENDA

TO: Audit Committee on 22 August 2016

DIRECTOR: Chris Newby, Director Economic Development and Communications

REPORT AUTHOR: Jennifer Uebergang, Economic Development Officer

SUBJECT: Business and Economic Development Update

1. EXECUTIVE SUMMARY

- 1.1 City of Prospect has changed dramatically in recent years and this can be attributed to several strategies delivered by the Business and Economic Development Portfolio.
- 1.2 While themes remain consistent throughout the strategies ie. increased development, business attraction, job and gross domestic product growth, new strategies incorporate an International focus, particularly China. The Economic Development Strategies to date include:
 - 2008 - 2011 Strategic Economic Plan
 - 2009 - 2012 Digital Economy Strategy “Recognised as Australia’s Best”
 - 2012 - 2016 City of Prospect Strategic Plan
 - 2014 - 2018 Strategic Economic Development Plan
 - 2014 - 2018 Next Generation Digital Economy Strategy
 - 2020 City of Prospect Strategic Plan to 2020
- 1.3 Business and Economic Development activities are core to Council’s Strategic and operational service delivery and the activities, updates and outcomes are summarised in this report.
- 1.4 It is recommended that the Economic Development project budget bids continue to be considered as part of Council’s annual budget process in order to achieve the Council’s wider objectives.

2. RECOMMENDATION

- (1) This report be noted.
 - (2) The future program of works for the Business and Economic Development Portfolio continue to be informed by Council’s Strategic Economic Development Plan 2014 - 2018 and Next Generation Digital Economy Strategy 2014 – 2018 with funding of this program of work incorporated into Council’s Long Term Financial Plan.
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3. RELEVANCE TO CORE STRATEGIES / POLICY

Core Strategy 2 – Our Economy.

2.1 Target and encourage appropriate and diverse commercial investment.

- 2.1.1 Distribute high quality business investment and city promotion materials to attract a desirable mix and balance of commercial and retail investment with a focus on technology, hospitality, retail and home based businesses.
- 2.1.2 Identify and promote development on strategic sites within our City.
- 2.1.3 Promote Main North Road and Churchill Road as arterial gateway roads for medium to large commercial, retail and higher density residential development.
- 2.1.4 Work to facilitate access to appropriate business infrastructure such as National Broadband Network, transport, signage etc.
- 2.1.5 Ensure Council infrastructure supports and increases business activity.

2.2 Support retail, commercial, home and e-business development across our City.

- 2.2.1 Undertake a detailed economic analysis and assessment of our local economy.
- 2.2.2 Support existing home based business activities and attract new small office/home office business to our residential sector.
- 2.2.3 Establish a business environmental program focusing on reducing waste and reduced electricity consumption to minimise the carbon footprint of our commercial and retail sectors.
- 2.2.4 Implement programs to assist local business to grow through the use of online services.
- 2.2.5 Promote access to digital information opportunities through active pursuit and implementation of Federal Government strategies.

2.3 Development of Northpark Centre Precinct.

- 2.3.1 Engage with and support the upgrade plan for Northpark Centre Precinct.
- 2.3.2 Liaise with developer(s) and investment partner(s) regarding development and new business growth within the precinct.
- 2.3.3 Promote the Precinct as a shopping, business and food destination.

2.4 Development of 250 Churchill Road Precinct.

- 2.4.1 Liaise with developer(s) and investment partner(s) regarding development within the Precinct.
- 2.4.2 Pursue completion of the northern section of the Churchill Road Master Plan infrastructure works in response to development authority.

2.5 Promote Prospect as one of Adelaide’s most liveable inner suburbs, with world class digital connections, clean and green amenity, strategically ideal for retail and commercial investment.

- 2.5.1 Renew and refresh our Strategic Economic Development Plan.
- 2.5.2 Capitalise on the National Broadband Network to provide hi-tech enabling communications infrastructure across our City.
- 2.5.3 Facilitate equitable access and availability of world class internet speeds, carried by both fibre optics and wireless infrastructure for commercial and residential use.
- 2.5.4 Promote uptake and use of the National Broadband network.
- 2.5.5 Establish a Digital Hub as the primary digital interaction, education and training site for our community.

2.6 Seek to improve the communication links between government and business.

- 2.6.1 Develop strong professional relationships with key Federal and State Government stakeholders.
- 2.6.2 Support the Prospect Business Leaders’ Group.

2.7 Improve accessibility to and links between key commercial precincts.

- 2.7.1 Develop a Master Plan for Main North Road.

3.2 Top 10 Focus Projects:-

- 4. Smart City/Intelligent Community
- 8. Prospect Road
- 9. Main North Road
- 10. Churchill Road

4. COMMUNITY INVOLVEMENT

- 4.1 Community engagement was requested for several projects; the Economic Evaluation of 2016 Tourrific Prospect by Greenhill Research and Planning, the Main North Road Masterplan and the Impacts of Broadband Study.
- 4.2 A Digital Stakeholders group was formed out of business owners willing to be a part of the Vision and Branding Project and for November – January 2016 formed a working group to decide best choice of imagery that became Network Prospect. Businesses have attended various education events that form another Digital Economy Strategy – Digital Flagship Events.

5. DISCUSSION

Background

- 5.1 Following an Efficiency & Economy audit that identified the potential for economic growth in Prospect, the Business & Economic Development portfolio (B&ED Portfolio) was introduced (2008).

- 5.2 This portfolio assisted Council to understand its capacity to influence growth and its budget allocation represented less than 2% of Council's annual budget.
- 5.3 In 2014/15 Council resolved to include an operating budget for the B&ED Portfolio on an ongoing basis and to consider operating and capital projects on an annual basis in line with relevant strategies. At the Council meeting held on 25 March 2014 it was endorsed (Item 10.12) that:

“Council considers favourably extending the activities of the Business & Economic Development portfolio beyond 30 June 2014 and incorporating the portfolio’s non-project activities into the ongoing recurrent budget of Council.

Council’s next generation Strategic Economic Development Plan and Digital Economy Strategy once adopted inform the future program of works for the Business & Economic Development portfolio with funding of this program of work incorporated into Council’s Long Term Financial Plan.

Project Budget bids for Business and Economic Development projects be considered as part of Council’s normal budget process from year to year.”

- 5.4 In 2015/16 the Economic Development portfolio remained the same to continue the momentum gained and achieve outcomes from projects and activities.

Expenditure

- 5.5 Table 1 provides a summary of current and historical Budget resources committed to Economic Development (Original Budget figures).

YEAR	RECURRING OPERATING BUDGET	PROJECTS - OPERATING	PROJECTS - CAPITAL	TOTAL ECONOMIC DEVELOPMENT BUDGET	% OF COUNCIL BUDGET (EXC. DEP’N)
2008/09	\$0	\$270,000	\$0	\$270,000	1.75%
2009/10	\$0	\$270,000	\$180,000	\$450,000	2.57%
2010/11	\$0	\$338,000	\$0	\$338,000	1.40%
2011/12	\$0	\$378,000	\$0	\$378,000	2.32%
2012/13*	\$0	\$1,458,000*	\$0	\$1,458,000	7.65%
2013/14	\$0	\$381,100	\$0	\$381,100	2.03%
2014/15	\$270,000	\$78,703	\$0	\$348,703	1.59%
2015/16	\$379,624	\$365,200	\$130,000	\$874,824	3.84%
2016/17	\$575, 252	\$210,920	\$0**	\$786, 172	4%

Table1. Council’s current and historic contribution to Economic Development

*2012/13 includes \$1,120,000 on NBN related projects predominately funded by the Federal Government.

**2016/2017 does not indicate any carry forward capital projects as data was unavailable at time of this report

5.6 A series of reports and studies directed and now underpins Council's current Economic Development focus including:

- 2009 – 'Prospect Economic Profile' (undertaken by Professor Dick Blandy) which identified a lack of broadband connectivity and the ramifications of this mismatch with the workforce profile of predominately professionals and home based business.
- 2009 – 'Strategic Economic Plan 2008 – 2011' developed to address issues and opportunities identified in the Prospect Economic Profile.
- 2010 – 'Digital Economy Strategy 2010 – 2013' was developed and implemented which resulted in Prospect becoming an early release site for National Broadband Network rollout and attracting nearly \$1 million in funding received for establishing the Prospect Digital Hub, delivering the Digital Enterprise Program and Digital Local Government Program.
- 2014 – 'Strategic Economic Plan 2014-2018' updated to address future issues and opportunities identified in the Prospect Economic Profile. **Attachments 1-24**
- 2014 – 'Next Generation Digital Economy Strategy 2014 – 2018' was developed to progress uptake and use of the NBN. It outlines projects that educate the business community how to use this world class technology to its full capacity for business/job growth and economic sustainability. (Commercial in Confidence)
- 2015 – 'Commercial Corridor Land Use Analysis' was developed by Colliers International to outline the vacancy rate and the bench mark tenant mix for the three defined areas of Prospect Road, Main North Road and Churchill Road.
- 2016 - City of Prospect - Approach to Economic Profile Independent Review and Evaluation which identified the driving forces of Prospect future economy consisting of high quality, innovative businesses particularly in the creative industries. Also identified are businesses that align with State and Commonwealth Government strategies, those that can take part in the National Innovation and Science Agenda and use the **nbn**tm. There is also need to drive business through a Council supported for International Strategy (specifically China and India). **Attachments 25-48**
- 2016 – Economic Analysis of the 2016 Tourrific Prospect by Greenhill Research and Planning who evaluated the street party and the Stage 1 start of the Santos Tour Down Under. This report assesses the impact to traders and a contribution to the broader community and branding for the precinct.

Planning Policy Changes and Impact

5.7 In 2012 the State Government undertook a plan for the future growth and revitalisation of strategic areas of metropolitan Adelaide. Under the '30 Year Plan for Greater Adelaide', the State Government and five bordering inner metropolitan councils worked together on zoning changes to allow for a mix of new homes, offices and shops in key locations along existing transport corridors close to the CBD.

- 5.8 This opportunity was embraced in line with Prospect's economic profile, strategic objectives and need to diversify the existing rate revenue structure, from a reliance on the residential sector to commercial sector, to remain financially sustainable as a small council.
- 5.9 The rezoning of the Corridors in Prospect has resulted in significant development and growth and is now one of the key focuses of investment attraction marketing materials. With over 60 approvals for higher density multi-storey development, we have seen over \$110 million worth of construction approved in 2015/16, compared with approximately \$80 million in the preceding financial year.
- 5.10 The Business & Economic Development and Planning portfolios work closely together on development enquiries and planning applications to provide a supportive, 'case managed' style service. This approach has ensured the investor works with Council to ensure wherever possible, proposals comply with the Development Plan as well as satisfying the investor's objectives and requirements.
- 5.11 Results of the close relationship between the Planning and B&ED Portfolios are clearly evident. City of Prospect continues to see significant private investment in its corridors, with development continuing to transform the streetscape. Table 2 provides detail of the value of the number of total applications lodged and compared to those applications along the Urban Corridor Zone. Of these, there is approximately \$50million worth of construction activity being undertaken at the time of the preparation of this report.

	Total City of Prospect Application Values (Lodged)	Urban Corridor Zone Applications (Lodged)
2014/15	\$81,860,302	20 Projects with combined value of approximately \$39 million
2015/16	\$111,964,638	22 Projects with combined value of approximately \$45 million

Table 2: Total City of Prospect Applications Lodged compared with Urban Corridor Zone Applications Lodged

Source – City of Prospect, Planning

- 5.12 The subdivision of larger redevelopments in the future will also see significant contributions being made to Council as part of the Open Space Contribution Scheme. It has been estimated that these contributions could be in the order of \$123,000 for 3-7 Allan Street (comprising 22 townhouses) and \$520,000 for the first stage land division of 250 Churchill Road (unless open space is vested to Council in lieu of a contribution).

The Digital Economy

- 5.13 Council's Digital Economy Strategy raised Council's profile across South Australia, Australia and Internationally.
- In March 2010 the Honourable Senator Stephen Conroy, former Minister for Broadband Communications and the Digital Economy, described the strategy "the best in Australia"
 - In October 2010, Economic Development Australia (EDA) recognised the strategy as the best Economic Development Strategy in Australia.
 - In April 2011, the Digital Economy Strategy won the Local Government Association (LGA) State Award for Leadership and Management.

- 5.14 Having NBN (fibre-to-the-premises) ready for service for every property in City of Prospect puts City of Prospect in a unique position and is of great significance when identifying points of difference to other local government areas of Adelaide.
- 5.15 The success of the Digital Economy Strategy (and the implementation thereof) also contributed to City of Prospect receiving international recognition as one of the world's Top 21 Smart Cities four years running by the New York based Intelligent Communities Forum (ICF). This independent, international recognition has been extremely important in building City of Prospect's profile and leverage with key external stakeholders.
- 5.16 Council did not receive recognition as a Smart21 community in 2016, but was offered a board position on the ICF Foundation, which has been taken up by Cr Matt Larwood. Cr Larwood attended the June 2016 AGM in Ohio and was officially welcomed to the board.
- 5.17 The 'Next Generation Digital Economy Strategy 2014 – 2018' maps out the broad direction for Council to deliver external focused digital projects to build the local economy and leverage the FTTP broadband advantage. Completed projects include; Branding and Vision "Network Prospect" created and published. Website creation, Smart Phone Video Competition, Flagship Events, Broadband Cafes.

Combined Strategic Approach

- 5.18 Past strategies have resulted in significant outcomes, achieving a strengthening return on the financial investment made by Council, residential and commercial ratepayers. Economic Development activities are often a 'slow burn' and impacts and measurable results may not be evident immediately. This is due to a range of reasons such as factors affecting investor confidence arising from trends and issues facing the local, national and global economies.
- 5.19 In 2015/16 the B&ED Portfolio progressed the majority of the projects and initiatives outlined in the Council's Strategic Plan and completed many of them.
- 5.20 Projects, programs and activities identified in the Strategic Economic Development Plan 2014 - 2018 and the Next Generation Digital Economy Strategy are underway and running in parallel. These two strategies alone have created a renewed and growing interest in our City from investors (local and international), State and Federal government departments and agencies. Combined with the rezoned corridors, the attraction for investors is proving strong.

Capital Values and Rate Income

- 5.21 As anticipated, the constructive impacts of the past years of Council's Economic Development reforms will continue to have a further positive influence on commercial and residential property values and new commercial investment, enabling Council to obtain a greater rate income contribution from the commercial sector.
- 5.22 Property values in City of Prospect have increased since 2009 and this is shown in Figures 2, 3 and 4 in this report.

5.23 The B&ED portfolio continues to work with investors/developers/owners at a number of strategic sites within the council area including, but not limited to, the following:

(1) PG Development	250 Churchill Road
(2) Footers Development	171 – 175 Prospect Road
(3) V.R Group	72 – 74 Main North Road
(4) Maras Group	94 – 98 Prospect Road

5.24 Evidence of development along Main North Road is minimal but a Master plan for Main North Road is almost complete and the VR Group hotel proposal for 72-74 Main North Road has received development plan consent. This plan uncovers potential future sites and encourages increased development to transform it from a heavily commercial precinct to a mixed use multistorey precinct with clearly identified zones as specifically for commercial purpose.

5.25 Generating new development, new investment and attract new businesses to achieve a growth in rate income for Council is being realised through changes to the Development Plan, coupled with strong marketing and promotion of the Business and Investment Attraction Prospectus.

5.26 The increase in commercial rate income from approved developments completed or proposed can be used to fund the cost of the B&ED portfolio. Consequently, the B&ED portfolio will have little impact on cost to residential ratepayers and will be paid for by the commercial properties owners. As additional non-residential rate revenue comes on line, there will be reduction in the rate burden on residential rate payers with the commercial sector funding a greater proportion of Council's operations. This shift in the rate burden will be a continuation of the shift that has already been achieved in recent years as shown in Figure 1.

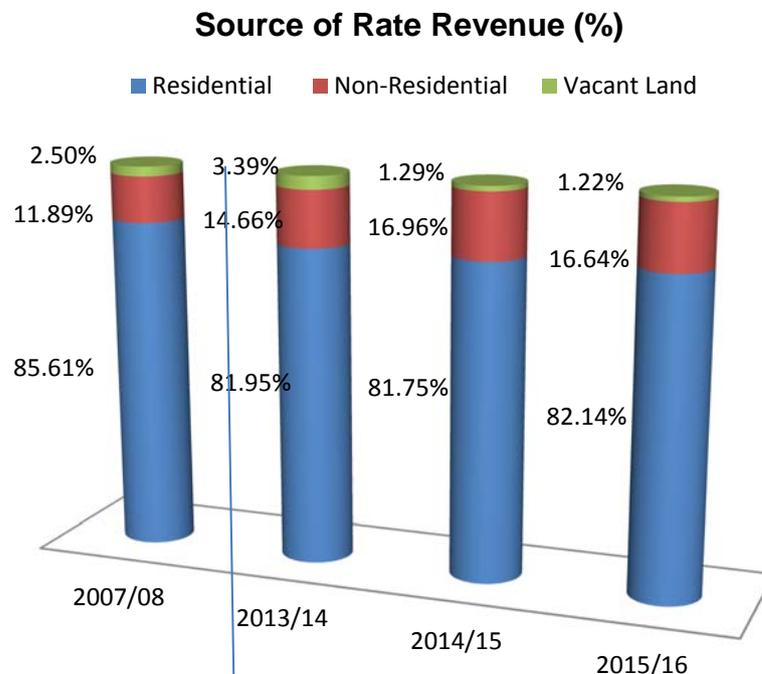


Figure 1. City of Prospect change in Rate revenue source 2007/08 – 2015/16

Economic Indicators - Property Market Trends

- 5.27 Residential and Commercial property values are indicators of economic development as are digital economy leadership, NBN, place activation (occurring throughout Prospect), schools (in 2015 Prospect was zoned for Adelaide High School), events (Stage Start for the 2016 Santos Tour Down Under) and public realm upgrades. These all add to the desirability of an area as a destination an place to live and work.
- 5.28 Commercial landowners are seeing significant increases in values since Council's focus on Economic Development was implemented. Figure 2 demonstrates an increase from \$600 per square metre to more than doubling at approx. \$1300 per square metre over the increased period of Economic Development focus (updated data has not been sourced for 2016).

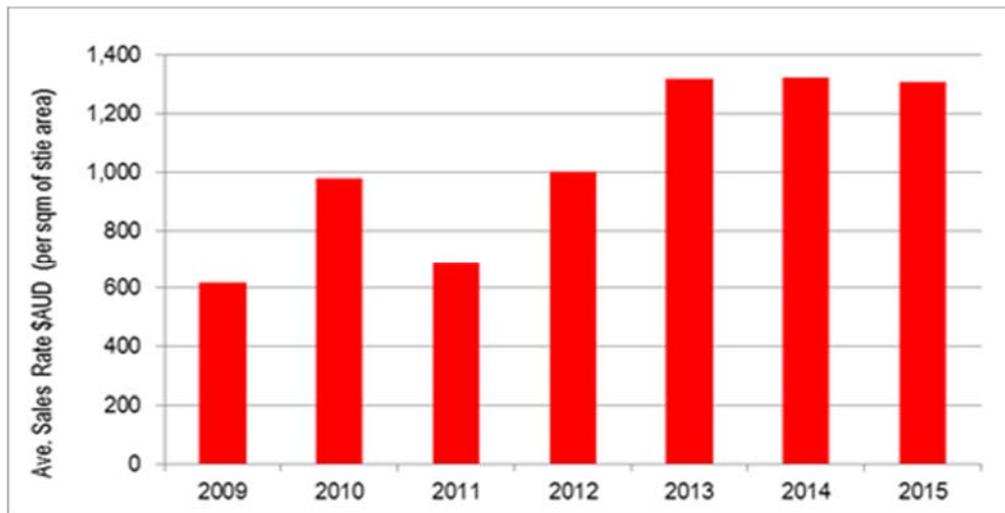


Figure 2. City of Prospect - Average Sales rates of Commercial properties on the Main Roads past 6 years (Source: Core Logic RP Data)

- 5.29 The residential property trends compared to Greater Adelaide are evident in Figures 3 and 4 with Prospect experiencing a slight decline but mainly stable house value. Apartment sales in Prospect have also been in slight decline and Greater Adelaide indicates a strong growth.

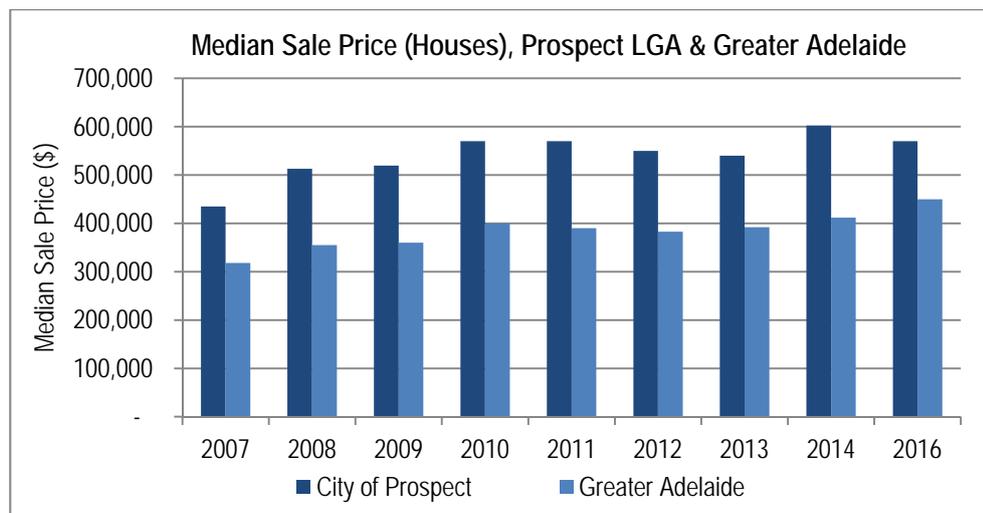


Figure 3. Median House Sale Prices Growth 2007 – 2016 (Source: Property Value by CoreLogic.)

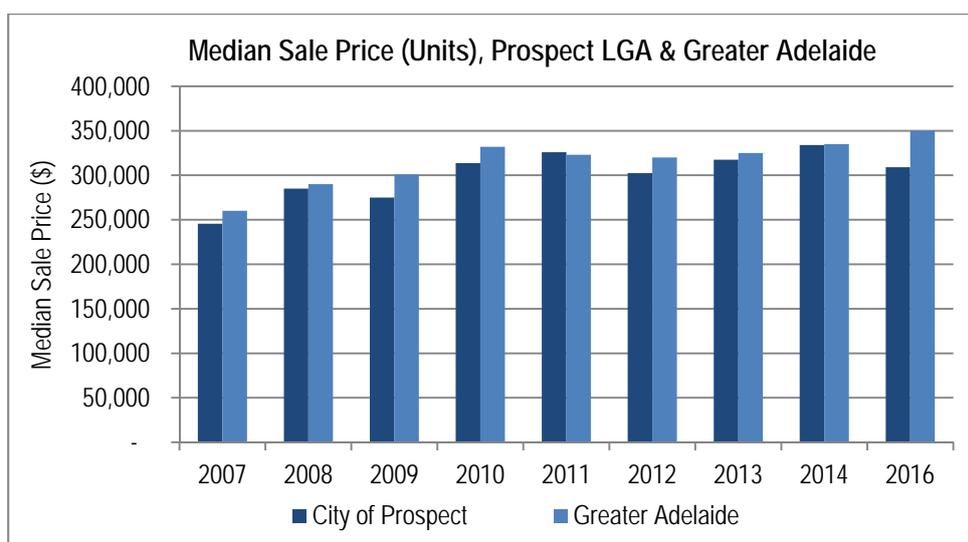


Figure 4. Median Apartment Sale Price Growth 2007 – 2016 (Source: Property Value by CoreLogic).

Economic Indicators - Commercial Vacancy rates

- 5.30 Table 3 below indicates that since 2010, Prospect Road has had one of Adelaide's lowest commercial properties vacancy rates. This figure to January 2015 is for the length of Prospect Road within the Council boundary estimated by staff.
- 5.31 In August 2015 Colliers International undertook a commercial vacancy rate and land use analysis to set benchmarks for three of Prospect's main urban corridors' vacancy and tenant mix. It is intended that the work Colliers did, marks the beginning of a series of surveys to provide a comparison for vacancy and tenant mix as an economic indicator over time.

Precinct	January 2014	January 2015	August 2015 (Colliers Report)
Prospect Road	0.5%	1.5%	3.8%
Rundle Mall	4.7%	3.7%	3.5%
Unley Road	7.7%	2.9%	3%
King William Road	8.1%	7.0%	10%
The Parade, Norwood	6.8%	5.3%	4.5%

Table 3. Commercial Vacancy Rates – Main streets Adelaide, SA

Source: Colliers International (Jan 2015) & City of Unley

<http://www.unley.sa.gov.au/webdata/resources/files/Att%201%20-%20Item%2011%20-%20UBED%20-%20July%202015.pdf>

and Colliers International – Commercial Corridor Land Use Analysis (City of Prospect August 2015)

- 5.32 Table 4 below indicates a summary of all of the shop units, vacant units and vacancy rates for Prospect Road (including the village heart segment) and Main North Road at August 2015. Main North Road is listed twice as there was a different methodology for the data collection, which was the collection of the total building sizes along this precinct. City of Prospect has made significant investment in the public realm in the segment of Prospect Road between Vine Street / Flora Terrace in the North and Rose Street / Labrina Avenue in the South. This precinct now has a more village atmosphere and therefore Council requested segmentation of this 'zone' to assess the impact the investment has had on vacancy tenant mix in isolation of the rest of Prospect Road.

Precinct	Shop units/sqm	Occupied units/sqm	Vacant units/sqm	Vacancy rate
Prospect Road	164	159	7	3.85%
Prospect Road 'Village Heart'	36	35	1	2.78%
Main North Road (sqm)	84,904 sqm	82,386 sqm	2,172 sqm	2.56%
Main North Road (Shop units)	282	270	12	4.26%
Grand Total	446	429	19	3.81%

Table 4. Colliers International – Commercial Corridor Land Use Analysis (City of Prospect August 2015)

- 5.33 For both Main North Road and Prospect Road precincts this is the first survey and sets the bench mark for vacancy monitoring. The vacancy rate for all of the precincts surveyed in the City of Prospect was 3.8 per cent.
- 5.34 Both Main North Road and Prospect Road have vacancy rates at the lower end of the range compared to precinct outside the City of Prospect. Only Unley Road and Rundle Mall had lower vacancy within the period surveyed. The total vacancy rate for the City of Prospect was 3.8 per cent.

Business Support

- 5.35 Projects Branding/Vision and website engagement with Digital Stakeholders and Council, tender winning Graphic Design company and staff have collaborated to launch the Network Prospect brand and website; Networkprospect.com.au.
- 5.36 “Network Prospect” is a fresh new design that alludes to City of Prospect’s business community and the National Broadband Network.
- 5.37 The new Network Prospect brand and vision has been applied to the new business website that hosts a range of information relevant to business. This includes business workshops and forums, latest news, a business directory, list of Prospect’s Professionals, information about the seven Broadband Cafes that allow for 100 Mbps download and 40 Mbps upload speeds and act as a third meeting space for home based businesses, investment pages (also available in Chinese), grants information and other business support available ie. Eastside Business Enterprise Centre (EBEC).
- 5.38 An e-newsletter is also available to local traders to allow communications between Council and the business community.
- 5.39 The Director of Business and Economic Development has been an active participant as the Chair of the Eastern Region Alliance (ERA) Economic Development Portfolio Group. The key focus for this Group has been implementing the ERA Economic Development Action Plan 2014-2017 with an emphasis on becoming recognised as a Smart Region to attract the creative industry sector.
- 5.40 Business support has also been provided through other key place making events/activities, such as the Tourrific Prospect street party and Tour Down Under Race Start and in supporting the development of a bi-monthly Eco Market. These events/activities add to the vibrancy of the area, contribute to the local economy, and increases foot traffic and awareness of what is on offer within Prospect.

Business & Investment Attraction

- 5.41 The Business and Investment Attraction ProspectUs was launched at a high profile event on 1 July 2015 at the North Adelaide Football Club with 120 guests. Council awarded certificates to 21 long standing businesses for their ongoing and long term contribution to strengthening the City of Prospect Economy and serving the community.
- 5.42 The ProspectUs is an effective promotional tool for marketing City of Prospect to prospective developers, builders, real estate agents, property managers, business operators etc and has been released to the Chinese market as part of the marketing collateral the Mayor and Director Corporate Services used for both outbound missions with the South Australian Government led Shandong Missions.

International Prospect

- 5.43 In May 2015 the South Australian Government in collaboration with the Australia China Business Council and the Local Government Association coordinated a delegation to Shandong Province, China.
- 5.44 In April 2016 the South Australian Government led a 3rd delegation to Shandong Province, China in collaboration with the Australia China Business Council and the Local Government Association.
- 5.45 City of Prospect and 15 other local Councils participated in a Local Government Business stream that provided an opportunity to promote investment opportunities and build on relationships established in 2015 with potential Chinese partners.
- 5.46 In addition to the Local Government Business stream activities, City of Prospect visited two schools providing a support role for local Blackfriars Priory School to advance their international business objectives, met with a range of contacts and presented a research and development concept to Hisense Electronics. City of Prospect was represented by Mayor O'Loughlin and the Director Corporate Services.
- 5.47 Since the May 2015 Mission, opportunities have been identified, pursued and packaged up as the 'Prospect China Engagement Action Plan'. In August 2015 Council endorsed a two stage planned approach including delivery of an educational program for local businesses and building relationships. The 2nd stage involved participating in the April 2016 Mission and the engagement of a China trade specialist consultancy to deliver educational workshops for local businesses in March 2016.
- 5.48 The implementation of the Prospect China Engagement Action Plan to date has cost approximately \$15,000 (stage 1 \$7,530 and stage 2 \$7,500).
- 5.49 A 2016-17 budget bid of \$32,000 was approved as a high priority to support progressing the plan as a key objective outlined under the theme of 'Prosperity' in the draft Strategic Plan 2020.
- 5.50 Engaging local businesses to increase awareness of emerging opportunities in China and leveraging the Council's connections will now be a key focus area of the Business and Economic Development directorate.

- 5.51 Discussions are currently underway with partners to progress a proposed technology Research and Development project involving a sample of Prospect households trialling use of smart connected household appliances in real life environment for the manufacturer, utilising NBN speeds.
- 5.52 Discussions are also underway with the Australian Medical Association (AMA) to understand further the possibilities available for online health assessment trials by a Chinese company on behalf of City of Prospect.
- 5.53 Prospect was represented on the 'Local Government Shandong China Working Party' to follow up and build on opportunities from the May Mission. The key focus is on hosting 'inbound' delegations as they become necessary. Already City of Prospect has hosted three inbound delegations, November 2015, May 2016 and June 2016. All of which have been significant tourism ventures as well as possible business collaboration as delegates would be visiting local businesses as well as other parts of Adelaide and other Australian states as time permits.
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ATTACHMENTS

Attachments 1-24 Strategic Economic Development Plan 2014-2018

Attachments 25-48 Richard Blandy: Approach to Economic Development – Independent Review & Evaluation

**PROSPECT
MEANS
BUSINESS**



Strategic Economic Development Plan

2014–2018





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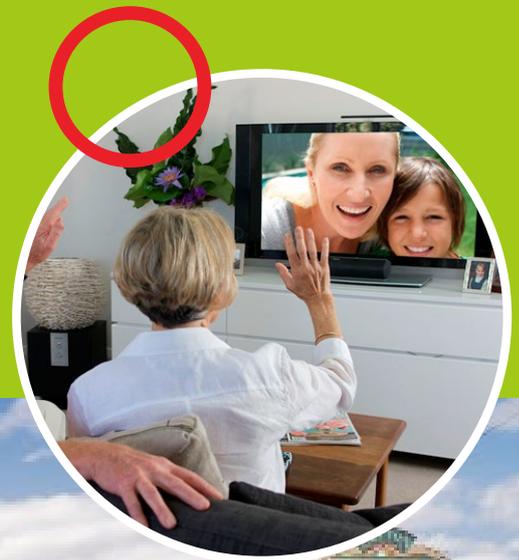
Attachment



ONE. INTRODUCTION

This Strategic Economic Development Plan outlines the socio-economic outcomes Council seeks to achieve over coming years and the strategies Council will implement to achieve these outcomes.

This plan builds on the success of the inaugural plan developed in 2007 and implemented over recent years.



TWO. CONTEXT

2.1 Federal Government Strategy

Over the past decade, the Federal government has continued to develop a closer working relationship with local government. The policies and funding strategies have seen funds being directed into regional economies, supporting micro reform and meeting local needs.

City of Prospect (Council) has developed strategies aimed at taking advantage of Federal funding initiatives. We have developed projects that require Federal collaboration to be realised; we are continuing to lobby and build partnerships at a national level to deliver outcomes that benefit our local economy and contribute to engaging our community in a global marketplace.

The incoming Coalition Federal Government's pre election policy included the following:

"As a high-cost high-regulation high-income economy, Australia's most pressing challenge is to reduce regulation and increase the level and rate of growth of productivity.

According to the Productivity Commission, multi-factor productivity – the portion of output growth that isn't due to more hours worked or capital invested – is driven by: "incentives (competition, government assistance and regulation), flexibility (labour arrangements and regulations impacting on production decisions) and capabilities (skilled people, knowledge systems and infrastructure)."

City of Prospect has sought to encourage the investment in ICT and the strengthening of the capabilities of individuals and organisations to utilise technology through a number of targeted programs and strategies.

This investment and support of technology has been to maximize the productivity of our local residential community and the businesses that operate in/from our area.

For further information, refer to www.australia.gov.au



TWO. CONTEXT

2.2 State Government Strategy - South Australia's Strategic Plan

The South Australian Government took a bold step in setting specific objectives and targets which measure the success of its policy and strategies that are designed to create sustainable wealth and well being for all South Australians.

The South Australian Strategic Plan sets a direction for the next ten years and the 96 targets were determined through state-wide consultation.

The targets are spread across six key objectives:

- » Growing Prosperity
- » Improving Wellbeing
- » Attaining Sustainability
- » Fostering Creativity
- » Building Communities
- » Expanding Opportunities

The performance of state government agencies and departments is being measured against the specific targets related directly to their portfolios.

City of Prospect recognises that it plays a key role in working closely with state government departments and agencies to make significant regional contributions toward specific State targets, that in turn benefit our local community. Much of this work is undertaken via the Eastern Regional Alliance (see following page).

City of Prospect will continue to forge new partnerships with the state government to ensure we receive equitable support in driving new projects and delivering much needed services expected by our community.

For further information, refer: www.saplan.gov.au

2.3 Eastern Region Alliance (ERA)

The Eastern Region Alliance (ERA) is a group of seven (7) eastern metropolitan councils who voluntarily work together for the benefit of their local communities and the eastern region community as a whole.

Member Councils of ERA are the Cities of Burnside, Campbelltown, Norwood Payneham & St Peters, Prospect, Tea Tree Gully, Unley, and the Town of Walkerville.

The combined population of the ERA region is over 289,000 residents with a diverse mix of household family types, ages and incomes.

The ERA region is an economic powerhouse with developing industries, growing employment and output.

Boasting a \$10b economy, with over 100,000 jobs, and nearly 30,000 registered businesses, the ERA region is a significant economy with its own challenges and opportunities in the future.

The ERA Federal Initiatives Group (FIG) has developed projects that are:

- » Based on the ERA region
- » Are natural extensions of Commonwealth Government policy, and are
- » Focused on significant strategic opportunities with transformative potential.

FIG has defined three transformative subject areas:

- » Active Ageing
- » Smart Region
- » Sustainable Water

Of these projects, City of Prospect is a key stakeholder in the first two projects (discussed in depth later in this plan).

An economic analysis of the ERA region by eminent economist Professor Richard Blandy has also recently been completed. Professor Blandy's report provides the empirical support for a number of regional economic initiatives also outlined in this plan.

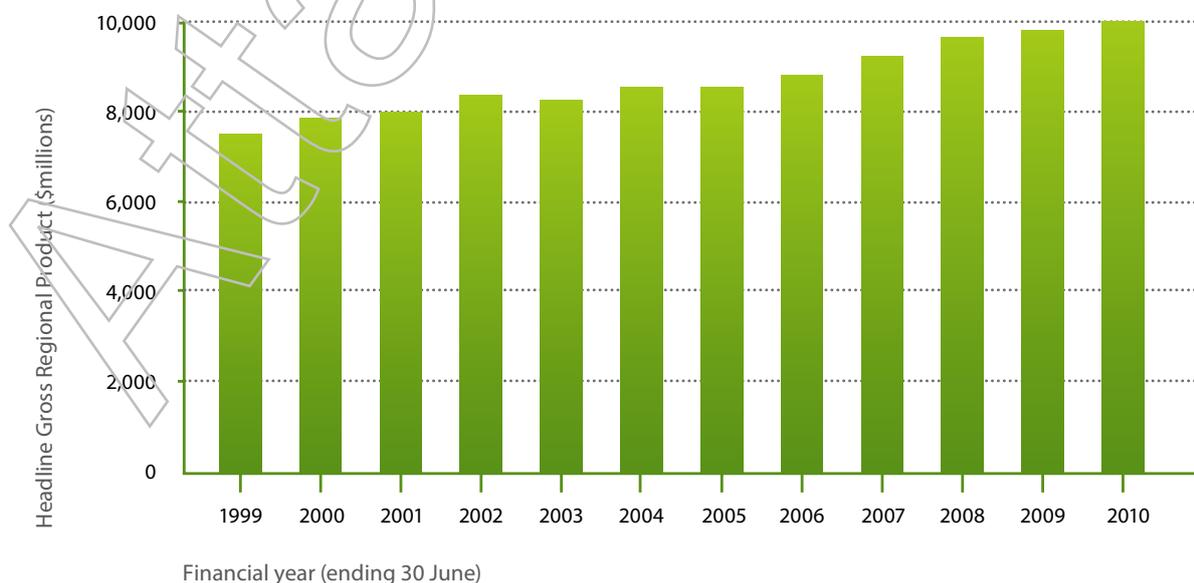
These report findings build on the analysis done on the City of Prospect's economy in 2010, *"Assisting Economic Activity in the City of Prospect: A Quantitative Assessment of the Prospect Economy."* By Professor Richard Blandy, Alison Davies, Paul Davies AustralAsia* Economics Pty Ltd.

(www.prospect.sa.gov.au/webdata/resources/files/prospect_final_report.pdf)

"An effective growth strategy for the City of Prospect, therefore, would be to attract economic driver businesses and other bodies into the City that can draw on the skills (and higher productivity) of Prospect's successful residents." - Professor Richard Blandy

Eastern Region Alliance – Headline Gross Regional Product (GRP)

Source – ABS*



TWO. CONTEXT

2.4 City of Prospect

A summary of the hierarchy of the plans that inform Council's business and economic activities is provided in the following graphic.



STRATEGIC PLAN 2012–2016

Our Vision:

A Vibrant, Smart and Innovative City.

An Engaged and Enthusiastic Community.

A Heritage Rich, Clean Green Environment.

Core Strategy 2 – Our Economy

“Encourage and support economic activity, which contributes to the success of our commercial areas and the wealth of our residential and business community.”

Our economic growth is linked to our social and environmental wellbeing. Integrated and innovative strategies will be developed to drive actions and forge collaborative links, which will engage our community with our local economy - in particular the fast growing global digital economy.

Our Strategic Economic Development Plan has an aim of encouraging and supporting commercial activity, attracting

business investment and fostering diversity. Council seeks to enable a pro-growth, socially just, environmentally sustainable, entrepreneurial and innovative community.”

The Targets and Measures for Core Strategy 2 – Our Economy are listed in Appendix 4.

Strategic Focus Area 4 - “Smart City/Intelligent Community”

Locally innovative, globally connected. Strive to be a smart, locally based, globally connected community, embracing broadband digital technologies.

STRATEGIC ECONOMIC DEVELOPMENT PLAN 2014–2018

Council has developed this Strategic Economic Development Plan based on the needs of our community, its future anticipated needs and the requirements of a community to be engaged with the local economy. We have determined our current footprint, what our local and regional economy's output is, what we are capable of economically and what contribution we can make to Federal and State plans.

Council has also put in place strategies and projects designed to grow our community and engage our businesses and residents in the 21st century digital economy and

global community. This direction will place our local economy at the forefront of economic reform and world's best business practice, embracing change and new technologies, to protect our lifestyles, heritage and local character.

We have set specific measurable targets and benchmarks we must exceed if we are to be a sustainable, healthy and wealthy community in which all our community can participate and be afforded the opportunity to share in our increased wealth and wellbeing.



THREE. OVERVIEW AND RATIONALE OF STRATEGIES

Renowned economist Professor Richard Blandy was first commissioned in 2008 to undertake a strategic economic analysis of the local Prospect economy. Professor Blandy has recently completed his second commission – the strategic economic analysis of the size, structure and growth of the Eastern Regional Alliance's economy using 2011 census data and information provided from neighbouring councils and other agencies.

Professor Blandy's reports and his findings support Council's decision to plan for and back the rapid accelerated development of the city's economy. Prospect's (and ERA's) demography provides the basis of an outstanding opportunity for future commercial investment and positions our city (region) to be one of Adelaide's outstanding future success stories.

The overarching economic development strategy for Prospect and ERA is to partner with the South Australian and Commonwealth governments to put strategies in place that support the growth of industries in Australia at large that are important to ERA's economic development. If the Australian and South Australian policy context is favourable to the growth of these economic activities, it is very likely that Prospect/ERA will capture a significant share of their growth.

The industries that are of potential significance to Prospect/ERA are a mix of quality financial, professional and business services, creative industries like advertising, film, television and radio, quality retail, quality health and education, cafes and restaurants, high tech niche manufacturing and food production, tourism (local, national and international), and utilities like water and communications.

Prospect/ERA seek to be a pilot space for the trial of Commonwealth and State programs aimed at supporting the development of industries and activities such as the roll-out of super-fast broadband like the NBN, creative industry initiatives, hospital and health initiatives, education initiatives (like Independent Government schools), water industry competition, aged care initiatives, tourism initiatives, advanced manufacturing (especially in food), and so on. It is proposed that through collaborative exercises based on effective partnerships, both the Federal and State Governments as well as our local and regional

communities will benefit.

Three "transformative" areas – active ageing (making greater use of skilled retirees) smart region (supporting the evolution of creative industries and preventative health activities); and sustainable water (supporting biodiversity, energy saving and waste water recycling) have been developed by the ERA Federal Initiatives Group. What strengthens local economic development in the long run is fundamental changes to the economics of the local area (like abolishing stamp duty on property transactions) that offer permanent increases in demand for the area's products and services and reductions in the costs of doing business to all firms. Initiating NBN arrangements that reduce communication, purchasing and marketing costs and initiatives that improve the area's liveability will also increase local economic development.

Government initiatives helping firms to become established and profitable are also important. There are a number of ways that ERA's councils are already engaged in doing this – Eastside and other Business Enterprise Centres (BEC) are providing vital training (particularly for the large number of home-based businesses in ERA) in how to run a business. People are also being assisted by the BECs to use skills learned in declining parts of the manufacturing sector to set up small, specialist manufacturing businesses in ERA.

Even more important for ERA's councils is removing (or changing) regulations that hinder and restrain businesses (especially small businesses) from starting up and expanding. Some of the most successful businesses in ERA are surrounded by residential housing (often also containing home-based businesses). As small businesses in affluent countries like Australia move increasingly to clean, advanced manufacturing, professional and creative services,



special shopping and eating-out experiences, and so on, the need to separate business and residential uses of land becomes less. Indeed, vertical separation is being regarded by the South Australian government as a preferred form of separation near transit routes – in TODs, for example. One of the most effective methods for ERA to stimulate business activity is to get out of businesses' way.

Prospect and ERA are perfectly placed to pursue an economic development

“Though the number of jobs in Prospect has increased very little over the past 15 years, the number of employed people who live in Prospect has increased by 24%”

strategy based on the provision of enjoyable experiences. This is what economic development strategy should be about in places like Adelaide's northern suburbs. The economic development aim should be to engender a locational sense of liveliness, opportunity and liveability – a place where valued experiences can be enjoyed by employees, residents and tourists alike and enjoying excellent electronic and physical accessibility. Local government has a role to play to help provide pleasurable mixes of venues, businesses, art, music, entertainment, shops, cafes and streetscapes.

In his 2008 analysis of the City of Prospect area, Professor Blandy revealed the following:

» The biggest employment sectors for Prospect's residents are education, retail trade, finance and insurance, government administration and defence, and manufacturing.

» Though the number of jobs in Prospect has increased very little over the past 15 years, the number of employed people who live in Prospect has increased by 24%. And a further pleasing trend is the 30% increase in the number of locals who now work locally, which in terms of transport, climate change and peak oil is a development inner city communities are in the ideal position to cultivate.

» Whilst the skill requirements of jobs in Prospect have increased over the last 15 years, the qualifications of Prospect's residents have increased even faster. A third of Prospect's residents now hold bachelor or higher degrees, however less than 20% of the jobs in Prospect require a degree qualification. There has clearly been a substantial upward shift in the level of skill availability in Prospect, exceeding the South Australian norm.

Prospect's residents have excellent capabilities in:

» Retail trade – Whereas retail trade jobs in Prospect are in decline, suggesting that many of the kinds of retail jobs held by Prospect residents are not available in Prospect;

» Education – Where Prospect already has a base that could be strengthened;

» Finance and insurance – Where Prospect has a very small, but rapidly growing, presence; and

» Manufacturing – Whereas manufacturing jobs in Prospect are much fewer and in decline, suggesting that many of the kinds of manufacturing jobs held by Prospect residents are not available in Prospect.

These sectors are naturally (or can be developed as) economic drivers of Prospect's economy. Economic drivers are sectors that can grow faster than demand in the local economy, because they sell to markets outside the local economy as well as within it.



THREE. OVERVIEW AND RATIONALE OF STRATEGIES

Retailing, for example, is open to further investment and development in specialty niche areas that will attract shoppers from outside Prospect. Finance and insurance, as well as specialist, advanced manufacturing, would also cater to State, national and international markets.

City of Prospect is working to establish strategies and investment partners that attract these economic driver businesses into the City that in turn can draw on the skills of Prospect's successful residents.

By the same token, part of our strategy is to continue to enhance those aspects of Prospect that have attracted such an employable group of residents.

City of Prospect has become increasingly "gentrified" – proving itself to be a desirable location for young upwardly mobile people, close to the CBD of Adelaide, Norwood and within 20 minutes of Salisbury, the fastest growing economy in South Australia.

It is entirely feasible that through working closely with business, federal and state governments, Prospect can build a revitalised local/regional economy growing at a higher rate as the State's economy.



FOUR. "PROSPECT MEANS BUSINESS" ECONOMIC STRATEGIES

Building a revitalised economy, growing at the same or higher rate as the State's economy, can be achieved by capitalizing on Prospect's underlying economic strengths.

These include:

- » the skills of its residents;
- » changes in land use patterns targeted at Prospect's economic driver sectors;
- » leveraging the early roll out of NBN to every premises (FTTP) in the council area; and
- » capitalising on the ideal location of Prospect situated within the attractive inner metropolitan region suburbs, between the bustling Adelaide CBD and the booming northern Adelaide region.

The following strategies have been developed based on the research conducted and the above-mentioned economic strengths:

1. Supporting local businesses to grow and prosper
2. Place making activities, including tourism and events
3. New investment and business attraction
4. Digital Economy strategies
5. Capacity building and strategic partnerships
6. Planning and infrastructure development

4.1 Supporting Local Businesses to Grow and Prosper

Small business is the mainstay of the economy for South Australia and City of Prospect. It is our fastest growing sector, our biggest employer and represents the future for many of our prospective school leavers. Indeed small business ownership is anticipated to grow strongly and diversify further as we engage more with the global digital economy.

It is anticipated as state-based manufacturing and mining declines, Adelaide will experience strong growth in small, entrepreneurial businesses, many of which will be operated from home (SOHOs - Small Office and Home Office) or small office clusters that can tap into high speed broadband infrastructure such as the NBN.

It is anticipated that one or two person businesses operating from home will lead the next wave of small business expansion. Many of these businesses

will be considerable enterprises with manufacturing based overseas or services marketed and delivered exclusively over the internet to a global marketplace.

Council anticipates many young professionals will find their first job out of university or trade school not as an employee but as a contractor or teleworker, perhaps working for two or three businesses. This will require a change of thinking when preparing students for working life and running a small business.

Council has been reviewing its planning regulations to support small home-based business operations and in recent years we have actively engaged with the federal and state governments in recent years in exploring options to support the training and development of small business owners as their enterprises grow.

Entrepreneurial training will ideally extend to local secondary education and technical trade training, increasing the trend for professionals and tradespeople to become small business owners.

Council has also worked hard to ensure the availability of world-class broadband

services (Fibre To The Premises) to all commercial zones, retail strips and households including high-speed wireless for visitors using our public spaces, cafes and restaurants.

Council is looking to take full advantage of the decentralisation of workplaces as businesses employ individuals who work from home. Council is keen to ensure these workers have enough bandwidth at home to use the tools to link their home office, to their corporate intranet, and internal phone networks. Council is working with state and federal authorities to ensure we have the infrastructure to support telecommuting, e-commuting, e-work, teleworker, working at home, or anywhere working - creating a community environment that allows residents to enjoy flexibility in where they work and when they work.

Council will continue to encourage working residents to replace the daily commute to work with a stroll into the home office or local 'entrepreneur empowerment centre' (or smart work centre).

Studies nationally and overseas have shown that 'anywhere working' results

FOUR. "PROSPECT MEANS BUSINESS" ECONOMIC STRATEGIES

in more productive workers, higher output and a family friendly environment. Businesses moving to the model of employing teleworkers are also fast becoming employers of choice. Keeping your very best employees is major risk factor in surviving global financial crises and climate change. Council is aware that its demographic includes Adelaide's best and brightest employees. Providing the infrastructure to enable these residents to work from home and/or local facilities is a key goal of Council and supports South Australia's Strategic Plan objectives. Such a strategy is not only a lifestyle issue. Less commuting equates to reduced carbon emissions and a cleaner local environment.

The future sustainable prosperity and well being of our local community will be determined to a large degree by how well we can leverage global knowledge networks to socialise, collaborate, learn, innovate, develop and market our resources, products and services.

Council is also planning the introduction of wireless hotspots to cater for the needs of the 'digital warriors' or 'web commuters' who utilise mobile telecommunications technology to work from coffee shops and public spaces such as Council's library. With an expanding retail and hospitality business community, we are confident such infrastructure will attract more visitors and shoppers to our retail strips.

Council will establish and maintain a good dialogue with its business community, both directly and through the Eastside Business Enterprise Centre (EBEC), to be aware of emerging issues and opportunities and the needs of our local businesses. Council will provide advocacy, support, training, and networking opportunities to/for local businesses.

Actions:

1. Review Council's Development Plan and Planning Regulations to support existing and encourage new small home-based business and 'start-up' businesses.
2. Support the Eastside Business Enterprise Centre (EBEC) to increase its capacity to delivery training and support services to the local businesses community to facilitate sustainable business growth,
3. Effectively communicate with local businesses to

"Studies have shown that 'anywhere working' results in more productive workers, higher output and a family friendly environment."

ensure emerging issues and opportunities are addressed on a timely basis

4. Seek external funding to support the provision of training and support to small and HBB, in areas such as:
 - » Digital Enterprise
 - » Teleworking
 - » Lowering small businesses' costs;
 - » Assisting small businesses to be more innovative; and
 - » Exporting opportunities training people how to run a small business;
 - » Encouraging small businesses to export

5. Recognize and reward innovation throughout its community. ie. Digital Strategy.
6. Advocate to State and Federal Governments to implement small business tax cuts and their own red tape reduction programs
7. Replace State Stamp Duty arrangements with an alternative Council collected/paid 'stamp duty tax equivalent'.
8. ERA to approach the Creative Industries Innovation Centre (CIIC) at the University of Technology Sydney (UTS through the South Australian State Centre to investigate what programs might be able to be developed for ERA's groups of creative industries in various locations to complement CIIC's normal services to individual businesses
9. Develop representative trader groups, possibly modeled on Business Improvement Districts, for each of the commercial precincts to progress branding, place making and innovation for each precinct
10. Develop and promote corporate sponsorship prospectus ie. Tourrific Prospect and other revenue streams.

4.2 Place Making Strategies, including Tourism and Events

Prospect/ERA are perfectly placed to pursue an economic development strategy based on the provision of enjoyable experiences.

The economic development aim is to engender a locational sense of liveliness, opportunity and liveability – a place where valued experiences can be enjoyed by employees, residents and tourists alike and enjoy excellent electronic and physical accessibility.

Prospect will implement a range of formal and informal strategies to help create a pleasurable mix of venues, businesses, art, music, entertainment, shops, cafes and streetscapes.

Actions:

1. Develop a 'value proposition' for Prospect to facilitate branding, marketing and promotion of the region and the Councils there-in.
2. Implement a "Place of Destination" strategy including a comprehensive prospectus promoting Prospect as a destination.
3. Contribute to the evolution of Prospect Road as a diverse, fashionable, chic, cosmopolitan retail and hospitality precinct.
4. Establish and promote a branding approach for the four key commercial precincts.
5. Conduct annual events such as Tourrific Prospect, Santos Tour Down Under, Prospect Fair, and Twilight Concerts to showcase the City, its businesses and its community.
6. Support the operation of a weekly Farmers' Market in Prospect.
7. Develop and implement localised 'placemaking' strategies including formal and informal programs and activities that contribute to 'enjoyable experiences'.
8. Develop and implement regional promotion, of place, programs and activities. (eg. Map showing all tourist destinations within region, including food, dining and fashion experiences; joint hosting of events; or rolling calendar of events across region).
9. Facilitate provision of export-support services aimed at small businesses.
10. Contribute to the ERA implementation of the 'Ochre to Gold Project.'



FOUR. "PROSPECT MEANS BUSINESS" ECONOMIC STRATEGIES

4.3 New Investment and Business Attraction

City of Prospect has been focused on laying sound foundations through integrated planning and investment activities over recent years and is now ready for a new era of investment within our area – investment that will see our city's capacity grow with new development, new businesses, new jobs and additional prosperity for the local economy and community.

Ministerial approval of the Inner Metropolitan Growth Development Plan Amendment (DPA) was announced in October 2013. This DPA is a critical element for achieving a form of development along our main roads that ensures the Council continues to be a vibrant and attractive place to live, work and invest in the future.

The amendment sets out new planning policies to guide the redevelopment of these areas, which will accommodate a greater mix of land uses, better links between ground levels and public spaces, a more vibrant Village Heart on Prospect Road, and the creation of attractive boulevards along Main North Road and Churchill Road.

The DPA represents the culmination of many years of work by Council in collaboration with the State Government, which builds on Council's Master Plans for Churchill and Prospect Roads. Higher density multi-storey residential development will be complemented by increased commercial and retail activity, with a reduction in the requirement for off-street parking anticipated to overcome one of the fundamental barriers to

development in the Council area in recent decades.

High quality building design is a must for all new development, to reflect the investment that Council has made in its recent upgrades of main roads and our City's much loved public realm.

The amendment covers the Urban Corridor Zone, comprising Prospect Road, Churchill Road and Main North Road.

Key changes to our Development Plan include:

- » Increased building heights within the Urban Corridor Zone (Prospect, Churchill and Main North Roads)
- » Reduced car parking requirements
- » Better design outcomes through a design review process for development 5 stories or more
- » increased flexibility regarding the permissible types of land uses
- » Increased density (higher plot ratio) via an increase in site coverage and higher building heights
- » Clearer provisions in relation to protecting privacy, over shadowing and increased public notification of proposed development.

Council has been committed to achieving a Development Plan that seeks to ensure high quality design outcomes, both aesthetically and functionally, and restricting large development to our main roads corridors - which in turn will help preserve the beauty of the side streets for generations to come.

The Development Plan changes underpin Council's Strategic Plan that seeks to preserve the heritage and character of our residential streets, whilst at the same time generating additional rate revenue from new development with our City that reduces the burden of all other ratepayers in our area.

Council believes the new Development

Plan achieves the right balance between improved development and business opportunities along our corridors and maintaining the amenity and lifestyle that our residents in the area love.

Together with the recent Master Plan rejuvenation of Prospect Road, Churchill Road and the Prospect Oval precinct, the new Development Plan will act as a catalyst for further development and amenity within our city and deliver strategic benefits for our community for decades to come.





Actions:

1. Promote the changes to Council's Development Plan via the Inner Metropolitan Growth DPA to encourage better land uses from the City's main transport corridors.
2. Develop Master Plans to foster distinctive "senses of place" ("villages") to emerge across Prospect / ERA (eg Main North Road).
3. Develop and promote an Investment

Attraction Prospectus marketing the 'value proposition' of Prospect (and ERA) to prospective investors, developers and business operators, to attract a desirable mix and balance of commercial and retail investment to our city.

4. Facilitate, target and encourage appropriate and diverse commercial investment across targeted key industry groups.

5. Identify, promote and market strategic site development within our area.
6. Support retail, commercial and home business development across the City.
7. Seek Public Private Partnerships (PPP) for the future development on Council owned sites (eg Civic Centre and Johns Road depot) and the possible development of an Entrepreneur Empowerment Centre.

4.4 Digital Economy Strategy

Council believes strongly in the need for our local residential and business community to have access to the very best digital infrastructure and we will continue to encourage and support our community to engage with new technologies and participate in the enormous potential of the global digital economy.

Council's Digital Economy Strategy is a critical element of Council's Strategic Economic Development Plan as it's successful implementation will underpin many of the Strategic Plan outcomes

Council seeks to achieve in coming years, particularly Focus Area 4 – "Smart City/ Intelligent Community".

Through its Digital Economy Strategy, Council seeks to deliver the following outcomes:

1. Our city is connected locally and globally by effective and well utilised broadband and technology infrastructure.
2. Our community leads in innovation and the use of technology to enrich their lives and the lives of others.
3. We have a knowledgeable community with access to education, training and information and opportunities to share ideas.
4. We have a resilient community that

adapts and responds to challenges and opportunities.

5. Council is a global leader in demonstrating the benefits of technology and a culture of innovation.
6. We have a healthy and growing local economy, supported by knowledge, technology and a creative ideas culture.

Actions:

1. Implement a number of initiatives to ensure the local community maximizes the opportunities presented by the Digital Economy. For further details refer Appendix 4 - Digital Economy Strategy



FOUR. "PROSPECT MEANS BUSINESS" ECONOMIC STRATEGIES

4.5 Capacity Building and Strategic Partnerships

"We will build our capacity to deliver efficient and effective services to our community through both direct service provision and partnerships with other councils and the State and Federal Governments.

External funding opportunities and other revenue streams to minimise rate increases will be pursued, and we will continue to review our performance to ensure we are delivering responsive, people focused, value for money services to our community." – Source: Council's Strategic Plan 2012-2016

Actions:

1. Undertake a detailed economic analysis and assessment of the local region's (ERA) economy - Completed
2. Develop strong professional relationships with key federal and state government stakeholders in local government activities.
3. Investigate the creation of trader representative groups for key commercial precincts (eg. Prospect Road, Main North Road, Churchill Road, North East Road).
4. Identify external stakeholders who may provide funding and/or support to implement economic initiatives within the local region.
5. Work with the Eastern Regional Alliance councils and other neighbouring councils to address common issues & improve better services delivery and economic outcomes for the region.
6. Effectively communicate with local businesses to ensure emerging issues and opportunities are addressed on a timely basis.
7. Establish a new Prospect Business Leaders Group to provide advice on local business needs and opportunities.

4.6 Planning and Infrastructure Development

Council seeks to ensure that its Development Plan and planning regulations, and the public infrastructure it provides supports the local business community.

Actions:

1. Council to review its current zoning & policies in key commercial precincts to reflect the City as a place of destination & economic growth – IMG DPA Completed
2. Infrastructure programs to meet the needs of the City as a place of destination.
3. Facilitate the roll out of high-speed broadband communications infrastructure across the entire City to ensure commercial and residential have equitable access and availability of world class internet speeds, carried on both fibre optics and wireless.
4. Facilitate access to appropriate business infrastructure (e.g. power, roads, broadband, car parking, signage, under grounding of power lines).
5. In conjunction with Port Adelaide Enfield Council & DPTI prepare an Urban Design Framework for North Park, Regency Park & Sefton Park to identify opportunities to enhance its functionality and appeal as a regional shopping hub.
6. Create and promote Main North and Churchill Roads as unique precincts ideal for medium to large commercial, retail and high density residential redevelopment (i.e. Islington).
7. Relocate John's Road Depot to facilitate development and higher land use at this Main North Road site.



APPENDIX ONE. DEMOGRAPHIC AND ECONOMIC PROFILE

ECONOMIC INDICATOR	ERA	ADELAIDE CBD
Gross Regional Product (GRP)	\$10.1 billion (11.1 per cent of State Total)	\$15.5 billion (17.0 per cent of State Total)
GRP Growth over last 5 years	2.0 per cent p.a. (State growth 2.6 per cent p.a)	3.0 per cent p.a
Economic contribution of the residents of ERA	\$17.3 billion (19.0 per cent of State Total)	
Employed Persons	89,521 persons (10.9 per cent of State Total)	109,403 persons (13.3 per cent of State Total)
Employed ERA residents	141,027 (17.2 per cent of State Total)	
Employment Growth over last 5 years	0.6 per cent p.a., (State employment grew by 1.5 per cent p.a).	2.1 per cent p.a

Professor Blandy's reports and his findings support council's decision to plan for and back the rapid accelerated development of the city's economy. City of Prospect's (and ERA's) demography provides the basis of an outstanding opportunity for future commercial investment and positions our city to be one of Adelaide's outstanding future success stories.

The dominating economic sectors in the Eastern Regional Alliance are finance and insurance, property and business services, health and community services, retail trade, education and construction. These sectors together comprise 67 per cent of ERA's economy.

ERA's economy is increasingly dependent on these six sectors. These sectors are not the fastest-growing sectors but their growth has been above average (with the exception of retail trade).

Similarly, the dominating economic sectors in the economy employing residents of ERA are finance and insurance, property and business services, health and community services, manufacturing, construction and government administration and defence. These sectors together comprise 60 per cent of ERA's residents' economy. ERA's residents' economy is more diversified than ERA's economy itself. Manufacturing and government administration and defence are more important for ERA's residents than they are for ERA's economy itself, while

the reverse is true of health and community services and retail trade, which are less important for ERA's residents than they are for ERA's economy.

Sectors that are not essentially driven by local demand, and that have a large share of ERA's economy or that have a medium share and are growing at least as fast as the average for ERA are:

- » property and business services (17 per cent share, growing rapidly),
- » finance and insurance (14 per cent share, growing rapidly),
- » health and community services (13 per cent share, growing rapidly)
- » retail trade (9 per cent share, growing slowly),
- » education (8 per cent share, growing rapidly), and
- » construction (7 per cent share, growing rapidly).



These sectors are ERA's main economic drivers. They comprise 68 percent of ERA's economy. It is important for ERA to raise the growth rate of its large retail sector.

The economic drivers of the ERA residents' economy are:

- » finance and insurance (14 per cent share, growing rapidly),
- » property and business services (14 per cent share, growing rapidly),
- » health and community services (10 per cent share, growing rapidly)
- » manufacturing (8 per cent share, shrinking rapidly),
- » education (7 per cent share, growing rapidly), and
- » construction (7 per cent share, growing rapidly).

These sectors are the same as ERA's main economic drivers (with the exception of retail trade). They comprise 67 percent of the ERA residents' economy. It is important for ERA's residents that manufacturing's decline be arrested.

The dominating employment sectors within ERA are health and community services (providing 19 per cent of ERA's jobs), retail trade and property and business services (each 15 per cent of jobs) and education (10 per cent) – three of these are economic drivers. ERA's five economic driver sectors provide more than half (54 per cent) of ERA's employment, emphasising the significance of these sectors in ERA's economy.

The dominating employment sectors for residents of ERA are health and community services (providing 15 per cent of residents' jobs), property and business services (14 per cent), retail trade (11 per cent) and education (10 per

cent) – three of these are again economic drivers. ERA's five economic driver sectors provide half (50 per cent) of ERA residents' employment.

» ERA comprises the LGAs of Burnside, Campbelltown, Norwood Payneham and St Peters, Prospect, Tea Tree Gully, Unley and Walkerville.

» At 2011 Census:

» Resident population 284,503 –25% of Greater Metropolitan Adelaide

» Average age 40 – close to State/ Adelaide average of 39, ranging from 36 in Prospect to 44 in Burnside and Walkerville

» Average weekly personal income \$623 – 12% above Adelaide average, ranging from \$517 in Campbelltown to \$723 in Unley

» ERA GRP (estimate) – \$10.1 b (11% SA GSP)

» ERA GResP (estimate) – \$17.3 b (19% SA GSP)

» Employment in ERA – 89,521 (11% SA employment)

» Employment of ERA's residents – 141,027 (17% SA emp.)

» Productivity in ERA average, of ERA's residents SA+10%

» Largest sectors in ERA – property and business services (17% ↑↑), finance and insurance (14% ↑↑), health and community services (13% ↑↑), retail trade (9% ↑), education (8% ↑↑), construction (7% ↑↑) – 68% of ERA's economy

» Herfindahl index for ERA's sectors = 0.09 (highly diversified)

» 67% of workers in or from ERA hold post-school quals

» ERA's GRP ↑ 2.0%pa (SA 2.6%pa, City 3.0%pa)

» ERA's GResP ↑ 1.8%pa

» ERA's employment ↑ 0.6%pa (SA 1.5%pa, City 2.1%pa)

» ERA's residents' employment ↑ 0.5%pa

» ERA Small Business

» 50% of small businesses in ERA run by women

» 90% of small businesses in ERA are home-based

» One dwelling in 10 likely to have a business in it

» Reduce traffic congestion, help resolve work/life balance issues for women, raise labour force participation of older people

» Many small consultancies and professional offices, home maintenance, in-home care services, small advanced manufacturing, cafes, bakeries, coffee makers, cheese and other food manufacturers

APPENDIX TWO. STRATEGIC PLAN

Core Strategy 2: Our Economy – Strategies and Measures

2.1 Target and encourage appropriate and diverse commercial investment

Measure: Rate income increase resulting from commercial development

Distribute high quality business investment and city promotion materials to attract a desirable mix and balance of commercial and retail investment with a focus on technology, hospitality, retail and home based businesses.

2.1.2 Identify and promote development on strategic sites within our City

2.1.3 Promote Main North Road and Churchill Road as arterial gateway roads for medium to large commercial, retail and higher density residential development

2.1.4 Work to facilitate access to appropriate business infrastructure such as National Broadband Network, transport, signage etc

2.1.5 Ensure Council infrastructure supports and increases business activity

2.2 Support retail, commercial, home and e-business development across our City

Measure: Local Gross Regional Product (GRP)

2.2.1 Undertake a detailed economic analysis and assessment of our local economy

2.2.2 Support existing home based business activities and attract new small office/home office business to our residential sector

2.2.3 Establish a business environmental program focusing on reducing waste and reduced electricity consumption to minimise

the carbon footprint of our commercial and retail sectors

2.2.4 Implement programs to assist local business to grow through the use of online services

2.2.5 Promote access to digital information opportunities through active pursuit and implementation of Federal Government strategies

2.3 Development of Northpark Centre Precinct

Measure: Northpark Centre Precinct's retail performance

2.3.1 Engage with and support the upgrade plan for Northpark Centre Precinct

2.3.2 Liaise with developer(s) and investment partner(s) regarding development and new business growth within the precinct

2.3.3 Promote the Precinct as a shopping, business and food destination

2.4 Development of 250 Churchill Road precinct

Measure: % of development Master Planned and under construction

2.4.1 Liaise with developer(s) and investment partner(s) regarding development within the Precinct

2.4.2 Pursue completion of the northern section of the Churchill Road Master Plan infrastructure works in response to development authority

2.5 Promote Prospect as one of Adelaide's most livable inner suburbs, with world class digital connections, clean and green amenity, strategically ideal for retail and commercial investment

Measure: Uptake and use of NBN fibre

2.5.1 Renew and refresh our Strategic Economic Development Plan

2.5.2 Capitalise on the National Broadband Network to provide hi-tech enabling communications infrastructure across our City

2.5.3 Facilitate equitable access and availability of world class internet speeds, carried by both fibre optics and wireless infrastructure for commercial and residential use

2.5.4 Promote uptake and use of the National Broadband network.

2.5.5 Establish a Digital Hub as the primary digital interaction, education and training site for our community

2.6 Seek to improve the communication links between government and business

Measure: Federal and State Government funding within City of Prospect

2.6.1 Develop strong professional relationships with key Federal and State Government stakeholders

2.6.2 Support the Prospect Business Leaders' Group

2.7 Improve accessibility to and links between key commercial precincts

Measure: Completion of a Master Plan for Main North Road

2.7.1 Develop a Master Plan for Main North Road



Attachment



PROSPECT
MEANS
BUSINESS

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Approach to Economic Development - Independent Review & Evaluation



Richard Blandy
24 April 2016

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City of Prospect's Economic Development Strategy - Commentary and Evaluation

Richard Blandy*

Background

In my final report (with others) on the Prospect economy in January 2009, I pointed out that 60 per cent of Prospect's working residents had post-school qualifications, while only half of the jobs in Prospect required such qualifications.

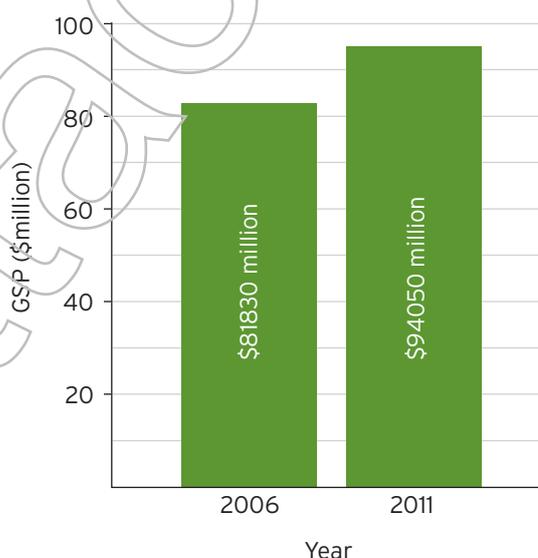
Since the number of jobs held by residents was double the number of jobs in Prospect itself, it followed that there was a very large, untapped skill resource located in Prospect on which Prospect's economic development strategy should be based.

I proposed that an effective growth strategy for the City of Prospect would be to continue its recently adopted strategy of attracting businesses and other bodies into the City that could draw on the skills (and higher productivity) of Prospect's successful residents with high-level jobs in Adelaide and elsewhere.

By the same token, part of this continuing strategy should be to continue to enhance those aspects of Prospect that have attracted such a skilled and employable group of residents. Prospect has become an increasingly attractive location for young, upwardly-mobile persons, next to the skill-demanding City of Adelaide, and within easy reach of the schools and shopping of Walkerville, Norwood, St. Peters, and Burnside.

The strategy was intended not only to lead to faster growth of economic activity in Prospect, but also to the creation of sufficient, additional affordable (but quality) housing and local amenity, so as to continue to attract and hold the skilled, resident population that was the cornerstone of the strategy.

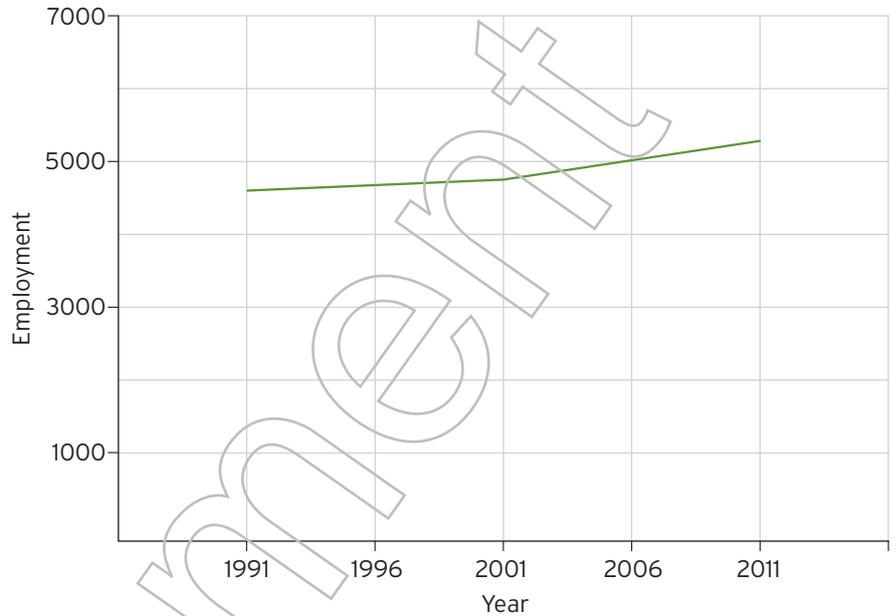
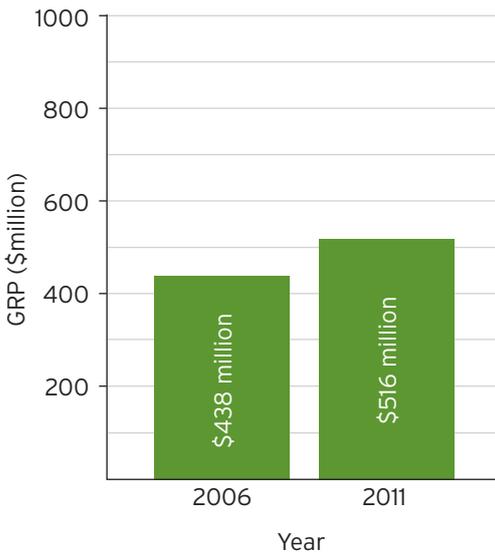
The most recent Census (2011) showed considerable success with this strategy, notwithstanding the significant slow-down in growth in the South Australian economy as a whole. Between 2006 and 2011, South Australia's economy (GSP) grew by 2.8 per cent p.a. approximately at the rate that underpinned the "slow growth scenario" in our final report. In that circumstance, the fact that Prospect's economy (its Gross Regional Product) grew by 3.3 per cent p.a., while employment in Prospect grew by 1.6 per cent p.a., both far faster than had been expected under the slow growth scenario, was a significant achievement.



*I wish to acknowledge Jack Cooper's invaluable assistance in the research presented here. Richard Blandy, Alison Davies and Paul Davies, Assisting Economic Activity in the City of Prospect: A Quantitative Assessment of the Prospect Economy: Final Report to the City of Prospect, AustralAsia*Economics Pty Ltd, Adelaide, January 2009. This rate of growth has fallen to 1.4 per cent p.a. over the more recent period 2010-2015. In the slow growth scenario, employment in Prospect was not expected to grow at all.

The Prospect GRP figures are (2006) \$438 million (Year ended June 2006) and (2011) \$516 million (Year ended June 2011).

Over the 15 years from 1991-2006, employment in Prospect had risen by only 100 people - from 4,700 to 4,800 people. In the five years to 2011, employment in Prospect increased by 400 people to 5,200.



Over the period 2006-2011, furthermore, productivity growth was 1.7 per cent p.a. in Prospect and only 1.0 per cent p.a. in the State as a whole.

2006 → 2011

6% ↑

PRODUCTIVITY GROWTH

SOUTH AUSTRALIA 2006-2011 1.0%

CITY OF PROSPECT 2006-2011 1.7%

Further, the proportion of people employed in Prospect with post-school qualifications rose from 50 per cent to 56 per cent between the 2006 and 2011 Censuses.

The economic strategy outlined in the 2009 report subsequently pursued by City of Prospect, appears to have had the desired effect of accelerating the growth rate of Prospect's economy.



What is the right economic development strategy for Prospect?

It is worth reflecting on what the right economic development strategy is for Prospect (and many other South Australian LGAs). The most important idea in thinking about this is that we are talking about an economic development strategy for a society that is already rich by the standards of human history.

Most thinking about economic development has been driven by the objective of all societies throughout history, until very recently, to overcome poverty. The Industrial Revolution that swept Western societies, starting in the mid-eighteenth century, raised productivity and incomes massively in the countries that were swept up in it, including Australia. While there are pockets of relative poverty in Australian society, Australian society is no longer poor. By historical human standards, Australians are rich beyond the dreams of avarice.

Further, as a result of international trade, we can gain, inexpensively, many of the products and services that we need from countries that are less far advanced along the road to riches than Australians are, and we can export goods and services that they want, based on our advanced skills (and abundant natural resources, when these are in demand). This means that we will have to restructure our economy as what we used to produce moves to countries where it is cheaper - China, Thailand, India and other countries with cheaper labour costs (less rich than we are).

On what are we going to base our rich economy, therefore? Clearly, at least some of our activities are going to have to include goods and services that other countries want us to supply them with. We are going to have to innovate and be creative to evolve those goods and services, some of which we will also want ourselves, of course. What we are going through has been called the Post-Industrial Revolution.





It is hard for people to comprehend that what we thought was our solid, bedrock industrial world is undergoing a change just as momentous as in the industrial revolution, bringing into being a new, more productive, more democratic and freer order - a post-industrial civilisation, which Alvin Toffler called The Third Wave.

The post-industrial, Third Wave, future is essentially a rejection of bigness, centralisation and bureaucracy. Its motto is "Small is Beautiful". It is the antithesis of bureaucratic civilisation. It is not socialistic in the sense of "big government"; it is small government. A major dilemma for the next few decades is going to be how to give expression in our political, economic and institutional structures to the personal freedom and belonging that is at the heart of the new era.

Still require Image - Prospect Town Hall / Admin building image demonstrating small is beautiful - responsive govt.

The heart of Third Wave civilisation is small-scale capitalistic, cooperative and self-employed production units, involving employee participation of a high order, both in organisations and in the distribution of rewards. John Ralph, former head of 1990's company CRA, said that unless big business can give the feel of small business, it is finished.

The future in advanced countries like Australia will belong with small to medium-sized production units, including home-based businesses employing very few people. Some will be quasi-autonomous units of large umbrella firms. Some will be contract suppliers to key producers. Some will be downstream distributors and retailers. Many will be horizontally linked in networks giving the flexibility to undertake small, medium or large tasks. Much of Italy's successful leather industry is organised that way. East Asian business activity has always been heavily influenced by small group networking. Trust is a key value; family ties and social connections play a strong role.

It may seem odd to many people that a small region like Prospect could have a viable and successful economic strategy all on its own, independent of the State and Commonwealth Governments. What economic strategies the State and Commonwealth governments follow matters greatly, of course, but small regions have increasing scope to pursue fast growth strategies within the limits imposed by higher level governments. Globalisation and communications technology are revolutionizing the economics of small political units. Prospect's economy has the skill and technology ingredients that can thrive

by providing creative, post-industrial goods and services to a city, national and global market.

The driving forces of Prospect's future economy will consist of high quality, innovative, businesses, in particular businesses in the creative arts industries: movies, TV programs, computer programming, advertising, photography, apps and artworks of all kinds. People active in these industries will have high average wages and incomes, made affordable by their high productivity in meeting global demand for their high quality, innovative, globally-competitive products and services. Creativeness - not size - is the hallmark of this economy.

What Prospect's Council does will really matter for the people of Prospect (as well as for people in the rest of Adelaide who will gratefully take up some of the jobs that Prospect will generate).

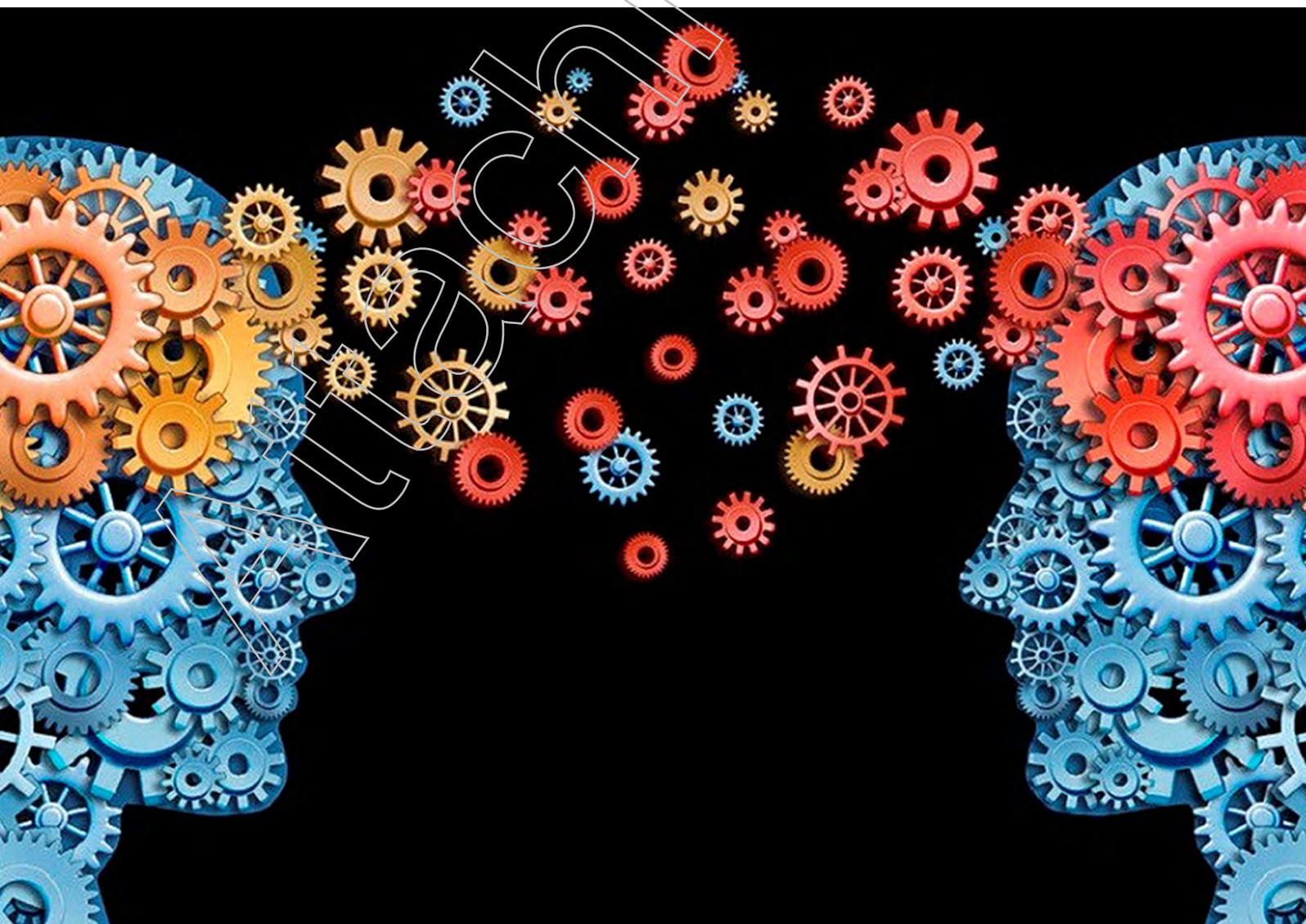
The industrial revolution took 100 years to become fully established in Britain. It may well be the end of the present century before Australia's transition to a post-industrial economy will be complete. However, Prospect looks to have every chance to be an early post-industrial era economic and social success story. Economic development initiatives already undertaken or planned for Prospect are consistent with positioning Prospect for post-industrial economic success.

An overarching economic development strategy for Prospect

The appropriate overarching economic development strategy for Prospect is to induce the South Australian and Commonwealth governments to put strategies in place that support the growth of industries in Australia at large that are important to Prospect's economic development. If the Australian and South Australian policy context is favorable to the growth of these economic activities, it is very likely that Prospect will capture a significant share of their growth. For example, the recently announced Commonwealth Government's National Innovation and Science Agenda (\$1.1 billion over 4 years) is tailor-made for Prospect's economic development focus on new businesses, particularly those that can make use of the nbn co.

As noted previously, the industries that Prospect should target, within this strategy, are a mix of quality financial, professional and business services,

creative industries like advertising, film, television and radio, quality retail, quality health and education, non-chain cafes and restaurants, high tech niche manufacturing and food production, tourism (local, national and international), and utilities, like communications.





Piloting relevant Commonwealth and State programs

To make it more likely that Prospect will get a significant share of growth in these industries, Prospect should continue to offer to be a pilot space for the trial of Commonwealth and State programs aimed at supporting the development of industries that Prospect wants to have grown within its boundaries. Prospect is already well advanced in this strategy as it gained an early roll-out of super-fast broadband (the nbn co). Its creative industries initiatives, internationalisation (including student accommodation) initiatives, tourism initiatives (like the proposed food and art trail), advanced manufacturing (especially in food) initiatives, entertainment initiatives, cycling initiatives, library initiatives, and so on, are all consistent with developing a strong post-industrial economy in Prospect.

Prospect should target the National Innovation and Science Agenda (use this logo) to assist its start-up firms with access to crowd-sourced equity funding, capital gains and other tax relief, tax incentives for investors in start-ups, and changes to bankruptcy rules. These measures should be listed on Prospect's economic websites, with offers of council support for start-ups willing to locate in Prospect. Prospect should also approach businesses that may be willing to assist start-ups take advantage of the Commonwealth support that is being made available. Relevant parts of the National Innovation and Science Agenda, together with Prospect's support, could, perhaps, be translated into Mandarin and Hindi consistent with Prospect's International Prospect strategy (see later).



Eastern Region Alliance

Prospect is also a member of the Eastern Regional Alliance of Councils' Federal Initiatives Group (ERA-FIG). ERA-FIG has also already supported proposals to higher levels of government in three "transformative" areas - active ageing (making greater use of skilled retirees; smart region (supporting the evolution of creative industries underpinned by connectivity and preventative health activities); and sustainable water (supporting biodiversity, energy saving and waste water recycling). Prospect has much to gain from acting on such initiatives where they are relevant to Prospect's circumstances.



ERA
EASTERN REGION ALLIANCE

Cut State stamp duties on land sales in exchange for increased Council rates

An initiative that Prospect could pioneer is reform of State and Local Government taxes that would support local economic development. For example, whatever people may think of local government rates on property values, such a tax is a good tax in the sense that applying a uniform tax to the value of land does not distort land use decisions. On the other hand, the State stamp duty on land sales is a bad tax in that it reduces the flow of land from less valuable to more valuable uses.

Prospect could offer to the South Australian government to increase Council rates (and/or to cut Council spending sufficiently) to be able to transfer to the South Australian government annually some affordable proportion of the amount expected to be raised from stamp duty on property sales in Prospect in exchange for a cut in State Government stamp duty on property transactions in Prospect.

A precedent exists in the State Government's reductions in stamp duty on commercial transactions and on sales of apartments in the City.

While residents and businesses would object to paying higher Council rates, the greater ease of selling their property and the higher prices that they would get would offset this, so the politics of persuading ratepayers in favour of such a move might be feasible.

A reduction in stamp duty on property sales would clearly increase construction and property transactions in Prospect and lead to an increase in productivity, lower costs and greater economic activity in Prospect due to more appropriate uses of property. In particular, greater ease in acquiring property suitable for business use or home business use would support Prospect's economic development strategy.

Unbudgeted increases in Council rate revenues because of rising property values due to the reduction in stamp duty should result in reductions in Council rate percentages in the dollar on property value, so as to further attract more business activity locally.



Parking regulations and charges to reflect opportunity costs not revenue needs

Parking regulations and charges should reflect opportunity costs and the need to ration parking spaces, and not be seen as a means to raise revenue for City of Prospect. When the rationing charge for on-street parking becomes high enough, the provision of off-street parking becomes economically rational and feasible. The cost of parking in the CBD is making the CBD uncompetitive for workers and shoppers compared with inner suburbs like Prospect. This is driving economic activity towards the inner suburbs. Kerb-side parking permits giving priority to residents and workers in Prospect should be considered to maintain community support for Prospect's economic development strategy.

Fundamental improvements in the economics of Prospect are needed, not special deals

What strengthens local economic development in the long run is not one-off financial inducements for selected firms, but fundamental changes to the economics of the local area that offer permanent increases in demand for the area's products and services and reductions in the costs of doing business to all firms. Initiating NBN arrangements that reduce communication, purchasing and marketing costs (as Prospect has done) and initiatives that improve the area's livability are more likely to increase local economic development than offering special inducements to a few hand-picked firms. Prospect has wisely resisted the temptation to attempt to "bribe" particular businesses to locate in Prospect.

Council should minimise its costs whatever service level it provides

Prospect Council should continue to bear down on its costs (for example, by sharing services and equipment with neighbouring local governments, where it is economical to do so). There is no reason why local governments should not buy services from each other, particularly in activities which can be stored and manipulated electronically and transmitted over the internet, such as payroll, accounts and record keeping. By doing so, rates and other charges can be reduced. Prospect's membership of the Eastern Regional Alliance of Councils is an example of effective joint activity.

Network Prospect

Programs assisting small businesses to be profitable are worthwhile

Government initiatives helping firms to become established and profitable are also important. Prospect is already active in this space with training programs in computing, internet use, and access to the NBN. Eastside and other Business Enterprise Centres are already providing vital training (particularly for the large number of home-based businesses in Prospect), in how to run a business. People are also being assisted by the Business Enterprise Centres to use skills learned in declining parts of the manufacturing sector to set up small, specialist, high-productivity manufacturing businesses.

Prospect is already planning to provide a building that would act as a support space for small businesses, particularly in the creative industries, that is now planned to be integrated with the new Prospect library that is to be built (as a

result of losing access to the old library as of 2018). This project is referred to as "Library Plus". The Library Plus building is planned to provide not only latest technology library services for the citizens and businesses of Prospect, but also entrepreneur/business "encounter" spaces (like an airport lounge, say), particularly for small businesses, as well as formal offices for temporary use and training spaces. The building should be seen as a "home", therefore, for the thousands of small and home businesses in Prospect, which will provide much of the successful future economy of Prospect.

Library Plus could evolve into a partnership with one or more of the universities, tech companies like Microsoft, Hewlett Packard, Cisco Systems, as well as community groups of various kinds. The involvement of a university could provide a tertiary presence in Prospect, centred on technology, innovation and start-up businesses. This would be very valuable for Prospect's evolution in the post-industrial economy.

**NETWORK
PROSPECT
.COM.AU**

Attachment



Deregulation is important

Removing (or changing) regulations (red tape) that hinder and restrain businesses (especially small businesses) from starting up and expanding will continue to be important for Prospect's economic development. Prospect Councils' own zoning regulations sometimes have the effect of preventing modest and warranted changes in land-use - like "pop-up" businesses, or fresh produce markets on spare Council land.

In this context, it can be noted that Prospect Council has been lobbying the South Australian Government to extend its small venue licensing legislation to the City of Prospect in appropriate areas to activate Prospect's night-time economy, create jobs, remove barriers for start-up businesses and provide goods and services the Prospect community is currently lacking and has expressed a desire for.

Prospect Council should also push the zoning envelope (as it is already doing on Main North Road and Churchill Road) to permit pilot uses that can inform options for larger scale roll-outs of creative industries and businesses, as well as activities that attract people who work in creative industries. Zoning changes could also be used more along transit corridors to enable businesses to relocate into better mixes that cut costs or increase demand.

Some of the most successful businesses in Prospect adjoin residential housing (often also containing home-based businesses) or are home based (residential housing). As small businesses in affluent countries like Australia move increasingly to clean, advanced manufacturing, professional and creative services, special shopping, entertainment and eating-out experiences, and so on, the need to separate business and residential uses of land is becoming less. Indeed, vertical separation is being regarded by the South Australian Government as a preferred form of separation near transit routes - in TODs, for example. One of the most effective methods for Prospect to stimulate business activity will continue to be to get out of businesses' way.





Prospect should be known for providing enjoyable experiences

Prospect is well placed to pursue an economic development strategy based on the provision of enjoyable experiences and is already well-embarked on such a strategy. This is what economic development strategy should be about in relatively wealthier places like Adelaide's inner metropolitan suburbs.

The economic development aim should be to engender a locational sense of liveliness, opportunity and livability - a place where valued experiences can be enjoyed by employees, residents and tourists alike and enjoying excellent electronic and physical accessibility.

Local governments have a role to play to help provide pleasurable mixes of venues, businesses, art, music, entertainment, shops, cafes and streetscapes. Prospect has already embraced this strategy.



Summing up, within a broad emphasis on an economic development strategy based on quality of life (and value) for companies and individuals, three broad development themes have been identified. These should form a focus for Prospect's development initiatives, which does not mean that other development issues should not be addressed, but primary focus might be given to developing and supporting these:

- small business;
- creative industries and the digital economy; and
- Recreation and tourism.

Strategic options from the City of Prospect 2009 Economic Profile report

A number of strategic options were outlined in the City of Prospect 2009 Economic Profile report for achieving faster growth of Prospect's economy. These are listed below, together with a summary of actions taken by City of Prospect to implement them:

Strategy - Collaboration

"Establish collaborative structures with the Town of Walkerville and the City of Norwood, Payneham and St. Peters (i.e. neighbouring inner city local governments facing similar circumstances to Prospect), and with the Adelaide City Council for solving common problems jointly, and for approaching State and Commonwealth Governments jointly with proposals for supportive actions."

Collaboration with other governments (and with businesses) is the way to get things done, because Prospect quite often does not have the level of resources necessary to get done that it wants to see happen.

Action taken

Effective participation in the Eastern Regional Alliance of Councils and effective use of the ERA Commissioned 2013 Report on the Size, Structure and Growth of the Eastern Regional Alliance's Economy.

Strategy - Zoning and business regulation

"With the collaboration of the State Government, change zoning and other regulations to permit office block and upgraded mixed use development along Main North Road, Main North East Road and Churchill Road, to attract finance and insurance, property and business services, and electronics and advanced manufacturing businesses, as well as specialist shopping and a variety of accommodation, cafes and restaurants catering to the tastes and needs of the office workers and their families. Think Greenhill Road and undercroft parking.

Action taken

Zoning and other regulations have changed to permit upgraded mixed use development. Significant developments already occurring, especially along Churchill Road. A cornerstone economic development achievement. High level master plan being undertaken for Main North Road. Zones being developed within corridors to enable objectives to be achieved.

CONTINUED

⁴Richard Blandy, Alison Davies and Paul Davies, Assisting Economic Activity in the City of Prospect: A Quantitative Assessment of the Prospect Economy: Final Report to the City of Prospect, AustralAsia*Economics Pty Ltd, Adelaide, January 2009.

"If a frequent light rail service is established along the Northern rail line to those stations, and a subsidised Park and Ride scheme is established, in collaboration with the State Government, build substantial parking stations at Ovingham and Dudley Park railway stations to cater to commuters wishing to "park and ride" into the CBD. Provide frequent, rapid, small, shuttle buses from Ovingham and Dudley Park Railway stations to Prospect Road and Main North Road.

Action taken

Frequent light rail service not yet established. No action required.

"On the corner of Churchill and Regency Roads, at Islington, introduce zoning and regulations to establish an electronics, computing, advanced manufacturing, warehousing and transport precinct serviced by the excellent rail and arterial road links to this area."

Action taken

Not achieved due to other commercial development taking place.

"Zone, regulate and redevelop the land between Devonport Street (fronting the Northern rail line) and Churchill Road for apartments, offices, schools, accommodation, cafes and restaurants, and specialist and local convenience retail, with particular concentrations of apartments in the vicinity of Ovingham and Dudley Park Railway stations."

Action taken

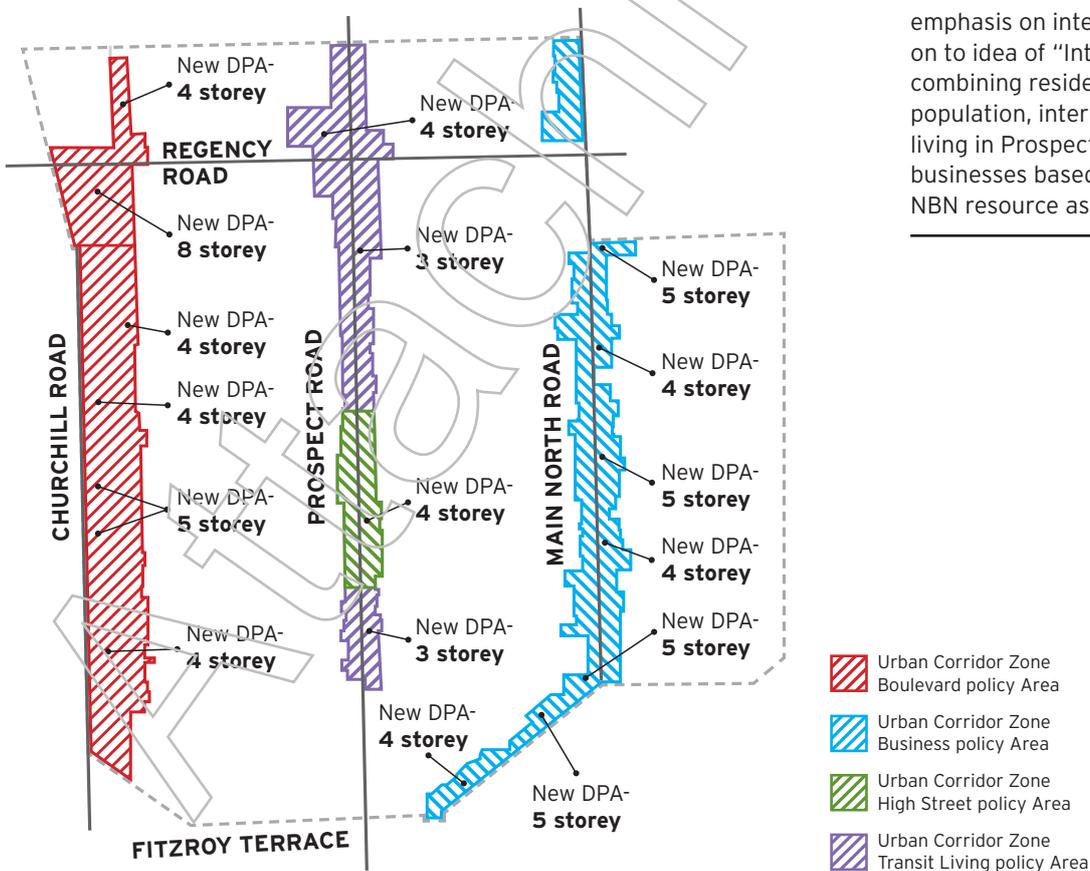
Zoning, regulation and redevelopment achieved with appropriate developments occurring and future developments being planned.

Internet access

With the collaboration and assistance of the State and Commonwealth Governments, provide business access to the Sabrenet cable (now following the track of the Northern rail line) to allow business access along Churchill Road, Prospect Road, Main North Road and Main North East Road. Allow a large number of free Wi-Fi hot spots. In collaboration with other Councils and the State and Commonwealth Governments, establish internet training courses for small businesses to make maximum use of their access to this very fast internet service. This set of actions would enhance the economic value of Prospect as a business location, and would be attractive to many small businesses that now make up the cutting edge of the modern economy.

Action taken

Internet access has been a major focus of Prospect's economic development strategy (elaborated at length, below), building on pioneer provision of fast internet NBN throughout Prospect. Free Wi-Fi hot spots are planned. Training courses have been established for small businesses and residents. Prospect's emphasis on internet access has led on to idea of "International Prospect" combining resident Indian and Chinese population, international students living in Prospect, and start-up export businesses based in Prospect using the NBN resource as a vehicle.



Prospect Road

Restrict traffic flow along Prospect Road to "local traffic", diverting "through traffic" to Main North Road and Churchill Road. Widen the footpaths. Provide adequate side-street, parking station and off-street parking. Use zoning and other means to give Churchill Road an "edgy" style along the lines of Brunswick Street (say) in Melbourne, with street art installations, art, music, book and antique shops, arty restaurants, university student-friendly open air spaces, and so on. Also, apartments, commercial offices, specialist retail, and accommodation, cafes and restaurants that service the needs of local residents and visitors alike. Underground the power lines.

Action taken

This has also been a major focus of Prospect's economic development strategy, also building on pioneer provision of fast internet NBN throughout Prospect. Boutique cinema complex with 14 screens, co-working spaces for start-up businesses, Digital Village, Next Generation Council, Vine Street Plaza version of Federation Square, creative IT social competitions, professional networking workshops, crowd funding education workshops planned, Prospect Business and Investment website identity developed, high speed "Broadband cafes" identified, Coworking spaces such as the Cooks Base (commercial kitchen for restaurant cooks wanting to scale up to supply functions and clients) and privately owned and operated, Little City Studio on Prospect Rd.

Private schools

Use zoning and other regulations to facilitate the location of new private schools, or additional campuses of existing private schools, in Prospect making use of access to the Parklands and other open spaces in Prospect. Good local secondary schools will increase the attractiveness of Prospect for its skilled and highly educated residents and will create job opportunities for those residents who work in education.

Action taken

Assisted Blackfriars Priory School in successful planning application for early learning centre. Confidential discussions with another private school about potential expansion. Adelaide High School zone has been extended to cover Eastern section of Prospect LGA.

Museums and tourism

Explore with relevant businesses and governments the use of various locations for tourism purposes, e.g., through the setting up of appropriate museums or access to activities of broad general interest. For example, the ABC might be asked to establish a guided tour of its building in Collinswood for tourists to show how radio and television stations work.

Action taken

Cinema development approved on Prospect Road (see above, also). RM Williams Museum to remain at 5 Percy Street. The RM Williams Museum was featured in a tour for VIP sponsors in 2015. Planning developed for a food and art experience trail, as well as preliminary analysis of the potential value of heritage tourism.



Prospect Council's Strategic Economic Development Plan 2014-2018

Prospect Council's Strategic Economic Development Plan outlines the socio-economic outcomes that the City of Prospect is seeking to achieve and the strategies that Prospect will follow to achieve those outcomes.

The Plan starts by noting that the projects in it require the Commonwealth Government's collaboration in order for them to be realised. Consequently, the City of Prospect is lobbying and building partnerships at a national level to deliver outcomes that benefit the Prospect economy and contribute to engaging Prospect's people in the global marketplace.

The Plan goes on to note that Prospect is also continuing to forge new partnerships with the South Australian Government to ensure that Prospect receives support in driving new projects and delivering services to the people of Prospect.

Further, the Plan notes that Prospect is a member of the Eastern Region Alliance (ERA) of eastern metropolitan councils whose Federal Initiatives Group has developed projects that are based on the ERA region, are natural extensions of Commonwealth Government policy, and are focused on significant strategic opportunities with transformative potential.

The Plan is fully consistent with the overarching strategy for the City of Prospect advocated earlier, see p.6, above.

The City of Prospect is encouraging investment in information and communications technology (ICT) and the strengthening of the capabilities of

individuals and organisations to use ICT through a number of targeted programs and strategies. This investment and support of ICT is intended to maximise the productivity of Prospects residents and the businesses that operate in and from Prospect. The Plan says that this direction will place Prospect's economy at the forefront of economic reform and world's best business practice, embracing change and new technologies.

The Plan notes that small business is the mainstay of the economy for Prospect. It is Prospect's fastest-growing sector, represents the future for many school leavers and is anticipated to grow strongly and diversify further as Prospect engages further with the global digital economy. In the Plan, the City of Prospect anticipates that one or two person businesses operating from home will lead the next wave of small business expansion. Many are expected to be considerable enterprises with manufacturing based overseas or with services marketed and delivered exclusively over the internet to a global marketplace. The Plan anticipates that many young professionals will find their first job not as an employee but as a contractor or teleworker, sometimes working for two or three businesses.

The Plan notes that Prospect Council has been reviewing its planning regulations to support small home-based business operations, supported training and development options with Commonwealth and State Governments, and ensured the availability of world-class broadband services (including fibre-to-the-premises) in all commercial zones, retail strips and households, including the provision of high-speed Wi-Fi for visitors using public spaces, cafes and restaurants.

The Plan also goes on to note that Prospect Council is assisting its residents to accommodate the decentralisation of workplaces that is occurring, as businesses employ individuals who work from home, by ensuring those workers have access to the necessary bandwidth to link their home office to their corporate intranet, to support telecommuting, e-commuting, e-work, working at home or anywhere working.

The Plan notes further that the future sustainable prosperity and well-being of Prospect's community will be determined to a large degree by how well Prospect can leverage global knowledge networks to socialise, collaborate, learn, innovate, and develop and market Prospect's resources, products and services.

Appendix Two of the Plan summarises Prospect's economic development strategies and measures. This Appendix is reproduced below:

2.1 Target and encourage appropriate and diverse commercial investment. Distribute high quality business investment and city promotion materials to attract a desirable mix and balance of commercial and retail investment with a focus on technology, hospitality, retail and home based businesses.

Measure: Rate income increase resulting from commercial development.

2.1.2 Identify and promote development on strategic sites within our City

2.1.3 Promote Main North Road and Churchill Road as arterial gateway roads for medium to large commercial, retail and higher density residential development

2.1.4 Work to facilitate access to appropriate business infrastructure such as National Broadband Network, transport, signage, etc.

2.1.5 Ensure Council infrastructure supports and increases business activity.

2.2 Support retail, commercial, home and e-business development across our City.

Measure: Local Gross Regional Product (GRP).

2.2.1 Undertake a detailed economic analysis and assessment of our local economy.

2.2.2 Support existing home based business activities and attract new small office/home office business to our residential sector.

2.2.3 Establish a business environmental program focusing on reducing waste and reduced electricity consumption to minimise the carbon footprint of our commercial and retail sectors.

2.2.4 Implement programs to assist local business to grow through the use of online services.

2.2.5 Promote access to digital information opportunities through active pursuit and implementation of Federal Government strategies.

2.3 Development of Northpark Centre Precinct.

Measure: Northpark Centre Precinct's retail performance.

2.3.1 Engage with and support the upgrade plan for Northpark Centre Precinct.

2.3.2 Liaise with developer(s) and investment partner(s) regarding development and new business growth within the precinct.

2.3.3 Promote the Precinct as a shopping, business and food destination.

2.4 Development of 250 Churchill Road precinct.

Measure: % of development Master Planned and under construction.

2.4.1 Liaise with developer(s) and investment partner(s) regarding development within the Precinct.

2.4.2 Pursue completion of the northern section of the Churchill Road Master Plan infrastructure works in response to development authority.

2.5 Promote Prospect as one of Adelaide's most livable inner suburbs, with world class digital connections, clean and green amenity, strategically ideal for retail and commercial investment.

Measure: Uptake and use of NBN fibre.

2.5.1 Renew and refresh our Strategic Economic Development Plan.

2.5.2 Capitalise on the National Broadband Network to provide hi-tech enabling communications infrastructure across our City.

2.5.3 Facilitate equitable access and availability of world class internet speeds, carried by both fibre optics and wireless infrastructure for commercial and residential use.

2.5.4 Promote uptake and use of the National Broadband network.

2.5.5 Establish a Digital Hub as the primary digital interaction, education and training site for our community.

2.6 Seek to improve the communication links between government and business.

Measure: Federal and State Government funding within City of Prospect.

2.6.1 Develop strong professional relationships with key Federal and State Government stakeholders.

2.6.2 Support the Prospect Business Leaders' Group.

2.7 Improve accessibility to and links between key commercial precincts.

Measure: Completion of a Master Plan for Main North Road.

2.7.1 Develop a Master Plan for Main North Road.

Two particular initiatives deserving special mention

A general strategic issue

A general strategic issue involving all of Prospect's economic development initiatives is what initiatives to undertake independently and what initiatives to undertake in conjunction with others, especially with neighbouring Councils in Adelaide's Eastern Regional Alliance. There is no clear answer to this issue. In part, it depends on the cost of the measures to be undertaken and taking a locational focus would be most advantageous for Prospect.

There are two Council initiatives that deserve particular mention. These are the proposed **International Prospect** initiative, one of the four major economic foci of Prospect's Draft Strategic Plan 2016 - 2020, and the **Digital Prospect** initiative, contained in another recent Council economic development document. Together, these two initiatives illustrate the potential global scope of Prospect's economic development focus and Prospect's embrace of new technology as a major means of giving effect to its economic development vision:

International Prospect

Develop China and India engagement action plans.

This is highly appropriate to post-industrial opportunities based on Prospect's global competence in a large number of special activities, including tourism and visits to student family members. Prospect's population is 5% Indian, 2% Chinese. These are significant concentrations. Some of these students (and their families) may form the basis for businesses exporting to China and India, or assist other businesses in doing so.

Support international business investment.

Prospect should offer red tape reduction support to students and families of foreign students living in Prospect who would like to start a business in Prospect. Prospect could consider paying any students involved a fee for every business they are associated with attracting from overseas.

Promote Prospect internationally as Adelaide's most livable inner city, with world class digital connections, strategically ideal for retail and commercial investment.

Prospect should join with ERA (or venture independently) to subcontract with Indian/Chinese companies to promote ERA (Prospect) as most livable part of Adelaide, one of the world's most livable cities. ERA (Prospect) should also use resident Indian/Chinese students to promote this perception. ERA (Prospect) should consider paying any students involved a fee for every they are associated with attracting from overseas and/or give them assistance that helps them with their studies and makes life better for them. For example, trips home in certified circumstances where family members are sick could be offered.

Establish and implement a foreign investment attraction plan.

Prospect should join with ERA (or venture independently) to subcontract with Indian/Chinese banks or investment banks that have clients who would like to invest in Australia to assist the clients of those financial bodies provided a major part of their investment in Australia is in ERA (Prospect).

Digital Prospect

The Project Overview for Digital Prospect says that Digital Prospect is a creative, integrated approach to implementing the next stage of the digital economy vision of the City of Prospect. Prospect has already positioned itself as a global leader in on-line communities and has already had four Top 21 placements by the Intelligent Community Forum's, International Smart Community body. Digital Prospect includes relationship building with other Top 21 Smart Cities around the world to open up opportunities for Prospect's businesses.

An initial suite of projects has been identified to create a digital "super-fast future Main Street" and surrounding Prospect region. These projects are steadily being implemented over the period up to 2018. They cover:

- Creating a unique identity including: Vision and Brand; Signage; Lighting; and Website.
- Physical Infrastructure - Next Generation Council; Co-Working Space; Outdoor Digital Public Meeting Places; High Speed Free Wi Fi "Social Zone" Main Street and Trial Sites; identifying and enacting on Strategic Landholdings; encouraging Place Activation of Private Land Sites.
- Supporting Programs and Projects - Supportive Policies; collective promotion of high speed fibre connected wifi Cafes; launching a Smart Phone Video Competition; hosting Networking events for professionals living in Prospect; exploring Crowd Funded Capital projects for the Community's benefit.
- Stage 2 Expansion - Digital Business Training; Council Online Services; Alignment of Council, State and Commonwealth Services; Broadband Career Service; Time-trade Australia; e-Commerce Exporters; Not-For-Profit ICT Service; Smart LED Lighting; Community-Centric Decision-Making; Spatial Data Analysis - Collaboration with Open Source Data Providers; Shared IT Services; and ERA Creative Industries Domain.

Creating a "Digital Village" style focus as part of "Digital Prospect" will attract visitors and businesses to set up in Prospect. Successful implementation will see Prospect become recognised as a world leader in the application of digital economy ideas for economic development. It will provide a pilot study for digital economy applications in other Local Government Areas.

This project illustrates Prospect's embracement of post-industrialism as the basis of its economic future. The people of Prospect can look forward to a fast rate of economic growth as Prospect's grip on the digital economy grows.



Conclusion



The City of Prospect's economic development strategy and plan are exceptionally well done. Prospect is now embarked on a very clear and positive path to economic success in the 21st Century.

I congratulate the Council members and staff involved in putting the various economic development documents together that collectively describe City of Prospect's approach to economic development strategy. They have laid a strategic framework that offers the residents, businesses and workers of Prospect an outstanding chance of prosperity, happiness and fulfilment in the 21st Century.

This is a significant achievement.



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AGENDA ITEM NO.: 10.2 ON THE AGENDA

TO: Audit Committee on 22 August 2016

DIRECTOR: Ginny Moon, Director Corporate Services

REPORT AUTHOR: Anna Mellier, Human Resource Advisor

SUBJECT: Human Resource Management Roadmap Update

1. EXECUTIVE SUMMARY

- 1.1 A report was presented to the August 2014 Audit Committee detailing the outcomes of the Human Resources Audit. The resultant Human Resource (HR) Framework and Plan were considered with the recommendation to review the progress every six months.
- 1.2 The Framework and Plan were analysed to determine which areas would provide compliance and which would provide best practice.
- 1.3 A Framework of required policies and procedures was established to address gaps in compliance, and a budget bid was successful to hire a resource to assist in delivering this project.
- 1.4 This report provides an update on the progress to date.

2. RECOMMENDATION

- (1) **The progress of the Human Resource Management System be noted.**
-

3. RELEVANCE TO CORE STRATEGIES / POLICY

- 3.1 *Local Government Act 1999, Section 107.*
- 3.2 Core Strategy 5 – Your Council.
 - 5.6 *Deliver a responsive, people-focused service.*
 - 5.6.1 *Implement human resource strategies focusing on a flexible work plan, skills recruitment and retention, training and development and succession planning.*
 - 5.6.3 *Implement practices that create positive customer experiences and build customer relations.*

4. COMMUNITY INVOLVEMENT

- 4.1 Not applicable for this item.

5. DISCUSSION

- 5.1 Council must ensure its Human Resource Management System (HRMS) complies with the *Local Government Act 1999* (the Act), and Principles (Section 107). As such, the Chief Executive Officer (CEO) must ensure sound principles of human resource management are applied to employment in the administration of the council, and must take reasonable steps to ensure those principles are known to all employees.
- 5.2 An audit of the Human Resource (HR) function against legislative requirements was undertaken in 2014 and included a full service review and audit of Council's HR functions.
- 5.3 The review, undertaken by the Manager Organisational Development, City of Unley, found there wasn't an adequate HRMS in place to guide the human resource activities of the Council. Additionally, there was incomplete information available to employees and those responsible for administering human resources with no consistent documentation used for policies, procedures, forms and templates. Processes were not consistently communicated or understood by employees and the practice of human resources not centrally controlled by Human Resources.
- 5.4 The report determined that if improvements were not made, Council would not achieve compliance with the requirements of the *Local Government Act 1999*, General Principles for Human Resource Management (Section 107).
- 5.5 The Human Resource Management System Roadmap (HRMS Roadmap) was developed and it demonstrated key areas of procedural gaps at that time. The HRMS Roadmap is provided as **Attachment 1**.
- 5.6 The HRMS Roadmap was presented to the August 2014 Audit Committee, with the following recommendation resulting from that report:
- (1) *Council to note the report of the Human Resources Management, Strategy and Standards Plan and Policies and Procedures Framework as provided.*
 - (2) *Further work is required to determine the priority and risk associated with the findings of the Human Resource report to determine the appropriate way forward. This would include:*
 1. *The legislative compliance shortfalls and the appropriate level of policy and procedures consistent with the size of the organisation.*
 2. *Prioritise the gaps into categories such as legislative compliance and best practices.*
 3. *Development of an action plan to address the matters of compliance and best practice.*
 - (3) *The Audit Committee to review the progress of the Human Resources Management, Strategy and Standards Plan and Policies and Procedures Framework every six months.*
- 5.7 The key short term action item recommended was to develop and implement the HRMS which would include developing policies and procedures over six key areas, being Leadership & Culture, Employee Relations, Resourcing, Review, Development & Training, Reward & Recognition and Administration.

- 5.8 Council approved a once off project budget item for the HRMS development, to ensure resources were adequate to deliver on this project. The project was completed in September 2015, under budget.
- 5.9 Twenty One (21) Policies and Procedures have been developed and implemented over six (6) key areas Staff training was scheduled and delivered as appropriate for each position. Awareness training of the HRMS forms part of the induction process for all new employees as reported to Audit Committee in December 2015.
- 5.10
- 5.11 The policies and procedures will be reviewed every two years or as required, in accordance with the HRMS Policy Register **Attachment 2**, with an Internal Audit programmed for October 2016.
- 5.12 Council's HRMS is now satisfying the *Local Government Act 1999* compliance with Section 107 and will continue to be administered by the Chief Executive Officer and Executive Leadership as delegated by Council.
-

ATTACHMENTS

Attachment 1: Human Resource Management System Roadmap

Attachment 2: HRMS Policy Register



Human Resource Management Policies and Procedures



Attachment

City of Prospect - HRMS Policy Register											66
Name of Policy/Procedures/Manual	TRIM Ref	Director	Date Endorsed	Frequency of Review	Date Next Review Due	Scheduled for Review	Relevant Legislation / Best Practice	Consultation Required?	Public Notice / Gazette?	Current Status Notes	Notes for next review
Induction Policy	CR15/30437	DCS	May-15	Bi-annual or as required	May-17	Jan-17		Yes			
Induction Procedure	CR15/30435	DCS	May-15	Bi-annual or as required	May-17	Jan-17		Yes			
Code of Conduct for Council Employees	CR15/16393	DCS	Mar-15	The Guidelines within the Code will be reviewed within two years of each general election, or as required by legislation	May-19			Yes		Endorsed by ELT March 2015, gazetted by the Minister February 2014	
Fair Treatment Policy	CR15/25710	DCS	Mar-15	Bi-annual or as required	Mar-17	Nov-16		Yes			
Complaint Handling Policy	CR15/25708	DCS	Mar-15	Bi-annual or as required	Mar-17	Nov-16		Yes			
Complaint Handling Procedure	CR15/25709	DCS	Mar-15	Bi-annual or as required	Mar-17	Nov-16		Yes			
Leave Policy	CR15/54313	DCS	Sep-15	Bi-annual or as required	Sep-17	May-17		Yes			
Performance Management & Discipline Policy	CR15/24407	DCS	Mar-15	Bi-annual or as required	Mar-17	Nov-16		Yes			
Performance Management & Discipline Procedure	CR15/54918	DCS	Mar-15	Bi-annual or as required	Mar-17	Nov-16		Yes			
Workplace Investigation Policy	CR15/25711	DCS	Mar-15	Bi-annual or as required	Mar-17	Nov-16		Yes			
Workplace Investigation Procedure	CR15/25711	DCS	Mar-15	Bi-annual or as required	Mar-17	Nov-16		Yes			
Standard of Dress Policy	CR15/44924	DCS	Jul-15	Bi-annual or as required	Jul-17	Jul-17		Yes			
Higher Duties Policy	CR15/44936	DCS	Jul-15	Bi-annual or as required	Jul-17	Jul-17		Yes			
Flexible Working Policy	CR15/44934	DCS	Jul-15	Bi-annual or as required	Jul-17	Feb-17		Yes			
Recruitment Policy	CR15/14311	DCS	Mar-15	Bi-annual or as required	Mar-17	Mar-17		Yes			
Recruitment Procedure	CR15/14314	DCS	Mar-15	Bi-annual or as required	Mar-17	Mar-17		Yes			
Criminal History Check Policy	CR15/54132	DCS	Sep-15	Bi-annual or as required	Sep-17	Sep-17		Yes			
Probation Policy	CR15/31389	DCS	May-15	Bi-annual or as required	May-17	Jun-17		Yes			
Probation Procedure	CR15/31391	DCS	May-15	Bi-annual or as required	May-17	Jun-17		Yes			
Training and Development Policy	CR15/30436	DCS	May-15	Bi-annual or as required	May-17	Feb-17		Yes			
Training and Development Procedure	CR15/30438	DCS	May-15	Bi-annual or as required	May-17	Feb-17		Yes			
Performance Development Policy	CR15/24467	DCS	Apr-15	Bi-annual or as required	Apr-17	Aug-17		Yes			
Performance Development Procedure	CR15/24469	DCS	Apr-15	Bi-annual or as required	Apr-17	Aug-17		Yes			
Employee Recognition Policy	CR15/54134	DCS	Aug-15	Bi-annual or as required	Aug-17	Aug-17		Yes			
Senior Officer Remuneration Policy	CR15/31392	DCS	May-15	Bi-annual or as required	May-17	Nov-16		Yes			
Position Classification Policy	CR15/31366	DCS	May-15	Bi-annual or as required	May-17	Apr-17		Yes			
Position Classification Procedure	CR15/31388	DCS	May-15	Bi-annual or as required	May-17	Apr-17		Yes			
HRMS Document Management Policy	CR15/54130	DCS	Sep-15	Bi-annual or as required	Sep-17	Oct-16		Yes			
Consultation Policy	CR15/31365	DCS	May-15	Bi-annual or as required	May-17	Sep-16		Yes			
Consultation Procedure	CR15/56905	DCS	May-15	Bi-annual or as required	May-17	Sep-16		Yes			

AGENDA ITEM NO.: 10.3 ON AGENDA

TO: Audit Committee on 22 August 2016

DIRECTOR: Ginny Moon, Director Corporate Services

REPORT AUTHOR: Chris Birch, Manager Financial Services

SUBJECT: Internal Audit Report – Business Planning and Budget Process

1. EXECUTIVE SUMMARY

- 1.1 In accordance with the Internal Audit plan, Bentleys have undertaken a review of the Business Planning and Budget Process.
- 1.2 The audit was undertaken in parallel to the 2016-2017 budget process in order to observe a live budget process.
- 1.3 Bentleys identified 2 items for consideration before embarking on the 2017-2018 budget process.

2. RECOMMENDATION

- (1) **Council notes Bentleys Internal Audit Report – Business Planning and Budget Process.**
-

3. RELEVANCE TO CORE STRATEGIES / POLICY

- 3.1 Local Government Act 1999, Chapter 10.
- 3.2 Core Strategy – Your Council – “Ensure Financial Sustainability”.

4. COMMUNITY INVOLVEMENT

- 4.1 No community consultation was undertaken on this matter.

5. DISCUSSION

- 5.1 As part of the Internal Audit Contract, Bentleys have been engaged to undertake a number of key internal audits during the current financial year.
- 5.2 Bentleys have completed a review of Council's Business Planning and Budget Process. The Bentley's report is included in **Attachments 1 – 15**.
- 5.3 Overall, on **Attachment 6** Bentleys identified Council has a number of good practices in place for the guidance of the Annual Business Planning and Budget Performance Monitoring processes.

- 5.4 The Bentleys report highlighted 2 findings from the review. They are presented in the following paragraphs.
- 5.5 Finding 1 – Public Consultation Policy due for review (low risk).
- 5.5.1 Proposed Actions/Comments – Council’s Community Engagement and Consultation Policy was last adopted in November 2012. Independent of this audit, a review had been initiated by Council staff. A revised policy will be presented to Council before the end of the calendar year.
- 5.5.2 It is noted by Bentleys that the current policy states a minimum consultation period of 7 days for the Annual Business Plan which is less than the 21 days required by the Local Government Act. Despite the policy, Council has always undertaken in excess of 21 days consultation on its Annual Business Plan. Council also undertakes a number of consultation strategies in addition to the 1 hour public meeting required under the Act.
- 5.6 Finding 2 – Incomplete Budget Framework Policy (moderate risk).
- 5.6.1 Proposed Actions/Comments – The Budget Framework Policy was adopted in December 2015. As carry forwards are historically identified through the third and fourth budget reviews, the policy will be represented for consideration prior to the drafting of the third budget review. As the policy has only been recently developed there is no other amendments anticipated beyond the addition of a statement around the treatment of carry forwards into the coming budget year.
-

ATTACHMENTS

Attachments 1-15: Bentleys – Business Planning and Budget Process Internal Audit Report

City of Prospect
Business Planning and
Budget Process
Internal Audit Report



May 2016

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Private & Confidential

**To: Ginny Moon,
Director, Corporate Services**

Copy: Audit Committee

**Internal Audit Report
Business Planning and Budget Process**

We have completed our review on the sufficiency of Business Planning and Budget Process for the City of Prospect. Please find attached our report containing details of our assessment and recommendations. The report also contains a description of the scope of work and our approach.

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

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Inherent Limitations

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

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

Third Party Reliance

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

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

EXECUTIVE SUMMARY

BACKGROUND

The Council has engaged Bentleys SA Pty Ltd to conduct an internal audit project – Business Planning and Budget Process review in March 2016 in line with the Audit Committees Internal Audit Program.

This report outlines findings and recommendations in respect of the Business Planning and Budget Process.

AUDIT OBJECTIVES

The overall objective of the audit was to review the system of internal controls and management processes providing reasonable assurance that adequate management controls exist to mitigate risk.

The specific objectives of the audit were to determine:

- Compliance with the Local Government Act 1999 and its regulations;
- Compliance with internal policies and procedures; and
- Whether accurate and timely information is provided to governing body.

Governance objectives, where relevant, were considered and included an assessment of whether governance processes were in place, including:

- Defined roles and responsibilities;
- Segregation of duties;
- Appropriate levels of delegated authority;
- Monitoring and reporting of abnormal activity; and
- Records management and documented audit trails.

AUDIT SCOPE & APPROACH

The audit scope includes:

Preparation/Planning

- Review of the processes and procedures used to compile the annual council budget
- Compliance with LGA 1999 Section 123 (2) and LGR 2011 Regulation 6
- Review the relationship between Annual Business Plan (ABP) and the Budget, ensure appropriate assumptions used
- Ensure the ABP is consistent with LTFP and IAMP
- Ensure appropriate consultation conducted (public consultation policy)

Implementation

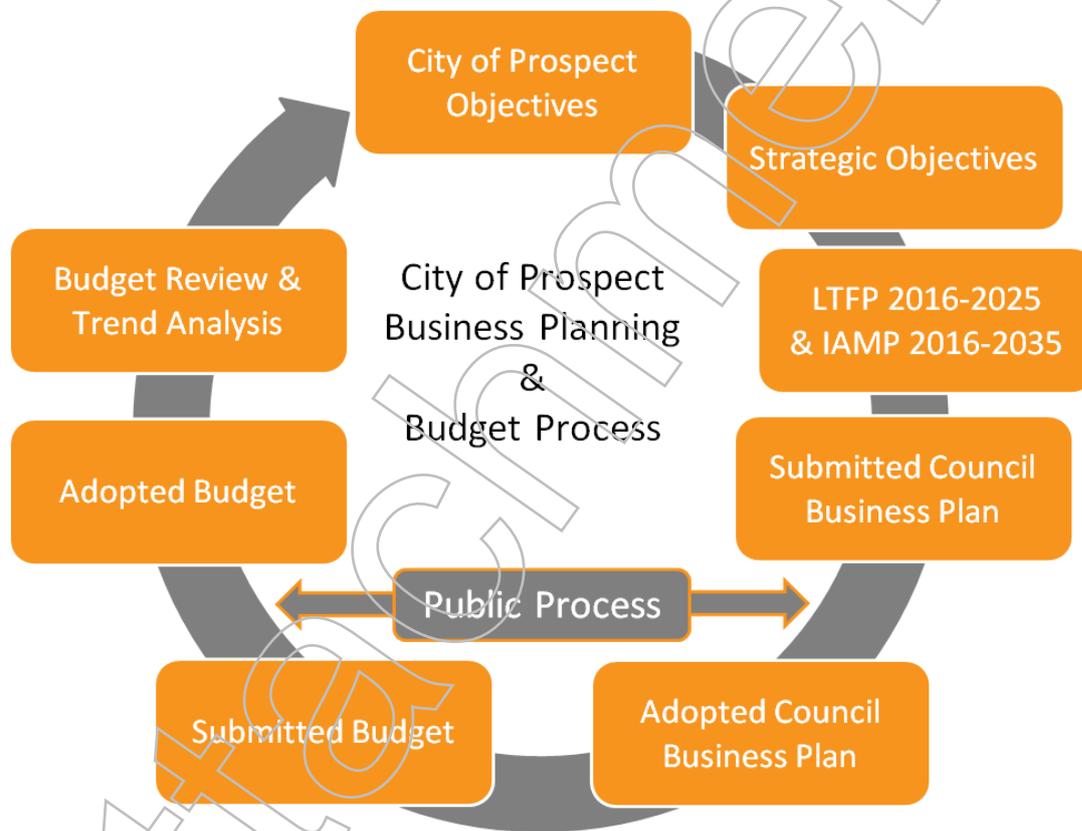
- Ensure divisions/groups' awareness of the budgeting objectives and activities
- Review the budgeting practices for a sample of capital works and recurrent services

Monitoring and Reporting

- Compliance with LGA 1999 Section 44 (3) and LGR 2011 Regulation 9(1)(a) and Regulation 10
- Budget performance monitoring
- Budget amendment and reporting
- Measuring these processes and procedures against best practice and making recommendations for improvements to the next business planning and budget process.

The approach involved reviewing the process, procedures, policies and documentation; interviewing key staff; observation, walkthrough and substantive testing.

The audit reviewed the key processes and documents which drive the Council business planning and budget. These are outlined in the diagram below:



The audit also reviewed:

- the 2015/16 Annual Business Plan, its preparation and consultation documents to ensure Council's objectives and expected results were clearly defined and supported by indicators, assumptions, targets and appropriate strategies;
- the 2015/16 Council Budget, the Council's Long Term Financial Plan (LTFP) and its Infrastructure and Asset Management Plan (I&) to ensure the basis for Council's budget was evaluated

and refined in terms of the LTFP, corporate strategic plans and objectives and within the framework of Council budget assumptions and Community Plan Outcomes; and

- the Second Budget Review for year 2015/16, Executive Management Project Worksheet and Monthly Budget Review Worksheet to ensure the results and corresponding resources were monitored.

Refer to Documents Accessed and Consultation (Appendix 2) for detailed information.

Bentleys conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

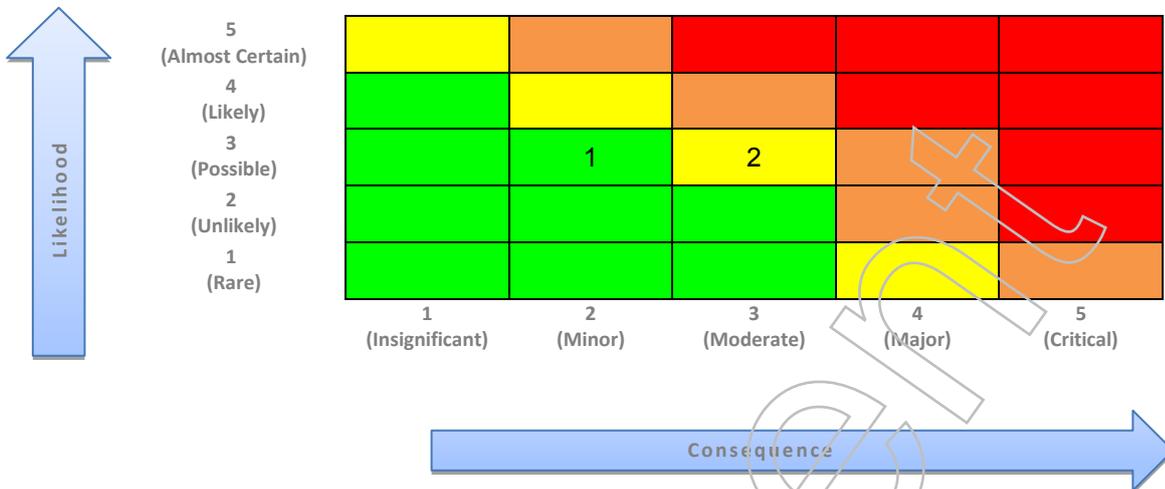
GOOD PRACTICES OBSERVED

Throughout this review we compared the Council processes to our knowledge and understanding of Local Government Association guidance for Annual Business Planning and Budget Performance Monitoring, and good business practice. The following good practices were observed during the review:

- The ABP is consistent with the Council's Long Term Financial Plan (LTFP) and its Infrastructure and Asset Management Plan (I&);
- Consultation on the draft ABP meets the requirement of LGA 1999 and its regulation;
- The basis for Council's budget each year, in its initial stages of development, is a zero based budgeting approach. The result is evaluated and refined in terms of the Council's LTFP, corporate strategic plans and objectives and within the framework of Council budget assumptions and Community Plan Outcomes;
- Budget assumptions made were in line with the Budget Principles and the Costing Principles for Local Government;
- A comprehensive Budget Schedule exists, which sets deadlines for the development of the budget, review and approval of budget etc and is strongly supported by management and Council;
- Draft budget was prepared at the same time as consultation on a draft annual business plan, which provides an assurance that the content of a draft annual business plan is consistent with a Council's plan to achieve or maintain financial sustainability;
- Annual Budgets are approved by the appropriate level of management and by Council, and in accordance with the Local Government Act;
- Actual expenditures are compared to budget regularly at the time of budget reviews. Management reviews budget amendment and Council approves significant variances.

RISK ASSESSMENT

Provided below is an audit assessment of the residual risk (based on the City of Prospect risk framework) in respect of the process reviewed, having regard to the issues identified by the audit.



Key inherent risks (before control) include:

- Non-compliance with legislation and regulation;
- Non-compliance with policies and procedures;
- Incorrect decision making in annual business planning;
- Lack of data integrity to the budget.
- Incorrect decision making in budget amendment;

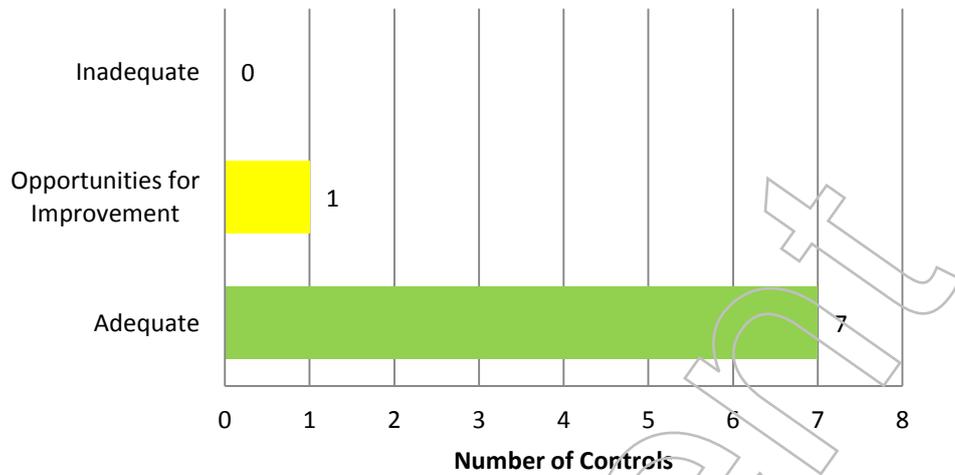
The control effectiveness assessment below is an indicator of the current state of the control environment within business operations and its ability to mitigate against these risk exposures.

Key controls identified during the audit include.

- Defined policies and procedures;
- Defined roles and responsibilities;
- Segregation of duties;
- Delegated authority;
- Preparation and development of Annual Business Plan and Budget;
- Implementation of Annual Business Plan;
- Budget amendment and reporting;
- Records management

CONTROL EFFECTIVENESS GRAPH

Control Effectiveness



Refer to Assessment of Controls (Appendix 4) for detailed information.

KEY FINDINGS AND OBSERVATIONS

A summary of the risk rated findings are provided below.

Ref	Description of Findings	Risk Rating
1	Public Consultation Policy due for review	Low
2	Incomplete Budget Framework Policy	Moderate

Refer to Agreed Action Plan (Appendix 1) for detailed information.

Each key finding is rated based on the impact to the process considered. Refer to Risk Framework (Appendix 3) for detailed information.

ACKNOWLEDGEMENT

We appreciate the assistance and cooperation received from management and staff of City of Prospect in completing this review.

APPENDIX 1 DETAILED FINDINGS AND AGREED ACTION PLAN

Finding 1	Public Consultation Policy due for review	Impact:	Minor
		Likelihood:	Possible
		Risk Rating:	Low

Findings:

Council's Public Consultation Policy requires that the draft annual business plan must be available at the public meeting or Council meeting for inspection (without charge) and purchase (on payment of a fee fixed by Council) at the principal office of the Council at least 7 days before that meeting. However the minimum consultation requirement for the draft ABP comprises making copies of the draft ABP available both at the required public meeting and also at least 21 days beforehand.

Audit has reviewed the Council minutes that the public meeting for Annual Business Plan 2015/16 was held at 2 June 2015. Council endorsed the draft Annual Business Plan 2015/16 for community consultation in a special meeting held at 5 May 2015, which meets the requirement of 21 days beforehand.

Risk:

Inaccurate or insufficient policy could increase the risk of:

- noncompliance with the Local Government Act 1999 and its regulations;
- failure in consultation with community;
- incorrect decision making in annual business planning.

Bentleys Recommendation:

It is recommended management review the Public Consultation Policy and amend the required days before public meeting to meet the minimum consultation requirement for the ABP.

Management Response:

The Local Government Act will always override Policy where a longer period of consultation is stated. The consultations have always been undertaken for 21 days or greater and as such the current policy does not reflect the real life consultation period undertaken.

The Community Engagement and Consultation policy was last adopted in November 2012 and is currently being reviewed for presentation to Council. As part of the current review this timeframe of minimum consultation will be amended.

Responsible Officer: Manager Community Development

Target Date: November 2016

Finding 2	Incomplete Budget Framework Policy	Impact:	Moderate
		Likelihood:	Possible
		Risk Rating:	Moderate

Findings:

Council's Budget Framework Policy provides guidance on roles and responsibilities, timelines, data collection, terminologies, workflows and other relevant components to assist Council, the Executive Leadership Team, Leadership Team, Budget Managers and staff to understand their role in the budget process.

Our review found that the Budget Framework Policy did not provide the guidelines in relation to the carry forward of expenditure authority associated with projects included in the budget for the previous financial year.

Funding approval for budgeted activity not completed at the end of any budget year is forfeited unless approval to carry-over the activity and associated budget allocation is granted by Council.

Risk:

Incomplete budget framework policy could increase the risk of:

- noncompliance with the Local Government Act 1999 and its regulations;
- lack of data integrity to the budget;
- failure in carrying forward of expenditure authority associated with projects included in the budget for the previous financial year.

Bentleys Recommendation:

A well drafted policy will support carry forward budget in the right circumstances, therefore, eliminating the "use it or lose it" mindset and supporting best spend for the Council and the Community.

It is recommended management to review the policy and include guidelines in relation to the carry forward of expenditure authority associated with projects included in the budget for the previous financial year.

Management Response:

Carry forward budget items are identified in both the third and fourth budget reviews. These are heavily scrutinised at multiple levels of both staff and elected members.

As the Budget Framework Policy was only adopted in December 2015 and was due to be reviewed in December 2018. This amendment will be brought forward in a revision prior to the 2016-2017 third quarter budget review in order to give guidance of the treatment of carry forwards from 2016-2017.

Responsible Officer: Manager Financial Services

Target Date: March 2017

APPENDIX 2 DOCUMENTS ACCESSED AND CONSULTATION

Documents provided by City of Prospect and accessed include:

- Budget Framework Policy;
- Community Engagement and Public Consultation Policy;
- Authority BIS viewer quick guide and Budget upload procedure;
- Budget Process instruction for Authority BIS;
- Annual Business Plan for year 2015/16 (including LTFP and IAMP);
- LTFP model;
- 2015/16 Budget for Capital Projects, Operating Projects, Salary and Wages, Rating Strategies, Grants, Loan Borrowings and Reserves;
- Council Report - Second Budget Review 2015-2016;
- Executive management project worksheet; and
- Monthly Budget Review Worksheet.

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

- Chris Birch, Manager Financial Services
- Rachel Kyriazis, Senior Finance Officer

APPENDIX 3 RISK RATING MATRIX

The following framework for Assurance ratings was developed to prioritise findings according to their relative significance depending on their impact to the process.

Likelihood	Consequences				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
E (Almost Certain)	Moderate	High	High	Extreme	Extreme
D (Likely)	Low	Moderate	High	Extreme	Extreme
C (Possible)	Low	Low	Moderate	High	Extreme
B (Unlikely)	Low	Low	Low	High	Extreme
A (Rare)	Low	Low	Low	Moderate	High

Measures of Corporate Risk Likelihood

The likelihood of a risk eventuating must be identified in the context of existing controls using the following as a reference:

Likelihood Rating	Description	Indicative Frequency Values
E - Almost Certain	Is expected to occur in most circumstances	Greater than one or more per annum
D - Likely	Will probably occur in most circumstances	Will probably occur on one occasion in the coming year. 20%-90% probability the event will occur in the next year
C - Possible	Might occur at some time	Between 3-10 years
B - Unlikely	Could occur at some time	Between 10-50 years
A - Rare	May occur only in exceptional circumstances	Every 50-100 years

Measures of Corporate Risk Consequence or Impact

Where a risk has implications across a number of areas of impact, the highest rating should be used to determine the overall level of risk. However each identified risk should be assessed from a mitigation / action.

Consequence	Rating	Infrastructure and Assets	Business Continuity and Business Systems	Legal Compliance and Liability	Financial and Economic	Political	Social	Environmental	Customer/Citizen	Reputation	Partnership	Staff	WHS&IM
Catastrophic	5	Widespread, long term loss of substantial key assets, infrastructure and/or IT network/hardware. Critical loss, irreversible damage property / infrastructure	The continuing failure of Council to deliver essential services. The Removal of key revenue generation.	Regulatory or contract breaches causing very serious litigation, including major class action. An event occurring outside City of Prospect's Insurance cover.	Above 60% of City of Prospect's annual revenue (excluding capital revenue).	Loss of power and influence restricting decision making and capabilities. Dismissal of Council by State Government.	Widespread loss of trust across the community.	Widespread and irreversible environmental damage attributed by the courts to be negligent or incompetent action of City of Prospect.	Significant demographic and economic changes impact on recruitment and retention. Operational availability deteriorates below published service standards. Programs/projects not delivered, resulting in significant decline in community outcomes. Significant damage to reputation.	Loss of State Government support with scathing criticism and removal of the Council. National media exposure.	Resignation and or removal of major contractors and senior staff.	Staff issues cause continuing failure to deliver essential services.	Fatality or significant irreversible disability. Fatality of a member of staff or public. Critical loss, irreversible damage property / infrastructure
Major	4	Widespread, short to medium term loss of key assets, infrastructure and/or IT network/hardware. Serious structural damage.	Widespread failure to deliver several major strategic objectives and service plans. Long-term failure of Council causing lengthy service interruption.	Major regulatory or contract breaches and litigation. Liability implications and fines for CEO/Directors/Managers.	Between 2%-6% of City of Prospect's annual revenue (excluding capital revenue).	Adverse impact and intervention by State Government.	Tangible expressions of mistrust amongst some community members with significant influence on decision-makers.	Severe environmental impact requiring significant remedial action. Penalties and/or direction or compliance order incurred.	Major economic changes impact on recruitment and retention. Department cannot meet service demand. Public confidence in the organisation undermined. Outcome of a major program/project not achieved resulting in decline of community outcomes. Significant review of implementation of program required. Interrupt the development of essential infrastructure.	State media and public concern/exposure with adverse attention and long-term loss of support from City of Prospect residents.	Community dissatisfaction. Persistent questions in Council, external inquiry. Industrial action affecting service delivery.	Staff issues cause widespread failure to deliver several major strategic objectives and long-term failure of day to day service delivery.	Serious & extensive injuries requiring hospitalisation/rehabilitation. Lost time of more than 4 working days. Serious structural damage.
Moderate	3	Short to medium term loss of key assets, infrastructure and/or IT network/hardware. Moderate loss or infrastructure damage.	Failure to deliver minor strategic objectives and service plans. Temporary & recoverable failure of Council causing intermittent service interruption for a week.	Regulatory or contract breaches causing investigation / report to authority and prosecution and moderate fines.	Between 1%-2% of City of Prospect's annual revenue (excluding capital revenue).	Adverse impact and intervention by the ALG.	Tangible expression of mistrust amongst some community members with moderate influence on public opinion and decision-makers.	Moderate impact on the environment; no long-term or irreversible damage. May incur cautionary notice or infringement notice.	Major workforce development strategy changes cause employment contracts not able to meet service needs. Complaints increase and cause local media long-term adverse publicity. Significant effect on staff morale and public perception of the organisation. Delivery of community program/project outcomes compromised for identified groups. Significant review/changes to programs required.	Significant state wide concern /exposure and short to mid term loss of support from City of Prospect residents.	Short term damage, public embarrassment of organisation. Local-wide industrial action (e.g. Bans)	Staff issues cause failure to deliver minor strategic objectives and temporary and recoverable failure of day to day service delivery.	Medical treatment/hospitalisation on required. Lost time of up to 4 working days. Moderate loss or infrastructure damage.
Minor	2	Minor loss or infrastructure damage. Repairs required.	Temporary and recoverable failure of Council causing intermittent service interruption for several days.	Minor regulatory or contract breaches causing likely prosecution and minor fines.	Between 0.2%-1% of City of Prospect's annual revenue (excluding capital revenue).	Adverse impact by another local government.	Tangible expressions of mistrust amongst a few community members with some influence on public opinion and decision-makers.	Minor environmental damage such as remote temporary pollution.	Minor workforce development strategy changes cause minor financial and economic pressure effect the quality of customer service. Some public embarrassment. Local media coverage short term. Minor effect on staff morale / public attitudes. Community program/project outcome compromised. Minor impact on deficiency or effectiveness, managed internally.	Minor local community concern manageable through good public relations.	Local adverse publicity. Visible dissatisfaction from public, limited/localised partnership interest, specific internal reporting. Local industrial action.	Staff issues cause several days interruption of day to day service delivery.	First aid treatment required resulting in lost time >1 day. Minor loss or infrastructure damage.
Insignificant	1	Damage where repairs are required however facility, infrastructure, network/hardware is still operational. Negligible loss or damage to property or infrastructure.	Negligible impact of Council, brief service interruption for several hours to a day.	Negligible regulatory breaches that are detected early and rectified. Insignificant legal issues & non-compliance.	Less than 0.2% of City of Prospect's annual revenue (excluding capital revenue).	Negligible impact from another local government.	Tangible expressions of mistrust amongst a handful of community members with no influence on public opinion and decision-makers.	Brief, non hazardous, transient pollution or damage.	Lack of appropriate consultation. Rumours, no media coverage. Little effect on staff morale. Community program/project outcome compromised. Resolved by routine operations.	Transient matter, e.g. Customer complaint, resolved in day-to-day management.	Little or no publicity. Attention from minor stakeholder with no publicity, only routine internal reporting.	Staff issues cause negligible impact of day to day service delivery.	No injuries. No lost time. Negligible loss or damage to property or infrastructure.

APPENDIX 4 ASSESSMENT OF CONTROLS AND CONTROL TRACK LINKAGE

Control Assessment

Control / Mitigating Factor	Description	
Adequate	1. The controls address the identified risk and there is little scope for improvement.	2. There is no convincing cost/benefit justification to change the approach.
Opportunities for Improvement	1. The controls contain some inadequacies and scope for improvement can be identified.	2. There is some cost/benefit justification to change the approach.
Inadequate	1. The controls do not appropriately address the identified risk and there is an immediate need for improvement actions.	2. There is a significant cost/benefit justification to change the approach.

Control Track Linkage

No.	Core Controls	Control Effectiveness
1. Strategic Financial Planning		
1.1 Budgets		
Risk No. 1 - Budgets do not reflect strategic objectives		
1	Robust and rigorous process to establish the annual budget and ensure that it is consistent with the Annual Business Plan and Strategic mgt plans.	Adequate
2	On-going review by management of actual performance against budget and ensure consistency of budget in relation to initiatives/objectives of Annual Business Plan and Strategic Management Plans.	Adequate
3	Budget managers are accountable for changes to for their budgets and responsible for completing budget reviews that are aligned with strategic plans.	Adequate
4	Establishment of clear links and relationship between budgets and Strategic Management Plans.	Adequate
5	Council has a long term financial plan which underpins the development of the annual budget and aligns with council's strategic management plans.	Adequate
6	Council has adopted a budget Framework which is delegated to the Council administrators who are responsible to put in place a framework of internal controls over budget formulation and management.	Opportunities for Improvement
Risk No. 2 – Unrealistic Budgets		

1	Budgets based on realistic and achievable assumptions and validated by facts.	Adequate
2	Budgets approved by appropriate level of management and adopted by Council in accordance with Local Government Act.	Adequate
3	All amendments to Budgets must be approved by Council and impact on financial sustainability considered.	Adequate
4	End of year actuals compared to original budget; significant variances explained. Reg. 10	Adequate
Risk No. 3 – Budgets are inaccurately reported with differences in the Budget adopted by Council and that exercised by council administration		
1	Access to Budget information and master file is restricted / limited to appropriately authorised personnel.	Adequate
1.4 Management Reporting		
Risk No. 4 – Significant budget variances are either not investigated on a timely basis or not investigated at all.		
1	Management regularly reports on actual performance against budget.	Adequate
2	Management review the exception reports on a regular basis and investigate all significant variances; evidence of review demonstrated must be provided.	Adequate

AGENDA ITEM NO.: 10.4 ON AGENDA
TO: Audit Committee on 22 August 2016
DIRECTOR: Ginny Moon, Director Corporate Services
REPORT AUTHOR: Chris Birch, Manager Financial Services
SUBJECT: First Interim Audit 2015–2016

1. EXECUTIVE SUMMARY

- 1.1 Council's External Auditors, Dean Newbery & Partners conducted their first interim visit for the End of Financial Year Audit for 2015-2016 on 8-10 February 2016.
- 1.2 The External Audit Management Report received from the External Auditor has been included in **Attachments 1-9**.
- 1.3 A summary of recommendations by the Auditors, along with comments in response to the items raised are presented in **Attachments 4-9**.
- 1.4 Items raised are minor procedural matters and have been addressed internally.

2. RECOMMENDATION

- (1) **The 2015-2016 First Interim Audit Report and responses be noted.**
-

3. RELEVANCE TO CORE STRATEGIES / POLICY

- 3.1 Core Strategy – Your Council – “Ensure Financial Sustainability”.

4. COMMUNITY INVOLVEMENT

- 4.1 There is no relevant community consultation requirement.

5. DISCUSSION

- 5.1 Council's External Auditors, Dean Newbery & Partners conducted their first interim visit for the End of Financial Year Audit for 2015-2016 on 8-10 February 2016.
- 5.2 The External Audit Management Report received from the External Auditor has been included in **Attachments 1-9**.
- 5.3 The Auditors reported that they conducted a number of sample audits during their visit.

- 5.4 A summary of recommendations by the Auditors, along with comments in response to the items raised are presented in **Attachments 4-9**.
- 5.5 Items raised are minor procedural matters and have been addressed internally.
-

ATTACHMENTS

Attachments 1-9: Dean Newbery & Partners - External Audit Management Report - February 2016 Audit Attendance

City of Prospect

External Audit Management Report

February 2016 Audit Attendance

Financial Year Ended 30 June 2016

Dean Newbery & Partners Chartered Accountants

214 Melbourne Street
North Adelaide SA 5006

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P 8267 4777

E jimkeogh@deannewbery.com.au

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Dean Newbery & Partners
Chartered Accountants
214 Melbourne Street North Adelaide SA 5006

OUR REF: 115515_1

26 July 2016

Mayor David O'Loughlin
City of Prospect
PO Box 171
PROSPECT SA 5082

Dear Mayor O'Loughlin

RE: External Audit Management Report - Financial Year Ended 30 June 2016

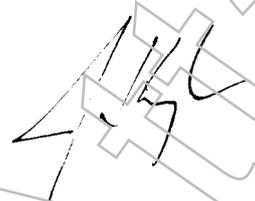
We undertook a site visit as part of our overall audit of your Council for the year ending 30 June 2016.

Our commentary and audit recommendations arising from our attendance are outlined in the attached report. All matters raised have been discussed with Council management and their responses have been included as applicable.

Please contact me on 8267 4777 (jimkeogh@deannewbery.com.au) if you have any queries with regard to the above.

Yours sincerely

DEAN NEWBERY & PARTNERS


Jim Keogh
Partner

C. Chief Executive Officer

C. Audit Committee

Detailed Findings

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response
1.	Corporate Credit Card – Internal Controls	Moderate	<p>Upon reviewing a sample of Council credit card expense transactions, it was noted that Council does not have a formal administrative policy relating to the incurring of meals and travel costs.</p> <p>It is recommend that a policy be developed and adopted by Council to ensure that there are clearly defined guidelines as to the incurring of expenses relating to meals and travel costs. The guidelines relating to the holding of meetings outside of the Council office premises at hospitality venues should be addressed in the policy.</p>	<p>Council is in the process of developing a policy for the exclusive governance of meal and travel expenditure.</p> <p>Use and authorisation of transactions on credit cards is controlled under the Accounting Policies and Procedure Manual – Section 7.11 (Credit Cards)</p>

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response
2.	Segregation of Duties	High	<p>Our review of system enforced segregation of duties relating to the access and permission levels within the Authority Finance System identified instances where a number of staff have access and permission levels that present weaknesses from an internal control perspective.</p> <p>Staff within the Finance Department were found to have unrestricted access to multiple modules and could process, edit and modify data within the Authority system without the need for secondary authorisation, as well as have access to approve payments via Council's ANZ bank account.</p> <p>We are aware that Council's IT Department are in the process of commencing a complete review of all staff access and permission levels to change system settings to ensure they are appropriately documented and authorised by each officer's Director.</p> <p>We recommend the completion of this project by Council's IT Department be undertaken as a matter of high priority.</p>	<p>The review of Civica Application security access is an ongoing project being jointly delivered by Council's IT department and Civica. It is anticipated that this will be completed in August 2016 with final testing currently being undertaken.</p> <p>While Senior Finance Officers are bank signatories and have access to Authority parameters, they are unable to authorise payments within the ANZ banking system. In periods of leave when they operate in the capacity of "Acting Manager Financial Services" security access is altered to give them the ability authorise payments for this period only.</p> <p>No staff member can single handily complete all steps of creation and approve in the banking system.</p>

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response
3.	EFT Authorisation Settings	High	<p>Council's ANZ banking module only requires one officer to authorise the release of a payment from Council's bank account.</p> <p>From an internal consideration, it is recommended that two authorised officers be required to authorise payments from Council's bank account. In particular, noting the internal control weakness highlighted in 2 above, additional controls strengthening of controls and processes surrounding the release of funds from Council's bank account is of high importance.</p>	<p>Payments within the banking system cannot be created and authorised by the same person. Payments must be created by a non-signatory staff member then authorised and released by a signatory. The system has been amended to require two signatories to approve and release the payments. This means that three staff are now required to complete a transaction within the banking system. This includes inbound transactions of direct debits (for rate payments) as well as outbound (AP & payroll).</p>

Attachment

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response
4.	Ongoing System Access Review – Authority Finance System	Moderate	<p>At present, system access reviews are performed on an ad-hoc basis by Council's IT Department. Given the importance of having appropriate segregated duties and system access levels from an internal control perspective, we recommend that at least annually, all staff's access levels and permission levels be reviewed by the IT Department.</p> <p>Staff access levels can also be reviewed as part of the ongoing internal control assessments being conducted by Council's Administration to ensure that the review process has been appropriately undertaken and that certification of the access levels granted has been done by an appropriately designated Director and/or Manager.</p>	<p>Following the IT system review (refer item 2) the establishment of a review cycle will be established.</p> <p>As module owner for the system access, the Human Resources Officer will be responsible for request the review be undertaken by IT.</p>
5.	Procurement Policy Update	High	<p>Council last adopted its Procurement Policy in October 2010. Given the time since the Policy has been review and updated, we recommend that this Policy be reviewed and updated.</p>	<p>Policy is currently being reviewed. The draft policy was included in the March Audit Committee agenda and subsequently deferred to a Council workshop. The policy is scheduled for the workshop in August.</p>



External Audit Management Report – February 2016 Attendance

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response
6.	Update Accounting Policy and Procedure Manual	High	<p>On reviewing the procedures included in the Accounting Policy and Procedure manual, it was identified that there is a variation in procedures between those stated in the manual and Council's adopted Procurement Policy.</p> <p>The manual states that all quotes obtained between \$10,001 and \$20,000 requires a minimum of 3 written quotes whereas the Policy states that three written or verbal quotes can be obtained.</p> <p>To ensure consistency in procurement practices, we recommend that Council's Procurement Policy be first updated as recommended in 5 above and for the internal Accounting Policy and Procedure Manual to be subsequently updated to reflect the updated requirements under the Policy.</p>	<p>Following the last review of the Accounting Policy and Procedure Manual by the Audit Committee, a disconnection was created between this document and the Procurement Policy. The amendment is incorporated in the current review of the policy to bring them back into alignment.</p>

Audit

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response
7.	Authorisation Employee Timesheets	Moderate	<p>Payroll timesheets for all inside staff are not formally reviewed and authorised by relevant Managers and Directors prior to being processed for payment. Timesheets are emailed to Payroll Officer on a fortnightly basis, with each respective employee's Manager copied into the email. There is no requirement for the employees Manager to confirm the accuracy of the information on the timesheet prior to it being paid.</p> <p>We are aware that Council's Administration has begun investigating updating the capabilities of the Authority finance system whereby electronic timesheets are to be introduced which will address this weakness.</p>	<p>Current process sees timesheets approved by exception, where staff send their timesheet to payroll and cc their manager. It is then up to managers to review the timesheet and respond to discrepancies.</p> <p>Council is in the process of implementing the online timesheets module within the civica application. This will amend the process to workflow timesheets within the application requiring approval from managers before being received by payroll. The implementation of this process will occur in the current year.</p>
8.	Asset Valuations	Low	<p>Council is undertaking a condition assessment on all Road (surface and pavement), Kerb and Footpath assets in the 2015/16 financial year. To ensure asset depreciation for the 2015/16 financial year is calculated on the most recent and reliable asset data, recommend all updates to condition data are effective as from 1 July 2015.</p> <p>Further testing and review of work completed by Council will be undertaken during future audit attendances.</p>	<p>The valuer has previously been engaged to undertake the revaluation as at 1 July 2015.</p>

AGENDA ITEM NO.: 10.5 ON AGENDA

TO: Audit Committee on 22 August 2016

DIRECTOR: Ginny Moon, Director Corporate Services

REPORT AUTHOR: Ginny Moon, Director Corporate Services

SUBJECT: Internal Audit Annual Report 2015-2016

1. EXECUTIVE SUMMARY

- 1.1 This is the Internal Audit Annual Report for 2015-2016.
- 1.2 One of the outcomes of a risk workshop facilitated by Council's Internal Auditor, Bentleys, in 2015, is the identification of 25 potential risks.
- 1.3 As a result, a 2 Year Audit Plan has been scheduled to deliver the objectives of Council by assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment.
- 1.4 Four Audit Activities have been conducted. They were:-
- 1.4.1 Assurance Mapping
 - 1.4.2 Procurement & contract Management Processes
 - 1.4.3 Long Term Financial Plan and Asset Management Plan
 - 1.4.4 Business Planning and Budget Process
- 1.5 From the internal audit conducted as at 30 June 2016, including the assurance level and the number of recommendations and improvement opportunities raised, Bentleys has classified the current status of Council as having "*Substantial Assurance*" across all the four areas of audit activities.
- 1.6 The Auditor is satisfied that any outstanding recommendations as a result of these audit activities are captured and monitored by Council in a separate report called '*Audit Committee Outstanding Resolutions*', which is presented to the Audit Committee at every meeting.

2. RECOMMENDATION

- (1) The Audit Committee note the Internal Audit Annual Report 2015-2016.
-

3. RELEVANCE TO CORE STRATEGIES / POLICY

- 3.1 Local Government Act 1999 Section 129 (Conduct of Audit)

3.2 Core Strategy 5 – Your Council.

5.8 Ensure Financial Stability

4. COMMUNITY INVOLVEMENT

4.1 Not applicable for this item.

5. DISCUSSION

5.1 Council's Internal Auditor, Bentleys conducted a risk workshop with the Audit Committee and Council staff to assist in identifying key operational risks of the management and operation of Council.

5.2 An assessment of each perceived risk was undertaken by the process owner to identify the inherent risk and the residual risk after controls have been measured.

5.3 One of the outcomes of a risk workshop facilitated by Council's Internal Auditor, Bentleys, in 2015, is the identification of 25 potential risks. They can be summarised as follows:-

- 1) Damage of assets
- 2) Fraud and theft
- 3) Destruction of information system (ICT)
- 4) Loss of key management personnel
- 5) Work Health and Safety
- 6) Act of terrorism
- 7) Risk of over regulating
- 8) Public liability
- 9) Compliance with laws and regulations
- 10) Reputation risk
- 11) Recognition and receipt of revenue
- 12) Failure to embrace economic development
- 13) Asset management
- 14) Poor strategic planning
- 15) Risk Governance
- 16) Scenario planning
- 17) Financial stability

- 18) Climate change and impact
 - 19) Council mergers / collaboration risk
 - 20) Utilisation of Eastern Regional Alliance (ERA) membership
 - 21) Reliance on grant funding
 - 22) Customer service management
 - 23) Sufficiency of staff
 - 24) Continuity of strategic plans
 - 25) Ability to benchmark
- 5.4 The *Risk Assessment Report* was presented to the Audit Committee on 17 August 2015 (Agenda Item 10.5).
- 5.5 As part of an Internal Audit Program, Council's Internal Auditor, Bentleys, has prepared a *2 Year Audit Plan* aimed to address the above identified risk areas. The Audit Plan includes the assessment of risk, review of current practices and identifies improvement opportunities.
- 5.6 Four Audit Activities have been conducted. They were:-
- 5.6.1 Assurance Mapping
 - 5.6.2 Procurement & Contract Management Processes
 - 5.6.3 Long Term Financial Plan and Asset Management Plan
 - 5.6.4 Business Planning and Budget Process
- 5.7 The categories of the audit opinion are:-
- Full Assurance
 - Substantial Assurance
 - Limited Assurance
 - Nil Assurance
- 5.8 From the internal audit conducted as at 30 June 2016, including the assurance level and the number of recommendations and improvement opportunities raised, Bentleys has classified the current status of Council as having "*Substantial Assurance*" across all the four areas of audit activities.
- 5.9 Substantial Assurance means that '*while there is basically sound system, there are weaknesses that put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls that may put some of the systems objectives at risk*'.
- 5.10 The internal audit activities have been captured in the Audit Committee Work Program which is presented to the Audit Committee at every meeting.

5.11 The Auditor is satisfied that any outstanding recommendations as a result of these audit activities are captured and monitored by Council in a separate report called '*Audit Committee Outstanding Resolutions*', which is presented to the Audit Committee at every meeting.

5.12 The details of the Internal Audit Annual Report 2015-2016 is presented at **Attachments 1-21**.

ATTACHMENTS

Attachments 1-21: Internal Audit Annual Report 2015-2016

City of Prospect

Internal Audit Annual Report

July 2016



**Bentleys (SA) Pty Ltd**

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26 July 2016

Ginny Moon
Director, Corporate Services
City of Prospect
PO Box 171
PROSPECT SA 5082

Dear Ginny,

Internal Audit Annual Report

Please find attached our report on the status of internal audit recommendations implementation for the City of Prospect.

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

If you have any queries please feel free to contact me on 08 8372 7900 at any time.

Yours sincerely,

DAVID PAPA
PARTNER

Enclosure

Attachment

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Inherent Limitations

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

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

Third Party Reliance

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

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

EXECUTIVE SUMMARY

INTRODUCTION

Internal Audit assists management in delivering the objectives of the Council by assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment.

It is recommended practice for Internal Audit and the Audit Committee to consider the extent to which management have implemented agreed audit recommendations. It is management and the Audit Committee's responsibility to ensure that proper consideration is given to Internal Audit reports. As part of our role as your Internal Audit function, we have provided this report which summarises recent audit activities and the status of related recommendations for the Audit Committee to determine whether action has been sufficiently taken on Internal Audit recommendations, or that management has understood and assumed the risk of not taking action.

Arrangements should be put in place to monitor the progress on the implementation of recommendations by management. Internal Audit should follow up on management action arising from its assignments. Follow-up action should include a review of the timeliness and effectiveness of the implementation of its recommendations.

BACKGROUND

On completion of each Internal Audit project, a report is drafted for discussion with senior management. Such audit reports include details of the audit work performed, audit findings, implications of these findings, and recommendations for action.

In order to assist management in using our reports:

- We categorise our audit opinion according to our assessment of the controls in place and the level of compliance with these controls:

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
	Substantial Assurance	While there is a basically sound system, there are weaknesses that put some of the system objectives at risk, and / or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
	Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
	Nil Assurance	Control is generally weak, leaving the system open to significant.

- All Internal Audit recommendations have been prioritised in accordance with the following key categories:

H	High Priority	An Extreme or High risk which, if not effectively managed, may be detrimental to the Council's interests, significantly erode internal control, or jeopardise achievement of aims and objectives.
M	Medium Priority	A Moderate risk which, if not effectively managed, could adversely affect the Council's interests, weaken internal control, or undermine achievement of aims and objectives.
L	Low Priority	A Low risk, where adoption of best practice would improve or enhance systems, procedures and risk management for the Council's benefit.

Applying this weighting system to Internal Audit recommendations is designed to assist management in assessing the severity of each recommendation and the associated priority of each action.

Each audit report is discussed with relevant line management, and management responses for each audit recommendation are obtained and recorded on a schedule of recommendations. In addition to recording management's agreed course of action for each recommendation, the schedule also records:

- the officer nominated by management to perform each agreed action;
- the target date for implementation agreed by management.

This schedule is issued to management along with the final audit report, and acts as an action plan / checklist.

Data on implementation of Internal Audit recommendations will be presented to the Audit Committee on an annual basis. This allows the Audit Committee to monitor the Internal Audit recommendations to be implemented by management.

This report documents the outcomes of the review of management action taken in respect of Internal Audit recommendations made in the period July 2015 to June 2016.

LIMITATION

We have not validated if management's implementation of recommendations has addressed the risks identified sufficiently as this is outside the scope of each project and our current engagement.

IMPLEMENTATION STATUS

On 17 August 2015, Council adopted the 2 Year Audit Plan (Appendix 3) and provided appropriate resources in each budget cycle for the audits. As a result, four internal audit projects were undertaken in year 2015/16, including two projects for 2014/15 which were commenced in late June 2015.

Any outstanding recommendations as a result of these audit activities are captured and monitored by Council in a separate report 'Audit Committee Outstanding Resolutions Report' to the Audit Committee at every meeting.

The current status of the audit activities conducted as at 30 June 2016, including the assurance level and the number of recommendations and improvement opportunities raised is detailed in the table below:

No	Audit Activity	Timing	Assurance	Recommendations			Improvement Opportunities
				H	M	L	
1	Assurance Mapping	Q3 2015	●	-	1	-	-
2	Procurement & Contract Management Processes	Q3 2015	●	-	6	2	3
3	Long Term Financial Plan and Asset Management Plan	Q4 2015	●	-	1	4	2
4	Business Planning and Budget Process	Q1 2016	●	-	1	1	-
	Total				9	7	5

Of the 16 Internal Audit recommendations made across Council business areas between July 2015 and June 2016, a total of 8 (50%) were reported by management to have been implemented at the time of the review¹. The responses made by each Division are detailed in **Appendix 1**. Business process improvement opportunities are detailed in **Appendix 2**.

Status on Implementation of Agreed Audit Recommendations made between July 2015 and June 2016 is summarised below:

Implementation Status	High Priority		Medium Priority		Low Priority	
	No.	%	No.	%	No.	%
Completed	-	-	5	56%	3	43%
In Progress	-	-	4	44%	4	57%
Total	-	-	9	100%	7	100%

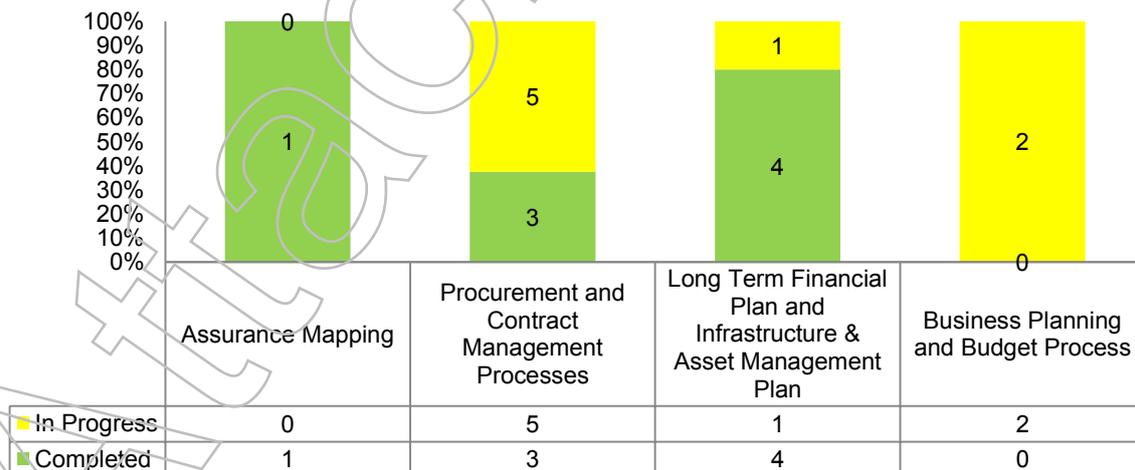
The percentage of completion is summarised below.

Percentage Completion 2015/16 (by Priority)



Note: This chart provides the completion percentage of the implementation by priority.

Percentage Completion 2015/16 (by Project)



Note: This chart provides the completion percentage of the implementation by audit project.

¹ **Limitation:** We have not validated if management's implementation of recommendations has addressed the risks identified sufficiently as this is outside the scope of each project and our current engagement.

The outstanding recommendations relate to:

Procurement and Contract Management Processes

- Complete the Procurement Policy and ensure Council staff are aware of the requirements of the new policy.
- Review and clearly defines the procurement responsibilities and obligations across the Council.
- Have the Terms and Conditions of Contract/Purchase reviewed by a solicitor for accuracy and completeness.

Long Term Financial Plan and Infrastructure & Asset Management Plan

- Develop a formalised asset management policy framework covering existing asset management processes

Business Planning and Budget Process

- Review the Public Consultation Policy and amend the required days before public meeting to meet the minimum consultation requirement for the ABP.
- Review the policy and include guidelines in relation to the carry forward of expenditure authority associated with projects included in the budget for the previous financial year.

This will be progressed with the appropriate manager of business areas.

INTERNAL AUDIT PLAN COVERAGE AND FUTURE CONSIDERATION

The areas of coverage for the Council's internal audit activity were set out in the 2 Year Audit Plan (detailed in **Appendix 3**). The plan was designed to support an opinion on the effectiveness of the systems of governance, risk management and internal control across the Council and is informed by the audit strategy, consultation with stakeholders and a dynamic assessment of risks.

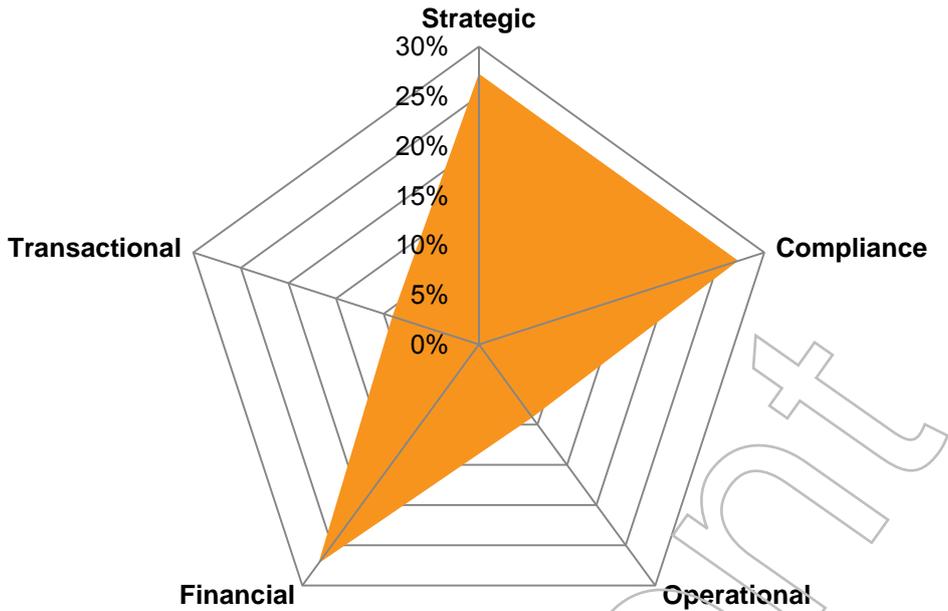
As at 30 June 2016, progress against the Internal Audit Plan is as follows:

	Number	Percentage of Plan
Number of audits in plan	5 ²	80%
Number of audits finalised	4	

The outstanding project 'Communication' was scheduled for June 2016 in the internal audit plan. As the Council does not currently have a Communications Strategy, the preference is to defer the audit till a few months after the adoption of the Communication Strategy. This project will be rescheduled in 2016/17.

The assurance radar below depicts the weight of assurance by functional area of the business, ranked across the risk management spectrum - strategic, compliance, operational, financial and transactional. The percentage associated with each function indicates where our attention has been focused and where there is potentially a gap in audit activities.

² Includes two projects for 2014/15, Assurance Mapping and Procurement & Contract Management Processes, which were commenced in late June 2015.



We encourage the Audit Committee to review the audit plan for its currency and advise of any required change to reflect known or emerging risks related to the function.

ACKNOWLEDGEMENT

We appreciate the assistance and cooperation received from management and staff of City of Prospect in completing the internal audit assignments.

APPENDIX 1 CITY OF PROSPECT INTERNAL AUDIT AGREED ACTION PLAN AND FOLLOW-UP

Projects	Ref	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status
Assurance Mapping	1	From our review we have identified where there are potential gaps and current overlaps in assurance activities for the Council. We have recommended changes that will release duplicated activities or close gaps identified.	Council's assurance activities may be compromised or duplicated to fulfil the key risks and compliance requirements	Moderate	<p>Accounting Policies & Procedures We recommend the Accounting Policies & Procedures to be reviewed tri-annually (unless significant change to accounting framework is identified).</p> <p>Financial Treatment of Fixed Assets. We recommend Asset Sustainability Ratio, Operating Surplus Ratio & Net Financial Liabilities Ratio to be reviewed as part of the year end Annual Financial Statement review. We recommend Council revalue all assets on a rolling basis to reduce cost and time.</p> <p>Infrastructure Integrity We recommend Annual Business Plan and Asset Management Plan to be reviewed annually as required in the Local Government Act. Land & building revaluation should be related to the plan proposed above and reviewed as request.</p> <p>Conflict of Interest We recommend the Conflict of Interest Policy to be reviewed tri-annually.</p> <p>Information Security We recommend increase information security assurance in response to the upcoming IT managed service agreement. It defends information from unauthorised access, use, disclosure, disruption, modification, perusal, inspection, recording or destruct.</p> <p>Business and Economic Development – Rate of Return to Council. We recommend the Business and Economic Development Progress Report to be reviewed quarterly as part of the budget and funding review.</p>	Audit Plan presented to AC on 1 August 2015. A Revised Work Program for the period from September 2015 to October 2016 has been presented to the November 2016 Audit Committee Meeting. The delay was due to short duration between the August and the September meetings. (1) The Audit Committee note the Internal Audit Report on Assurance Mapping. (2) The Audit Committee is satisfied with the process undertaken to provide Audit Committee with an overview of the types of assurance in place, gaps and overlaps in accountability arrangements. (3) A Revised Work Program for the period from September 2015 to October 2016 be presented to the September Audit Committee Meeting.	30/09/2015	Director Corporate Services	Complete
Procurement and Contract Management Processes	1	Procurement process responsibilities are decentralised and carried out inconsistently by the different divisions. The definition of procurement responsibilities and obligations within the Council procedures and employee position descriptions were inconsistent.	Inconsistently defined procurement responsibilities and obligations may result in incorrect supplier selection and/or spending approval.	Moderate	It is recommended management review and clearly defines the procurement responsibilities and obligations across the Council.	Consistency to be addressed in the next review of the policy (refer finding 2). Refer AC Report 7 December 2015 - Item 10.2 Internal Audit Report – Procurement and Contract Management Processes (Findings 1-8)	30/09/2016	Manager Financial Services	In progress
	2	Local Government Act 1999 requires the Council to have a 'Contract and Procurement Policy' under section 49. The current Procurement Policy provides information and guidance to staff and officers in their procurement of goods, works and services. This policy was last reviewed and approved in 2010, therefore, it is currently due for review. Management is in the process of reviewing the policy.	Use of the incomplete policy and procedure will increase the risk of noncompliance and may result in incorrect goods or services selection, and ultimately jeopardise the Council in obtaining value for money.	Moderate	It is recommended management complete the Procurement Policy and ensure Council staff are aware of the requirements of the new policy. This policy should also provide detail and clarity over contract management, or if contract management is governed separately, the linkages and responsibilities between procurement and contract management, with the objective of maximising opportunity of achieving the desired result for the Council and mitigating risk.	The Procurement Policy was last adopted by Council on 26 October 2010. A summary of the Policy is included in the Accounting Policies and Procedures Manual which was last adopted by Council on 26 August 2014. To address many of the findings of this internal audit, the Procurement Policy will be reviewed and presented to the March 2016 Audit Committee meeting for reconsideration.	30/09/2016	Manager Financial Services	In progress

Projects	Ref	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status
	3	Council has standard Contract/Purchase Terms and Conditions. However, the WH&S section referred to the Occupational Health, Safety & Welfare Act 1986, which is redundant.	Use of the incomplete or out-dated Contract/Purchase Terms and Conditions could expose Council to additional risks including compromised insurances and reduced WH&S coverage.	Low	It is recommended management have the Terms and Conditions of Contract/Purchase reviewed by a solicitor for accuracy and completeness.	Noted. to be addressed in the next review of the policy.	30/09/2016	Manager Financial Services	In progress
	4	During our review we noted in the 'Authority' purchase order module, the authority level setup for Manager Infrastructure, Assets & Environment was \$20K. But during the period 23/07/2014 to 16/10/2014, there were 17 purchase orders approved over this delegation. We understand the Manager was sometimes authorised to undertake higher duty as acting Director Infrastructure, Asset & Environment, however, during the period mentioned, we could not identify any documented delegation of higher of duties and authorities to support these approvals.	Incorrect delegations may result in confusion over delegations and sub-delegations, and resulting in incorrect spending and non-compliance with the procurement policy.	Moderate	It is recommended management review the configuration in the 'Authority' purchase order module to ensure the authority setup of each staff reflects the actual delegated authority with appropriate delegation documented. There should also be a defined process whereby when an employee is granted higher duties for a fixed period of time, the increased authorities are removed upon completion of those higher duties.	Purchase order limits are identified in the policy. Historically the confirmation of these limits within our purchasing system has been difficult to do. With the return of system management from an external provider this has now been addressed and is periodically reviewed as reported in the Internal Control Assessment Process.	31/12/2015	Manager Financial Services	Complete
	5	During the review we found a contract register was maintained by the Infrastructure, Assets & Environment Division but not complete. There is no Council-wide contract register maintained.	Not maintaining a contract register or operating an incomplete contract register could lead: <ul style="list-style-type: none"> - The loss of integrity of contract information; - Not ensuring original contract commitments are met; - Not getting value for money; - Project over runs; - Poor quality of goods and services; - Project time blowouts. 	Low	In accordance with the requirements of Government Information to be maintained, it is recommended management maintain a contract register including the key information such as award date, commencement date and duration/completion date, service levels/type, quality review periods and reporting mechanisms. The establishment and maintenance of a contract register that contains details of all Council contracts is essential from an accountability perspective and also for financial management purposes. It is also a key control in the Better Practice Model developed by South Australian Local Government Financial Management Group Inc and now required to be audited by the Councils external auditor. A contract register could be maintained centrally, with staff in each division providing details to the work areas responsible for maintaining the register of all contracts entered into. Alternatively, decentralised contract registers can be operated that collectively represent the Council's contract register as long as there is a common understanding and process for monitoring and managing contracts across the Council.	A Council wide register is to be developed utilising the existing Assets & Infrastructure register as a base starting point.	30/09/2016	Manager Financial Services	In progress
	6	There is inadequate guidance, process and template support available to ensure a consistent and high quality contract management practice. Key contract monitoring mechanisms are not specifically documented during contract initiation. A corporate level contract management procedure is required to ensure contract management related risks are considered earlier in the procurement process and appropriately managed and monitored throughout contract execution.	Lack of procedure as guidance could increase the risk of: <ul style="list-style-type: none"> - Non-compliance - Not identifying new contract risks throughout the contract period. - Not getting value for money. - Poor quality - Incorrect goods or services - Poor service 	Moderate	There is broad recognition that the growing emphasis on agreeing "deals" has not always flowed into consistent and effective management of contracts post appointment. It is recommended management develop a corporate level contract management procedure to define good Contract Management Practice, including: <ul style="list-style-type: none"> · Contract management plan · Contract management related risk assessment · Contract record keeping · Contract management roles and responsibilities · Performance management · Contract reporting · Negotiating contract variations · Managing contract disputes · Contract completion · Contract management checklist, which may include: <ul style="list-style-type: none"> o Commercial o Health & Safety o Operational performance o Stakeholder relationship 	The Procurement Policy was last adopted by Council on 26 October 2010. A summary of the Policy is included in the Accounting Policies and Procedures Manual which was last adopted by Council on 26 August 2014. To address many of the findings of this internal audit, the Procurement Policy will be reviewed and presented to the March 2016 Audit Committee meeting for reconsideration.	30/09/2016	Manager Financial Services	In progress

Projects	Ref	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status
	7	<p>During our review we found there was no corporate level performance reporting procedure for major service contracts. The current performance reporting method varies between divisions.</p> <p>Routine and accurate reporting on the performance of a contractor during the life of a contract is an essential element of contract management.</p>	Lack of such guidance would increase the risk of noncompliance and Stakeholders not consulted and/or kept informed about contract performance. By not conducting a routine review and reporting on the major service contracts, the Council is at increased risk of not identifying contractor underperformance, and therefore not maximising value.	Moderate	It is recommended management establish and standardise a process for monitoring and reporting on the performance of contracts managed by the Council. It is recommended management undertake a routine performance review of major service contractors. This will facilitate the identification of performance areas the service contractor is excelling and areas that may need improvement.	The template has now been updated with the correct Act as outlined in the report.	31/12/2015	Manager Financial Services	Complete
	8	<p>According to the current tender and selection process defined in the Accounting Policies and Procedures Manual, at the close of a tender, the tender box should be opened by the responsible Director or such other person as delegated by the responsible Director together with the CEO or one of the Directors. The date and time of opening the tender document will be marked on the tender and both persons present will sign the document. All tender forms, accompanying letters and schedule of prices must be numbered and initialled by both persons present.</p> <p>During our review we noted that within 10 contracts selected, there were two contracts that not all tender documents were initialled and showed evidence of being opened in the presence of two staff member.</p>	Not maintaining the required document verification and integrity in the tender opening procedure could increase the risk of noncompliance and even fraud during the tender and selection process.	Moderate	It is recommended management monitor the tender opening process in a timely manner to ensure the tender documents are initialled and show evidence of being opened in the presence of two staff member.	Purchase order limits are identified in the policy. Historically the confirmation of these limits within our purchasing system has been difficult to do. With the return of system management from an external provider this has now been addressed and is periodically reviewed as reported in the Internal Control Assessment Process.	31/12/2015	Manager Financial Services	Complete
Long Term Financial Plan and Infrastructure & Asset Management Plan	1	<p>Differences in assumptions regarding future events can have a big impact on the financial projections in a LTFP. According to the LGA Financial Sustainability Information Paper 8 Long-term Financial Plans, it is important that key assumptions (those that, if varied, could have a significant impact on financial outcomes) should be documented in the LTFP and should be defensible.</p> <p>Our review found that Council used the average Local Government Price Index Expenditure Components in the past ten years (2004/05 to 2013/14) as the assumptions for both operating and capital expenditure increase. However, this basis was not documented in the LTFP. As per the Local Government Price Index, the average increase rates in the past ten years are 3.34% for operating expenditure and 3.58% for capital expenditure instead of 3.4% that was used by Council which was the average total increase rate for both operating and capital expenditure.</p> <p>Assumptions relating to maintaining existing services at current service standards was not considered and documented in the LTFP.</p>	<p>Inaccurate or insufficient assumptions assessed could increase the risk of:</p> <ul style="list-style-type: none"> - noncompliance with the Local Government Act 1999 and its regulations - lack of data integrity to the LTFP - failure in obtaining government grant funding to deliver services and programs - incorrect decision making on rates or treasury activities 	Low	It is recommended management review and document: <ul style="list-style-type: none"> - the assumptions for both operating and capital expenditure by using the accurate average Local Government Price Index Expenditure Components - the assumptions relating to maintaining existing services at current service standards 	<p>Refer AC Report 16 May 2016 - Item 10.3 Internal Audit Report – Long Term Financial Plan and Asset Management Plan (Findings 1-5)</p> <p>Currently, Council indexes contracts, materials and other expenditure in line with an index of 3.4%, as outlined in the LTFP assumptions (ABP page 81). This result is then adjusted by any fluctuation in operating project budget required (ABP page 94). Utilising indexations as identified by Bentleys will result in an immaterial adjustment to the current LTFP. 10 year averages of the LG Price Index (LGPI) will be recalculated in line with Bentleys suggestion and updated to the LTFP assumptions for 2016-2017. With recent falls in LGPI, early Elected Member Workshops have suggested the use of a shorter average in the early stages of the LTFP.</p>	30/06/2016	Manager Financial Services	Complete
	2	<p>A LTFP must be based on best assumptions, but a Council should also be mindful of the probabilities and risks associated with these assumptions in its decision making. Our review found that the risks associated with those assumptions were not considered by the management. These risks may relate to:</p> <ul style="list-style-type: none"> - Unknown funding gaps - Changes to Local Government funding programs - The capacity of the community to meet the increase of rates, etc. 	<p>Not considering the risks associated with the LTFP assumptions could increase the risk of:</p> <ul style="list-style-type: none"> - noncompliance with the Local Government Act 1999 and its regulations - lack of data integrity to the LTFP - financial risks including credit risk, liquidity risk and interest rate risk - failure in obtaining 	Low	It is recommended management regularly review the risks associated with the assumptions as a minimum to: <ul style="list-style-type: none"> - assess funding requirements - identify potential risk in relation to cost shifting from the Federal and State Government to Local Government. - assess the capacity of the community to meet the increase of rates 	<p>As noted in the report, Council's LTFP is based on best known assumptions as outlined in the ABP (page 81). Items such as the community's capacity to pay is considered as part of the public consultation process. Should any funding level changes occur (especially in directly funded programs eg Community Home Support Programme (CHSP)), Council would need to reconsider its current level of service. In areas of direct funding, Council has staff employed in fixed term contracts aligned with funding</p>	30/06/2016	Manager Financial Services	Complete

Projects	Ref	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status
			government grant funding to deliver services and programs			agreements enabling operational flexibility to reduce or close the service should funding be altered.			
	3	In the agenda of Audit Committee meeting held on 18 May 2015, recommendation has been made that a sensitivity analysis be prepared on identified project items and tabled at a future Audit Committee meeting for review. However, the minutes of that meeting showed that this offer was not taken up. No reasons were explained and documented in the minutes.	Lack of documented sensitivity analysis assessing the impact of variations in underlying key assumptions could increase the risk of: - LTFP is not based on quality assumptions - the probabilities and risks associated with these assumptions were not considered in Council's decision making - incorrect decision making	Moderate	It is recommended management to document the sensitivity analysis assessing the impact of variations in underlying key assumptions when preparing the LTFP.	As noted in the report, no analysis was requested as part of the 2015-2016 draft budget. Should this occur in the future, it will be recommended to be included in the minutes of the Audit Committee. A further report be presented to the Audit Committee identifying the steps completed to address the findings identified in the Bentleys report.	30/06/2016	Manager Financial Services	Complete
	4	During the review we found the IAMP recorded whole-of-life annual spend of asset as \$3,129K. However, in the LTFP, the required spend that used for Asset Sustainability Ratio calculation is \$3,124K, a \$5,000 difference. Due to the immaterial nature of this difference, the impact on Asset Sustainability Ratio calculation is nil.	Inconsistent data used in LTFP and IAMP could increase the risk of: - non-compliance with the Local Government Act 1999 and its regulations - lack of data integrity - financial risks - incorrect decision making	Low	It is recommended management to review the linkage between LTFP and IAMP to ensure the integrity of data used in LTFP and IAMP.	While immaterial in variance on this occasion, greater emphasis on checking these connections will be made in the formulation of future plans.	30/06/2016	Manager Financial Services	Complete
	5	The Local Government Act 1999 and its regulations require each Council to: - maintain prudent management policies, practices and procedures for the assessment of all projects. Section 48 (aa1) - have a policy on the sale and disposal of assets. Section 49 (1)(d) - adopt an internal control policy which safeguards assets. Section 125 Council Members determine the policy framework within which existing assets are managed, new assets are acquired and the overall program for maintenance and disposal of assets. This policy framework will typically have regard to the link between the purchase, upgrade and disposal of assets, the delivery of services to communities and consultation processes required to ensure communities are well informed and able to influence the decisions of their Councils. (Refer to Local Government Association of South Australia - Financial Sustainability Information Paper 6 Infrastructure and Asset Management). Our review found that the Council does not currently maintain any asset management policy framework except an accounting policies and procedures manual that defines the accounting treatment for Council assets – Property, Plant, Equipment & Infrastructure. Asset management governance arrangements, principles, objectives, roles and responsibilities are not formalised and documented.	Lack of formalised asset management policy framework could increase the risk of: - non-compliance with the Local Government Act 1999 and its regulations - strategic planning objective not met - improper operation within the ranges to optimise the asset life cycle	Low	It is recommended management to establish an asset management policy framework, which should include appropriate governance arrangements and asset management policies, strategies and plans that are well developed and integrated. Key components of a sound asset management policy framework include: - governance arrangements incorporating an accountability structure that identifies roles and responsibilities - an agreed policy that establishes the principles and requirements for asset management - a strategy that sets out the actions needed to implement the policy and links the asset portfolio to service delivery needs - asset management plans that link to the policy, strategy, long-term financial plans and intended levels of service - current and planned levels of service established in asset management plans, prepared in consultation with the community	Development of a formalised policy covering existing processes to be drafted and presented to the August 2016 Audit Committee Meeting.	30/09/2016	Manager Infrastructure, Assets and Environment	In progress

Projects	Ref	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status
Business Planning and Budget Process	1	<p>Council's Public Consultation Policy requires that the draft annual business plan must be available at the public meeting or Council meeting for inspection (without charge) and purchase (on payment of a fee fixed by Council) at the principal office of the Council at least 7 days before that meeting. However the minimum consultation requirement for the draft ABP comprises making copies of the draft ABP available both at the required public meeting and also at least 21 days beforehand.</p> <p>Audit has reviewed the Council minutes that the public meeting for Annual Business Plan 2015/16 was held at 2 June 2015. Council endorsed the draft Annual Business Plan 2015/16 for community consultation in a special meeting held at 5 May 2015, which meets the requirement of 21 days beforehand.</p>	<p>Inaccurate or insufficient policy could increase the risk of:</p> <ul style="list-style-type: none"> - noncompliance with the Local Government Act 1999 and its regulations; - failure in consultation with community; - incorrect decision making in annual business planning. 	Low	It is recommended management review the Public Consultation Policy and amend the required days before public meeting to meet the minimum consultation requirement for the ABP.	Noted.	30/09/2016	Manager Financial Services	In progress
	2	<p>Council's Budget Framework Policy provides guidance on roles and responsibilities, timelines, data collection, terminologies, workflows and other relevant components to assist Council, the Executive Leadership Team, Leadership Team, Budget Managers and staff to understand their role in the budget process.</p> <p>Our review found that the Budget Framework Policy did not provide the guidelines in relation to the carry forward of expenditure authority associated with projects included in the budget for the previous financial year.</p> <p>Funding approval for budgeted activity not completed at the end of any budget year is forfeited unless approval to carry-over the activity and associated budget allocation is granted by Council.</p>	<p>Incomplete budget framework policy could increase the risk of:</p> <ul style="list-style-type: none"> - noncompliance with the Local Government Act 1999 and its regulations; - lack of data integrity to the budget; - failure in carrying forward of expenditure authority associated with projects included in the budget for the previous financial year. 	Moderate	<p>A well drafted policy will support carry forward budget in the right circumstances, therefore, eliminating the "use it or lose it" mindset and supporting best spend for the Council and the Community.</p> <p>It is recommended management to review the policy and include guidelines in relation to the carry forward of expenditure authority associated with projects included in the budget for the previous financial year.</p>	Noted.	30/09/2016	Manager Financial Services	In progress

APPENDIX 2 CITY OF PROSPECT BUSINESS PROCESS IMPROVEMENT OPPORTUNITIES

Project	Ref #	Observations	Opportunities
Procurement and Contract Management Processes	1	<p>Procurement guidance and awareness training</p> <p>During our review, we noted that the Procurement Guidance was not prepared to support the Procurement Policy.</p> <p>It is a best practice that management prepare a Procurement Guidance to provide staff a clear view of Council's procurement strategy and processes. A Procurement Guidance defines the classification of the contract and also the method of procurement as detailed in the Procurement Policy. It usually contains:</p> <ul style="list-style-type: none"> • Method of procurement • Procurement process flowchart • Templates used (such as WH&S checklist) 	<p>It is recommended management develop key Procurement Guidance, processes, flowcharts and templates to support the new Procurement Policy. It is also recommended management undertake a capability review across Procurement and Purchasing staff to match current skills with required capabilities and develop and implement a Training and Development Program to address any identified gap.</p>
	2	<p>Prequalified supplier list & risk assessment</p> <p>During our review, we noted that recognition of suppliers requiring WH&S and Insurance compliance is not through standard access to a pre-qualified/preferred supplier list.</p> <p>One of the advantages of pre-qualification is to reduce the need to evaluate unqualified contractors. It is a way of narrowing the field to only those who have the requisite ability to comply with the terms of the contract and the financial capability to undertake the work. This also reduces the possibility of rejecting good suppliers early in the supplier selection process.</p> <p>There is also increased demand for better risk management over the procurement. We noted that the risk quadrant of procurement activity was not clearly defined in the procurement policy and its guidelines. Lack of procurement risk definition could increase the risk of inconsistency and not obtaining value for money during pre-qualification.</p>	<p>It is recommended management evaluate suppliers' performance (KPIs) on a set of criteria using historical data and buyers' experience. This could be knowledge from current pre-qualified providers or broader industry expertise.</p>
	3	<p>Single tender and no tender situation</p> <p>During our review, we noted that the current procurement policy and procedure do not define the activity for situations such as 'sole tender received' and 'no tenders received'.</p> <p>Use of incomplete tender and selection procedures as guidance could increase the risk of procurement of goods and services from non-preferred suppliers and compromise the value for money in Council's purchasing and procurement.</p>	<p>It is recommended management update the tender and selection requirements in the procurement policy and procedure to define the desired process for 'sole tender received' and 'no tenders received'.</p>
Long Term Financial Plan and Asset Management	1	<p>CEO's Report on Financial Sustainability to be incorporated to the LTFP</p> <p>The CEO's Report on Council's Financial Sustainability has taken into account the annual business plan and SMPs. On 23 June 2015, Council noted this report. However, this report was not incorporated into the LTFP.</p>	<p>It is recommended management incorporated CEO's Report on Council's Financial Sustainability to the LTFP.</p>

Plan	2	<p>Infrastructure and Asset Management Plan better practice</p> <p>The IAMP was assessed against better practice and a number of improvement opportunities were identified as highlighted in the following table:</p> <table border="1"> <thead> <tr> <th>#</th> <th>Better Practice Elements</th> <th>Internal Audit Comments</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Sets out the plan framework.</td> <td>Document Road Map for preparing an Asset Management Plan</td> </tr> <tr> <td>2</td> <td>Documents council's customer research including the LGA Comparative Performance Measures in Local Government surveys.</td> <td>Document the Council's customer research.</td> </tr> <tr> <td>3</td> <td>States the legislative requirement the Council has to meet including Australian and State legislation and State regulations.</td> <td>Document legislative requirement.</td> </tr> <tr> <td>4</td> <td>Sets current and desired levels of service for each asset class and significant asset.</td> <td>Document not only the asset class, useful life, quantity and value but the measurable levels of service for each asset class.</td> </tr> <tr> <td>5</td> <td>Provides clear linkages with current and future community service needs. Analyses the potential factors effecting demand including population growth, social and changes in technology.</td> <td>Document the evidence of analysis to identify current and future service needs in support of the IAMP.</td> </tr> <tr> <td>6</td> <td>Summaries the current condition of assets.</td> <td>Council engaged Tonkin to perform condition assessment on a 5-yearly basis. The current condition of assets relating to Footpath Program and Drainage Program should be provided in the IAMP.</td> </tr> <tr> <td>7</td> <td>Summaries asset values from council's asset register and Annual Financial Reports. Record the financial reporting date, year of last revaluation and whether values are greenfield or brownfield.</td> <td>Document the measures of asset consumption, renewal and upgrade.</td> </tr> <tr> <td>8</td> <td>Incorporates risk management plan and disposal plan into the lifecycle management plan</td> <td>Incorporate risk management plan and disposal plan into each asset management program.</td> </tr> <tr> <td>9</td> <td>Includes standards and specifications in the Maintenance Plan</td> <td>Document the standards and specifications</td> </tr> <tr> <td>10</td> <td>Provides key assumptions made in presenting the information contained in IAMP and in preparing forecasts of projected operating and capital expenditure and asset values and depreciation expense estimates.</td> <td>Document key assumptions in financial forecast, depreciation, maintenance and renewal forecast.</td> </tr> <tr> <td>11</td> <td>Explains how the performance of the plan will be monitored.</td> <td>Document performance measure and improvement plan.</td> </tr> </tbody> </table> <p><i>Source: Adopted from Local Government Association of South Australia - Guidance for Infrastructure and Asset Management Plan Template</i></p>	#	Better Practice Elements	Internal Audit Comments	1	Sets out the plan framework.	Document Road Map for preparing an Asset Management Plan	2	Documents council's customer research including the LGA Comparative Performance Measures in Local Government surveys.	Document the Council's customer research.	3	States the legislative requirement the Council has to meet including Australian and State legislation and State regulations.	Document legislative requirement.	4	Sets current and desired levels of service for each asset class and significant asset.	Document not only the asset class, useful life, quantity and value but the measurable levels of service for each asset class.	5	Provides clear linkages with current and future community service needs. Analyses the potential factors effecting demand including population growth, social and changes in technology.	Document the evidence of analysis to identify current and future service needs in support of the IAMP.	6	Summaries the current condition of assets.	Council engaged Tonkin to perform condition assessment on a 5-yearly basis. The current condition of assets relating to Footpath Program and Drainage Program should be provided in the IAMP.	7	Summaries asset values from council's asset register and Annual Financial Reports. Record the financial reporting date, year of last revaluation and whether values are greenfield or brownfield.	Document the measures of asset consumption, renewal and upgrade.	8	Incorporates risk management plan and disposal plan into the lifecycle management plan	Incorporate risk management plan and disposal plan into each asset management program.	9	Includes standards and specifications in the Maintenance Plan	Document the standards and specifications	10	Provides key assumptions made in presenting the information contained in IAMP and in preparing forecasts of projected operating and capital expenditure and asset values and depreciation expense estimates.	Document key assumptions in financial forecast, depreciation, maintenance and renewal forecast.	11	Explains how the performance of the plan will be monitored.	Document performance measure and improvement plan.	<p>It is recommended management to update its IAMP according to the Better Practice Elements identified above.</p>
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APPENDIX 3 CITY OF PROSPECT INTERNAL AUDIT PLAN (2014/15-2016/17)

Project	High level scope	Project Timing
2014/15		
Assurance Mapping (in progress)	<p><i>Map assurance activities of the Council to reduce the risk/cost of over auditing and regulation council activities.</i></p> <p><i>The Audit may include:</i></p> <ul style="list-style-type: none"> • <i>Review the current assurance framework based on a "three lines of defence" model;</i> • <i>Mapping assurance coverage against the key risks in the Council;</i> • <i>Identify any duplicated effort or potential gaps;</i> • <i>Prepare a report with the results of the exercise, highlighting any gaps.</i> 	June 2015
Contract Management (in progress)	<p><i>This project could include a review on the adequacy of tender processes and the management and reporting of contract costs in accordance with contractual requirements. The scope of this project will be limited to major or strategic contractual arrangements across the relevant business units and a wide sample selected across all business units.</i></p> <p><i>In addition, the review may include:</i></p> <ul style="list-style-type: none"> • <i>Review of current and planned policies, procedures, guidelines, directives related to procurement and contract management processes.</i> • <i>Review of a sample of project / contract files</i> • <i>Review of financial reporting on contracting activity</i> • <i>Review the maintenance of contract registers</i> • <i>Review the contract between the council and the preferred supplier and determine if a standard contract has been used and the contract includes provisions managing the risks identified.</i> • <i>Review the appropriate levels of delegated authority</i> • <i>Review the invoice verification and authorisation to ensure vendor invoices are paid according to the contract and in accordance with the prescribed process.</i> • <i>Contract variation monitoring</i> • <i>Performance monitoring and reporting</i> • <i>Records management and documented audit trails</i> 	June 2015

Project	High level scope	Project Timing
Procurement (in progress)	<p><i>The audit would include a review of procurement policies, documentation, procurement plans and contract activity. It will include review as to council receiving the best value for money for services and probity issues are being adequately addressed.</i></p> <p><i>The Audit may include:</i></p> <ul style="list-style-type: none"> • <i>Assurance as to whether council's purchasing policies and procedures have been effectively implemented and transactions are appropriately recorded in the Finance system;</i> • <i>Review of purchase order management and variance analysis;</i> • <i>Review of Procurement Plan - Evaluation, Handbook, Assessment Criteria and Evaluation briefing Notes, Evaluation Report and Council Agenda item;</i> • <i>Test procurement process for compliance with Local Government (Functions and General) Regulations;</i> • <i>Test budget allocations and annual creditor expenditure to check compliance with the tender threshold to highlight possible anti avoidance issues;</i> • <i>Assess risk management issues relating to procurement have been correctly identified and monitored;</i> • <i>Check the current year's gift register against historical data.</i> • <i>Review the appropriate levels of delegated authority;</i> • <i>Review monitoring and reporting;</i> • <i>Records management and documented audit trails.</i> 	June 2015
2015/16		
Asset Management Plan and Long Term Financial Plan	<p><i>The Audit may include:</i></p> <ul style="list-style-type: none"> • <i>Assess the appropriateness and accuracy of key assumptions that form the basis of the Asset Management Plan(AMP) and Long Term Financial Plan(LTFP).</i> • <i>Review LTFP to ensure it include adequate provision for estimated warranted expenditure projections included in Council's AMP.</i> • <i>Identify improvement opportunities that Council would like to address in future updates to improve the document's value</i> 	September 2015
Business Planning and Budget Process	<p><i>The Audit may include:</i></p> <ul style="list-style-type: none"> • <i>Review of the processes and procedures used to compile the annual council budget</i> • <i>Review the business planning and budgeting practices for a sample of capital works and recurrent services</i> 	March 2016

Project	High level scope	Project Timing
	<ul style="list-style-type: none"> Measuring these processes and procedures against best practice and making recommendations for improvements to the next business planning and budget process. 	
2016/17		
Communication	<p>Review of current policies, procedures and staff awareness relating to how and when to respond in the event of media misrepresentation and potential of reputation damage.</p> <p>External considerations:</p> <ul style="list-style-type: none"> Assessment of key issues discussed (favourable and unfavourable) Identify key (media) stakeholders and understand their motivations Brief competitor and market analysis to identify better practices in their sector <p>Internal considerations:</p> <ul style="list-style-type: none"> Consultations with media spokespeople Communications audit (digital and traditional) Assessment of internal media capabilities 	To be rescheduled in 2016/17
Infringements	<p>The audit may include analysis of documents including strategies, plans, policies, guidelines and reports and a review of outstanding fines. In addition, it would include a review of the writing off/waiving of infringement process.</p> <p>The Audit may include:</p> <ul style="list-style-type: none"> Interviews with staff managing parking infringements Analysis of documents including strategies, plans, policies, guidelines and reports Data analytics on selected data sets. Review PINs to ensure it is issued within the relevant guidelines. Review register of outstanding fines 	August 2016
Payroll	<p>The Audit may include:</p> <ul style="list-style-type: none"> Review of current process (Inc. pay runs, time sheeting, adding, editing and terminating employees from payroll system) Assessing process to best practice Review of compliance with EBA and awards Transactional testing (where required) 	October 2016

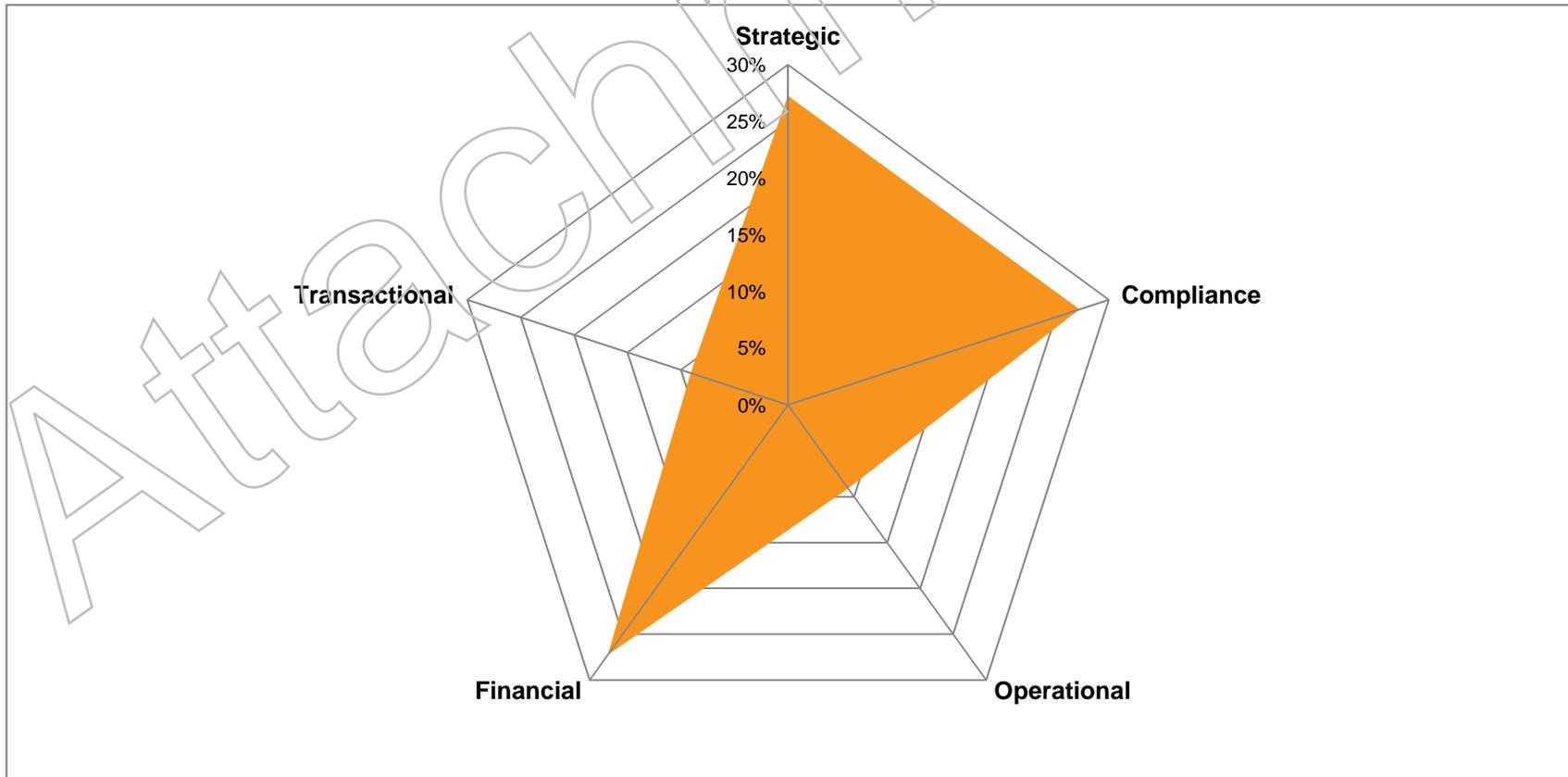
Project	High level scope	Project Timing
	<ul style="list-style-type: none"> • Application of payroll policy • Leave policy and process • Review of leave balances and the measures in place to manage excessive leave accruals. 	
Strategic Planning Alignment	<p>The audit could include a review on the following major processes:</p> <ol style="list-style-type: none"> 1. Planning the Preparation and Development of Plans <ul style="list-style-type: none"> • Focus on the preparation and development of the strategic plan including assessment against the following criteria: <ul style="list-style-type: none"> • Identification and mapping of key stakeholders; • Identify organizational mandates; • Clarify organization mission and vision; • Timeframes and Planning Documents for development Strategic Plans in place; • Conduct an environmental assessment (external and internal) including risk assessment; • Determine strategic outcomes and measures; • Determine results and measures; and • Review and adopt strategies. 2. Implementation of Plans <p>The effectiveness of the implementation of the strategic plan will be evaluated against the following:</p> <ul style="list-style-type: none"> • Develop action plans to implement strategies within the organisation and Business Groups; • Develop budgets to support the action plans; • Allocation of sufficient resources for implementation; • Alignment of various organisational strategic plans with the Corporate Plan and Business Plans 3. Monitoring of Plans <p>The effectiveness of the Monitoring of the strategic plan will be evaluated against the following:</p> <p>Methods used to measure results including the establishment of key indicators for efficiency, effectiveness and impact;</p> <ul style="list-style-type: none"> • Processes to ensures accountability and continuous improvement linked performance targets; • Systems to monitor progress including the collection of information relating to these indicators; • Performance data indicating progress and achievement against the Strategic Plan priorities, Corporate Business Plan and Budget. • Use the defined method of assessment contained within these plans to build the systems to capture the required data. 	September 2017

Project	High level scope	Project Timing
	<ul style="list-style-type: none"> • <i>Processes for Analysing the information;</i> • <i>Monitor against planned measures and key performance indicators (KPI's);</i> • <i>Process to keeps plans on track; and</i> • <i>Reassess strategies and the strategic planning process.</i> <p>4. <i>Reporting on Progress of Plans.</i> <i>The effectiveness of the Reporting Processes of the strategic plan will be evaluated against the following</i></p> <ul style="list-style-type: none"> • <i>Roles and Responsibilities within Business Groups for reporting progress on the plan;</i> • <i>Mapping of key stakeholders and information requirements;</i> • <i>Review and Reporting Cycles defined for key planning documents; and</i> • <i>Using the information to inform day-to-day management.</i> 	

Attachment

- Project 1** Assurance Mapping
- Project 2** Procurement and Contract Management Processes
- Project 3** Long Term Financial Plan and Infrastructure & Asset Management Plan
- Project 4** Business Planning and Budget Process

Assurance Area	Project 1	Project 2	Project 3	Project 4	Summary	%
Strategic	1		1	1	3	27%
Compliance		1	1	1	3	27%
Operational		1			1	9%
Financial		1	1	1	3	27%
Transactional		1			1	9%
					11	



AGENDA ITEM NO.: 10.6 ON AGENDA

TO: Audit Committee on 22 August 2016

DIRECTOR: Ginny Moon, Director Corporate Services

REPORT AUTHOR: Ginny Moon, Director Corporate Services

SUBJECT: Annual Self-Assessment and Annual Report 2015-2016

1. EXECUTIVE SUMMARY

- 1.1 The Audit Committee (the Committee) Terms of Reference require the committee to “At least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.”
- 1.2 The Committee’s Work Program requires the Annual Report to Council to:
- 1.2.1 outline outputs relative to the Audit Committee’s work program and the results of a self-assessment of performance for the preceding period including whether it believes any changes to its charter are appropriate;
 - 1.2.2 outline any identified training needs;
 - 1.2.3 advise future work program proposals; and,
 - 1.2.4 invite comment from Council on all of the above.
- 1.3 This report covers the Committee’s activities during the 2015-2016 financial year.
- 1.4 The Presiding Member of the Audit Committee, Laurie Kozlovic, has been invited to attend the Council meeting on 23 August 2016 to present the Annual Report.

2. RECOMMENDATION

- (1) **Council notes the Annual Report from the Chair of Audit Committee for 2015-2016 Financial Year.**
- (2) **The Audit Committee’s Terms of Reference be amended to include a new heading “*Process Efficiency and Improvement*” (new paragraph 3.6):-**
- *Guide continuous improvement on Council’s policy and strategy enhancements to have a particular focus on resource collaboration and innovation, to drive operational improvements across Council’s core business processes.*
 - *Provide a forum to enable complex or strategic issues to be considered in the context of driving process improvement.*

- (3) Council provides feedback to the Audit Committee on how satisfied Council is with the functioning of the Audit Committee and its work program upon receipt of the presentation of the Annual Report by the Chair of the Audit Committee.**

3. RELEVANCE TO STRATEGIC DIRECTIONS / POLICY

3.1 Core Strategy 5 – Your Council.

5.7 Provide efficient and effective services using the most appropriate service delivery model and technology.

5.8 Ensure Financial Stability.

3.2 Relevant policies includes:-

3.2.1 Risk Management Policy.

4. COMMUNITY INVOLVEMENT

4.1 Nil.

5. DISCUSSION

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

5.2 The principal functions and extent of authority for an Audit Committee are set out in Section 126 of the Local Government Act. In summary the minimum statutory functions of an Audit Committee include:-

- Reviewing annual financial statements to ensure that they fairly present the state of affairs of a Council;
- Proposing and contributing relevant information to, a review of a Council's strategic management or annual business plans;
- Proposing and reviewing the exercise of powers in relation to "other investigations" as specified under section 130A of the Local Government Act 1999 (e.g. the conduct of efficiency and economy audits - see Information Paper 5: Efficiency and Economy Audits);
- Undertaking the functions that would have been undertaken by a (single Council) subsidiary's Audit Committee in cases where the Council has exempted the subsidiary from having an Audit Committee. (Note that this function has no application to a regional subsidiary);

- Liaising with the Council's auditors; and
- Reviewing the adequacy of the Council's accounting, internal control, reporting and other financial management systems and practices on a regular basis. Audit Committees provide an important independent role between a Council and its management and between a Council and its community. Audit Committees have no authority to act independently of Councils and can only act in areas covered by their terms of reference.

5.3 City of Prospect Audit Committee Terms of Reference includes monitoring and reviewing:-

- Financial reporting;
- Internal controls and risk management systems;
- External audit;
- Whistleblowing;
- Internal audit; and
- Governance.

Reporting Responsibilities

5.4 Audit Committees are like any other Council committee and are subject to the requirements of the Local Government Act at Section 41 (for example, reporting and accountability), the duties at Section 62 and the obligations of Sections 73 and 74, which apply to its members.

5.5 The Audit Committee Terms of Reference (**Attachments 11-14**) require the committee to:

- Make whatever recommendations to the Council it deems appropriate on any area within its terms of reference where in its view action or improvement is needed; and
- At least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

Regular Reporting to Council

5.6 The Audit Committee Minutes and Work Program Status Report are provided to Council following each Audit Committee meeting, providing a summary of the Audit Committee's work and results. The minutes and report typically covers:-

- Information about the audit processes and the results of work completed by the internal and external auditors;
- Any determination by the Audit Committee about the external auditor's independence;
- Other matters the Audit Committee believes need to be reported to the Council;
- Any recommendations requiring Council actions and/or approval; and
- Internal and External Audit recommendation for corrective action and status report.

Annual Reporting to Council

- 5.7 The Audit Committee should produce an annual report for Council. The Annual Report to Council is provided at **Attachments 1-5**. The Audit Committee's annual report must include the committee's opinion of the adequacy and effectiveness of the institution's arrangements for risk management, control and governance and for securing value for money.
- 5.8 The Annual Report to Council should include a review of the Committee Terms of Reference and its own performance. It should also include any recommended changes it considers necessary to improve its efficiency and effectiveness.
- 5.9 Members reviewed the Audit Committee Terms of Reference and recommend that the following statement be included under a new heading "*Process Efficiency and Improvement*" (new paragraph 3.6):-
- *Guide continuous improvement on Council's policy and strategy enhancements to have a particular focus on resource collaboration and innovation, to drive operational improvements across Council's core business processes.*
 - *Provide a forum to enable complex or strategic issues to be considered in the context of driving process improvement.*
- 5.10 Provide a forum to enable complex or strategic issues to be considered in the context of driving process improvement

Assessing the Audit Committee's Performance

- 5.11 There is an emphasis for the need for governing bodies and committees to demonstrate a high level of professionalism. Council should undertake a periodic and regular review of the performance of the Audit Committee, usually on an annual basis. Matters for consideration include:-
- Identifying and agreeing to the criteria by which the performance of the Audit Committee will be assessed;
 - Assessing the effectiveness of the Audit Committee as a whole (and potentially of the performance of individual Audit Committee members if deemed necessary);
 - Identifying the process for implementing action plans developed in response to areas requiring improvement; and
 - Assessing compliance with the Audit Committee Terms of Reference.
- 5.12 Audit Committees should also take advantage of opportunities to benchmark their organisational procedures and activities with Audit Committees in similar councils.

Evaluation of Audit Committee

- 5.13 The Audit Committee has undertaken an annual performance assessment collectively. The assessment covers issues such as whether the Audit Committee members have demonstrated:-
- A good understanding of, and commitment to, the Audit Committee's role and responsibilities;
 - An ability to act objectively and independently;

- An ability and willingness to take difficult, but constructive stands, at meetings when necessary;
- A good understanding of Council's business;
- A good understanding of Council's risk management processes;
- Their participation in activities to keep their business, industry, financial and regulatory knowledge current; and
- Their preparation for, and participation in, Audit Committee meetings.

5.14 **Attachments 6–10** are the Self-Assessment of the performance of Audit Committee for 2015-2016.

ATTACHMENTS

Attachments 1-5: Audit Committee Annual Report to Council

Attachments 6-10: Audit Committee Self-Assessment

Attachments 11-14: Audit Committee Terms of Reference

Audit Committee
Annual Report to Council
For Year Ended 30 June 2016

Author: Director Corporate Service (on behalf of the Audit Committee)

1. Background

The Audit Committee (the Committee) Terms of Reference require the committee must “*At least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.*”

The Committee’s Work Program requires the Annual Report to Council should;

- outline outputs relative to the audit committee’s work program and the results of a self-assessment of performance for the preceding period including whether it believes any changes to its charter are appropriate;
- outline any identified training needs;
- advise future work program proposals; and,
- invite comment from the Council on all of the above.

This report covers the Committee’s activities during the 2015-16 financial year.

2. Attendance at Committee meetings during the year ended 30th June 2016

Committee Member	Term	Number of Meetings during the period (6)	Meetings Attended
		17/08/2015 28/09/2015 02/11/2015 07/12/2015 29/03/2016 16/05/2016	
Mayor David O’Loughlin (Member from 2010)	Nov 2014 – Oct 2018	6	5
Cr. Kristina Barnett (Member from 2012)	Oct 2014 – Oct 2016	6	6
Laurie Kozlovic (Member from Feb 2009) (Chair from Oct 2012 to 31 Mar 2016)	1 Mar 2015 – 31 Mar 2018	6	5
David Moffat (Member from 2012)	Nov 2014 – 31 Mar 2017	6	6
Barry Smith (Member from 2012)	Nov 2014 – 31 Mar 2016	5	5
Corinne Garrett (Member from 2016)	1 Apr 2016 – 31 Mar 2019	1	1

3. Work Program

The Audit Committee Work Program for the period of November 2014 – October 2016 was first presented at the Audit Committee Meeting on 16 March 2015.

The status of the Audit Committee's Work Program is reported to Council following each Audit Committee Meeting.

4. Recommendations to Council

The table below provided a statistical summary of the Committee's recommendations to Council.

Meeting Date	Number of Recommendations to Council	Recommendations approved by Council
17/08/2015	25	25
28/09/2015	8	8
02/11/2015	8	8
07/12/2015	19	19
29/03/2016	14	14
16/05/2016	12	12

Issues considered by the Committee during the period included:-

17 August 2015

- Item 10.1 Work Health and Safety Report
- Item 10.2 Business and Economic Development Update
- Item 10.3 2015 Residents' Survey
- Item 10.4 Governance Audit
- Item 10.5 Risk Assessment Report
- Item 10.6 Assurance Mapping
- Item 10.7 Annual Self-Assessment and Annual Report
- Item 10.8 Audit Committee Outstanding Resolutions
- Item 10.9 Audit Committee Work Program Status Report

28 September 2015

- Item 10.1 Fourth Budget Review 2014-2015
- Item 10.2 Eastern Health Authority Financial Statements for the Year Ended 30 June 2015
- Item 10.3 Draft General Purpose Financial Statements for the Year Ended 30 June 2015
- Item 10.4 Second Interim Audit 2014-2015
- Item 10.5 Review of External Auditor Contract

2 November 2015

- Item 10.1 Waste Care SA Financial Statements for the Year Ended 30 June 2015
- Item 10.2 Draft General Purpose Financial Statements for the Year Ended 30 June 2015
- Item 10.4 Employee Conflict of Interest Policy – Not discussed
- Item 10.3 Update on Managed Information Technology Services Transition
- Item 10.5 Audit Committee Outstanding Resolutions
- Item 10.6 Audit Committee Work Program Status Report

7 December 2015

- Item 10.1 Work Health and Safety Report
- Item 10.2 Internal Audit Report – Procurement and Contract Management Processes
- Item 10.3 First Budget Review 2015-2016
- Item 10.4 Rating Audit Health Check – Annual Review
- Item 10.5 Budget Framework Policy
- Item 10.6 Fees and Charges Comparison – Eastern Region Alliance
- Item 10.7 Periodic Review of Key Financial Indicator Targets
- Item 10.8 Employee Conflict of Interest Policy
- Item 10.9 Human Resource Management Roadmap Update
- Item 10.10 Audit Committee Outstanding Resolutions
- Item 10.11 Audit Committee Work Program Status Report

29 March 2016

- Item 10.1 Risk Management Profile Report
- Item 10.2 Risk Management Report – LGAMLS Risk Management Profile Review and Council Action Plan
- Item 10.3 Work Health and Safety Report – KPI Action Plan
- Item 10.4 Corporate Governance & Internal Control Framework
- Item 10.5 Governance Audit Assessment Update
- Item 10.6 Second Budget Review 2015-2016
- Item 10.7 Internal Controls Review 1 July 2015 – 31 December 2015
- Items 10.8 – 10.10 were not considered due to lack of time
- Item 10.11 Audit Committee Outstanding Resolutions
- Item 10.12 Audit Committee Work Program Status Report

16 May 2016

- Item 10.1 Work Health and Safety Report – KPI Action Plan
- Item 10.2 Procurement Policy
- Item 10.3 Internal Audit Report – Long Term Financial Plan and Asset Management Plan
- Item 10.4 Procurement and Contract Management Review
- Item 10.5 Third Budget Review 2015-2016
- Item 10.6 Annual Business Plan
- Item 10.7 External Audit Tender
- Item 10.8 Audit Committee Outstanding Resolution
- Item 10.9 Audit Committee Work Program Status Report

5. Training

The following training program for Audit Committee members has been undertaken during 2015/2016:-

Training Course	Provider	Committee Members who have attended
Conflict of Interest – New Provision	Norman Waterhouse Lawyers	Mayor David O' Loughlin Cr Kristina Barnett
LGA Online Mandatory Training Course – Modules 1-4 (Own pace but completion required by 31/10/2015)	LGA	Mayor David O' Loughlin Cr Kristina Barnett
Elected Member Strategic Session	Various presenters - put together in-house	Mayor David O' Loughlin Cr Kristina Barnett
Completed MBA. Subjects undertaken in 2015/2016:- <ul style="list-style-type: none"> • Mergers and Acquisitions • Managing in Contemporary Organisations at Adelaide University. 	Aalto University in Helsinki Adelaide University.	David Moffat Independent Member
Financial Management Seminars	South Australian Local Government Finance Managers	Corinne Garrett Independent Member

- Other members have previously attended professional development programs as required by professional bodies and/or LGA Education & Training Service opportunities.
- Members are provided with details of relevant LGA Education & Training Service opportunities.
- There are no perceived training needs that have not been fulfilled.

6. Evaluation of Audit Committee

The Committee reviewed its performance at the 22 August 2016 meeting. The results of the self-assessment and action plans are:

1. Creating an effective audit committee

The Committee is satisfied that appropriate arrangements are in place to achieve this outcome.

2. Running an effective audit committee

The Committee is satisfied that appropriate arrangements are in place to achieve this outcome.

3. Professional development

The Committee is satisfied that appropriate arrangements are in place to achieve this outcome.

4. Overseeing financial reporting

The Committee is satisfied that appropriate arrangements are in place to achieve this outcome.

5. Overseeing governance, risk management and internal control

The Committee is satisfied that appropriate arrangements are in place to achieve this outcome.

6. Overseeing value for money

The Committee is satisfied that appropriate arrangements are in place to achieve this outcome.

7. Overseeing external audit

The Committee is satisfied that appropriate arrangements are in place to achieve this outcome and the external auditor will be requested to provide a copy of the annual audit plan for the coming year.

8. Overseeing internal audit

The Committee is satisfied that appropriate arrangements are in place to achieve this outcome. This is in the context that there is no specific Internal Audit function within the organisation.

7. Terms of Reference

The Committee's current Terms of Reference is presented in **Attachments 11 - 14**.

8. Audit Committee Work Program

The status of the Audit Committee's Work Program for the period November 2014 – October 2016 is reported to Council following each Audit Committee Meeting.

Audit Committee – Self Assessment
For Financial Year ended 30 June 2016

Key Issue	Yes	No	Less satisfied		More satisfied		Comment / Action
			1	2	3	4	
A. Creating an effective audit committee							
1. Does the audit committee review annually its terms of reference and recommend any necessary changes to the Council?	√	<input type="checkbox"/>					
4. Are committee members independent of the Council's management, and do they exercise their own judgement, voice their own opinions and act freely from any conflicts of interest?	√	<input type="checkbox"/>					
6. Does the audit committee have sufficient skills, experience, time and resources to undertake its duties, including at least one member with recent and relevant experience in finance, accounting or auditing?	√	<input type="checkbox"/>					
9. Do all committee members demonstrate the highest level of integrity (including maintaining utmost confidentiality and identifying, disclosing and managing conflicts of interest)?	√	<input type="checkbox"/>					
10. Does the audit committee have access to appropriate resources provided to it to ensure it functions effectively?	√	<input type="checkbox"/>					

Key Issue	Yes	No	Less satisfied		More satisfied		Comment / Action
			1	2	3	4	
B. Running an effective audit committee							
1. Does the audit committee chair run meetings appropriately to ensure that the audit committee's workload is dealt with effectively	✓	<input type="checkbox"/>					
4. Does the audit committee work constructively as a team and work well with staff and individuals that attend meetings?	✓	<input type="checkbox"/>					
6. Does the relationship between the audit committee and a) the chief executive and b) members of the senior management team strike the right balance between challenge and mutuality?	✓	<input type="checkbox"/>					
8. Does the committee provide effective support to the Council in fulfilling its responsibilities and adding value to the Council?	✓	<input type="checkbox"/>					
9. Does the committee have, and has it implemented, a comprehensive Audit Committee Work Program that covers its main responsibilities?	✓	<input type="checkbox"/>					
10. Do the meeting arrangements enhance the audit committee's effectiveness (e.g. frequency, timing, duration, venue and format) and allow sufficient time for the discussion of substantive matters?	✓	<input type="checkbox"/>					
12. Are meeting agendas and related background information circulated in a timely manner, and of sufficient length and clarity, to enable full and proper consideration to be given to the issues?	✓	<input type="checkbox"/>					
15. Is the audit committee free from inappropriate management influence during meetings?	✓	<input type="checkbox"/>					
17. Are arrangements in place for the audit committee to meet with the external and internal auditors during the year, with and/or without the presence of management?	✓	<input type="checkbox"/>					
19. Does the follow-up process for outstanding actions arising from audit committee meetings work well?	✓	<input type="checkbox"/>					
20. Do the auditors (internal and external) co-operate appropriately to ensure the completeness of assurance coverage?	✓	<input type="checkbox"/>					
22. Is the committee kept fully informed on all material matters between meetings, including appropriate external information (e.g. emerging risks and material regulatory changes)?	✓	<input type="checkbox"/>					
23. Does the audit committee report to the Council on a timely and accurate basis, and are such communications comprehensive, meaningful and focused?	✓	<input type="checkbox"/>					

Key Issue	Yes	No	Less satisfied		More satisfied		Comment / Action
			1	2	3	4	
C. Professional development							
1. Is an induction programme provided for new audit committee members (e.g. the committee's role, terms of reference and expected time commitment by members; overview of the Council; and the main operational and financial dynamics and risks)?	√	<input type="checkbox"/>					
2. Do audit committee members receive appropriate and timely ongoing professional development (e.g. regulatory matters, accounting and financial reporting, audit and risk)?	√	<input type="checkbox"/>					
3. Do audit committee members have the opportunity to attend formal courses and conferences, internal talks and seminars, and briefings by external advisers such as the Council's auditors and lawyers?	√	<input type="checkbox"/>					
4. Do the induction and professional development programmes adequately equip audit committee members to understand the sector (e.g. operational and financial risks facing the Council and within the Local Government sector)?	√	<input type="checkbox"/>					
D. Overseeing financial reporting							
1. Does the audit committee have effective mechanisms to understand and gain confidence over the:							
• appropriateness of the Council's critical accounting policies, estimates and judgements?	√	<input type="checkbox"/>					
• clarity and completeness of disclosures in the financial statements?	√	<input type="checkbox"/>					
• impact on the financial statements of any developments in accounting standards or generally accepted accounting practice?	√	<input type="checkbox"/>					
• statement of internal control: included in the financial statements and the basis on which it is given?	√	<input type="checkbox"/>					
2. If the audit committee were not satisfied with any aspect of the proposed financial reporting, would it report such views to the Council and seek changes?	√	<input type="checkbox"/>					

Key Issue	Yes	No	Less satisfied		More satisfied		Comment / Action
			1	2	3	4	
E. Overseeing governance, risk management and internal control							
1. Is the audit committee satisfied that appropriate processes are in place to:							
• ensure that the Council and the management team conduct themselves in accordance with high standards of behaviour? (e.g. Codes of Conduct)	√	<input type="checkbox"/>					
• ensure compliance with applicable regulation and best practice recommendations?	√	<input type="checkbox"/>					
• ensure the appointment of appropriate individuals to key committees and senior management positions?	√	<input type="checkbox"/>					
• ensure appropriate communication with the Council's stakeholders?	√	<input type="checkbox"/>					
• clearly articulate the Council's risk appetite for each material category of risk?	√	<input type="checkbox"/>					
• identify, evaluate and monitor key risks facing the Council (including financial, strategic and operational)?	√	<input type="checkbox"/>					
• enable it to understand how each material risk may impact on the Council's operations and financial condition?	√	<input type="checkbox"/>					
• monitor changes in the Council's risk profile?	√	<input type="checkbox"/>					
• provide it with suitable reports on the effectiveness of the systems of internal control?	√	<input type="checkbox"/>					
• ensure that the system of key controls is fit for purpose and working as intended?	√	<input type="checkbox"/>					
• ensure that council funds are properly safeguarded?	√	<input type="checkbox"/>					
F. Overseeing value for money							
1. Are appropriate processes and procedures in place to ensure:							
• that council funds are spent for their intended purpose?	√	<input type="checkbox"/>					
• the economy, efficiency and effectiveness of the Council's operations?	√	<input type="checkbox"/>					

Key Issue	Yes	No	Less satisfied		More satisfied		Comment / Action
			1	2	3	4	
G. Overseeing external audit							
1. Does the external auditor dedicate appropriately qualified and experienced staff and resources to the Council's audit?	✓	<input type="checkbox"/>					
2. Does the external audit partner make appropriate use of their direct access to the audit committee?	✓	<input type="checkbox"/>					
3. Are the independence and objectivity of the external auditor compromised in any way?	✓	<input type="checkbox"/>					
4. Are the nature and extent of non-audit services provided by the auditors appropriate?	✓	<input type="checkbox"/>					
5. Does the external audit plan focus on the Council's key risks and controls?	✓	<input type="checkbox"/>					
6. Is the external audit plan reviewed and approved by the audit committee?	✓	<input type="checkbox"/>					
7. Does the audit committee have an appropriate dialogue with the external auditor regarding major issues arising during the course of the audit, the key accounting and audit judgements and the levels of errors identified during the audit?	✓	<input type="checkbox"/>					
8. Does management respond to external audit recommendations in a timely and appropriate manner?	✓	<input type="checkbox"/>					
9. Does the audit committee regularly review the effectiveness of the external audit?	✓	<input type="checkbox"/>					
H. Overseeing internal audit							
1. Is the Council's internal audit function appropriately resourced (whether in-house, co-sourced or outsourced)?	✓	<input type="checkbox"/>					
5. Does the internal audit plan focus on the Council's key risks and controls?	✓	<input type="checkbox"/>					
6. Is the internal audit plan reviewed and approved by the audit committee?	✓	<input type="checkbox"/>					
7. Does management respond to internal audit's recommendations in a timely and appropriate manner?	✓	<input type="checkbox"/>					
8. Does the audit committee regularly review the effectiveness of the internal audit function?	✓	<input type="checkbox"/>					



City of Prospect Audit Committee Terms of Reference

Established pursuant to Sections 126 and 41 of the Local Government Act 1999

1. Objective

- 1.1. The objective of the Audit Committee (the Committee) is to oversee the City of Prospect's (the City's) risk management, and audit initiatives and to act as a source of advice to the Council and Chief Executive Officer (CEO) in relation to these matters. These Terms of Reference are to be read in conjunction with the Chapter 8 of the *Local Government Act 1999* and the City's Risk Management Policy and Procedures.

2. Authority

- 2.1. The Committee is appointed by the Council as a Section 41 Committee and has the authority to require any information it sees as relevant to its activities from any Councillor, executive, staff member, volunteer, contractor or consultant, each of whom are required to respond to such enquiries. The Committee is authorised to obtain independent professional advice where considered necessary following consultation with the CEO.

3. Responsibilities of the Committee

- 3.1. The responsibilities of the Committee are to:

3.2. General

- 3.2.1. Examine any matters referred to the Committee and undertake any other investigations considered appropriate.
- 3.2.2. To develop a program of audits to ensure the active management of risk and to demonstrate transparency and financial prudence.
- 3.2.3. Receive Internal and External Audit reports and monitor the implementation of corrective actions.
- 3.2.4. Support the development and promulgation of policies related to relevant legislation in particular the Whistleblowers Protection Act, 1993.

3.3. External Audit

- 3.3.1. Support and provide advice to the Council in the appointment, evaluation and removal of the External Auditor.
- 3.3.2. Consider the coordination of the internal and external audit programs.
- 3.3.3. Review audit results and managements' response to external audit reports.
- 3.3.4. Ensure that the External Audit concerns itself with the matters contained within part 3 and part 4 of Chapter 8 of the Local Government Act.
- 3.3.5. Be satisfied with the independence, scope and effectiveness of the external audit.

- 3.3.6. Ensure that the Auditor is provided with open and transparent access to officers, Councillors and information so as to enable the auditor to effectively conduct the task consistent with Chapter 8 of the Local Government Act.

3.4. Internal Audit (Efficiency and Effectiveness Audits)

- 3.4.1. Support and provide advice to the Council in the appointment, evaluation and removal of the Internal Auditor or independent, suitably qualified person(s) engaged to undertake Efficiency and Effectiveness Audits.
- 3.4.2. Ensure that Internal Audits shall concern themselves with the extent to which policy objectives have been satisfied, that is how effective the policy has been and how efficiently it has been implemented.
- 3.4.3. Discuss and approve the Audit Committee Work Program and consider resourcing regarding the staffing and budget requirements.
- 3.4.4. Consider the coordination of the internal and external audit programs. The purpose of coordinating these efforts is to assure efficiency, reduce redundancy and use audit resources effectively.
- 3.4.5. Receive internal audit reports, consider recommendations and monitor the implementation of agreed corrective actions.
- 3.4.6. Be satisfied that the City has appropriate fraud and corruption prevention strategies and adequate processes are in place to identify and address any fraudulent or corrupt activities.
- 3.4.7. Be satisfied with the independence, scope and effectiveness of internal audit.
- 3.4.8. Authorise special investigations (eg. fraud, misconduct and maladministration) where required.

3.5. Risk Management

- 3.5.1. Be satisfied that the City's Risk Management Policy and Procedures are being followed, monitoring the City's risk profile, tolerance levels and mitigation strategies.
- 3.5.2. Assess management systems and policies that deal with the adequacy and effectiveness of risk management and internal control practices.
- 3.5.3. Be aware of actual/proposed changes in the City's operating environment and the potential impact they may have on the City's risk profile.
- 3.5.4. Monitor the City's ethical environment and the appropriateness of the Code of Conduct, policies and operational practices.
- 3.5.5. Be aware of the City's Risk Register and that adequate actions are in place to mitigate risk to a tolerance acceptable to the City.

3.6. Process Efficiency and Improvement

- 3.6.1. Guide continuous improvement on Council's policy and strategy enhancements to have a particular focus on resource collaboration and innovation, to drive operational improvements across Council's core business processes.
- 3.6.2. Provide a forum to enable complex or strategic issues to be considered in the context of driving process improvement.

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4. Appointment and Removal of the City's External Auditor

- 4.1. Council appoints the External Auditor for a five year term under the provisions of the Local Government Act 1999. The Audit Committee will provide advice to Council for its consideration in relation to the appointment and removal of the External Auditor.
- 4.2. The role of the External Auditor is to audit the City's financial statements and provide an opinion on their accuracy, compliance with accounting standards and to note any particular matters arising from the audit.

5. Appointment and Removal of the City's Internal Auditor

- 5.1. The Internal Auditor or independent, suitably qualified person, may be a person or firm appointed for a fixed term (maximum 5 years) or may be engaged per commission / assignment. Authority to appoint rests with the Audit Committee under delegation within the confines of the allocated budget. Termination of the Internal Auditor during the term of an appointment is at the decision of the Committee. The Committee shall cause a specific report to be presented to Council detailing the reasons for the termination.
- 5.2. The role of the Internal Auditor shall be separate from that of the External Auditor to, as far as possible, maintain independence.

6. Membership

- 6.1. The Committee will comprise two appointments of the Council (one being the Mayor) and three independent positions.
 - 6.1.1. Of the independent members, at least one must be a man and at least one must be a woman. (Effective March 2016)
 - 6.1.2. One of the independent appointments shall be appointed by the Audit Committee as the Chairperson for the Committee, for one year.
- 6.2. Only members of the committee are entitled to vote in committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the committee for decision.
- 6.3. Executives and senior managers as relevant shall attend Committee meetings as observers and/or be responsible for preparing papers for the Committee.
- 6.4. Independent Members of the Committee shall be appointed for a term of up to three years.
- 6.5. The Mayor shall be appointed for the term of Council.
- 6.6. An Elected Member shall be appointed for a term of two years.
- 6.7. In considering appointments to the Committee it is highly desirable that Committee members possess the following qualities between them:
 - financial reporting/auditing background
 - inquisitiveness
 - knowledge of Council business and/or public sector administration.
- 6.8. Committee members are to declare any interests in accordance with the declaration of interest clauses within the Local Government Act 1999. Independence means not a supplier/receiver of goods and services to/from the City or its related bodies, either

personally, or by direct relatives or entities which members own or have a controlling interest in.

- 6.9. Non-compliance with these independence standards must be brought to the attention of the Committee at the time of nomination to the Committee and as they occur once a Committee Member.
- 6.10. If a member does not attend any scheduled meeting within a six (6) month period, Council reserves the right to terminate the member's appointment and refill the position.

7. Quorum

- 7.1. A quorum for the Committee consists of at least 50% of the number of committee members (ignoring any fraction) plus one. Meetings are to be rescheduled if there is no quorum.

8. Secretarial and Meeting Procedure

- 8.1. Secretarial services will be provided by the Council.
- 8.2. Meetings shall be held in accordance with meeting and confidentiality provisions of the Local Government Act as appropriate.

9. Meetings

- 9.1. The Committee will meet at least four times a year at appropriate times in the reporting and audit cycle as required. One of the meetings may be a workshop forum to discuss and/or develop the External and Internal audit plans and Audit Committee Work Program.
- 9.2. The Chairperson is to call a Committee meeting if requested by any Committee Member or either the Internal or External Auditors.

10. Self Assessment

- 10.1. The Committee shall conduct a self assessment to determine its effectiveness every 12 months, and report the outcome to Council. The CEO is to furnish the Committee with the information necessary to perform the review.
- 10.2. These Terms of Reference are to be reviewed as part of the self-assessment procedure, and approved by Council.

AGENDA ITEM NO.: 10.7 ON AGENDA
TO: Audit Committee on 22 August 2016
DIRECTOR: Ginny Moon, Director Corporate Services
REPORT AUTHOR: Ginny Moon, Director Corporate Services
SUBJECT: Audit Committee Outstanding Resolutions

1. EXECUTIVE SUMMARY

1.1 The Audit Committee Outstanding Resolutions are provided for noting.

2. RECOMMENDATION

(1) Council notes the Audit Committee Outstanding Resolutions Report and associated scheduled action items for the period ending 22 August 2016.

3. RELEVANCE TO CORE STRATEGIES / POLICY

3.1 Core Strategy – “Your Council” - Key Strategy 5.7 “Provide efficient and effective services using the most appropriate service delivery model and technology.

3.2 Core Strategy – “Your Council” - Key Strategy 5.8 “Ensure Financial Sustainability.”

4. COMMUNITY INVOLVEMENT

4.1 There is no relevant community consultation requirement.

5. DISCUSSION

5.1 The following table contains Audit Committee Outstanding Resolutions and a tentative date for actioning.

5.2 The associated scheduled action items have been aligned with the Audit Committee Work Program September 2015 – October 2016.

Audit Committee Minutes (Outstanding Resolutions)				
AC Meeting	Agenda Item	Resolution	Status	Comments
03/12/2012	10.5	<p>Community Engagement and Consultation Policy</p> <p>(2) The Audit Committee recommends consideration is given to using the on-line community panel to provide comparable analysis to the McGregor Tan Biennial Resident Satisfaction Survey.</p> <p>(3) An annual report be provided to evidence compliance with the Community Engagement and Consultation Policy.</p>	Refer AC Work Program Sep 2015 – Oct 2016 #OpSrv9	Per Internal Audit Plan June 2016 Scheduled for Oct 16
14/10/2013	10.9	<p>Service Delivery/Customer Service Review</p> <p>(1) A further report be tabled at a future Audit Committee meeting to consider and make recommendations to Council.</p>	Refer AC Work Program Sep 2015 – Oct 2016 #OpSrv12	Service Std Review to be conducted in 2016/2017 pending adoption of New Strategic Plan. Scheduled for May 2017
17/03/2014	10.10	<p>Sensitivity Analysis and Benchmarking Key Services</p> <p>(1) The Audit Committee review the proposed Operating and Capital projects earmarked for 2014/2015, to identify area(s) that required further sensitivity analysis.</p>	As part of Draft ABP deliberation May 2015 & 2016 Refer AC Work Program Sep 2015 – Oct 2016 #F.SUS2	No Items earmarked for benchmarking when discussion Draft ABP 2016/2017 at 16 May AC Meeting
17/03/2014	10.11	<p>Business Continuity, Disaster Recovery and Emergency Management Planning</p> <p>(1) The Audit Committee to be presented progressively the various documents making up the Emergency Management Framework.</p>	Refer AC Work Program Sep 2015 – Oct 2016 # G.BCP1	Scheduled for October 2016 Delayed to coincide with finalisation of IT DRP and BCP exercise

Audit Committee Minutes (Outstanding Resolutions)				
AC Meeting	Agenda Item	Resolution	Status	Comments
18/08/2014	10.7	<p>Review Accounting Policies & Procedures Manual</p> <p>(1) Audit Committee request for a review of the Procurement Policy and Procedures and the relationship to the Accounting Policy and Procedures Manual, including:</p> <ul style="list-style-type: none"> a) Preferred vendors list. b) Process for approving new vendors. c) Ensuring vendor insurances are sufficient and current. d) Review of non active vendors. e) Appropriate segregation of duties for establishing new vendors. 	Refer AC Work Program Sep 2015 – Oct 2016 #F.POL1	<p>Items not discussed in Mar 16 due to lack of time. Resubmit May 16 with a recommendation to a Council Workshop in the first instance.</p> <p>Review Policies (1) Procurement Policy (in conjunction with Internal Audit of Procurement and Tender by Bentley) (To Council Workshop before resubmitting the report to the AC)</p> <p>(2) Budget Framework adopted Dec 15</p> <p>Also Refer 16/05/2016 Item 10.2</p>
18/08/2014	10.9	<p>Human Resources Review and Audit</p> <p>(2) The Audit Committee to review the progress of the Human Resources Management, Strategy and Standards Plan and Policies and Procedures Framework every six months.</p>	Refer AC Work Program Sep 2015 – Oct 2016 #HR2	<p>Presented to Dec 15</p> <p>Scheduled for August 2016</p>

Audit Committee Minutes (Outstanding Resolutions)				
AC Meeting	Agenda Item	Resolution	Status	Comments
15/12/2014	10.1	<p>Information Technology Managed Service Review – Bentleys Final Report</p> <p>(3) A clear Information and Communication Technology Strategy be developed that documents the appropriate service delivery environment for City of Prospect for the next 5 years.</p>	Refer AC Work Program Sep 2015 – Oct 2016 #G.IT2	<p>Scheduled Dec 2016</p> <p>IT Strategic Plan consultation with AC/EMs/Mgt Team to commence Oct/Nov 15.</p> <p>Referencing to Council's Strategic Direction (community consultation in 2016).</p>
18/05/2015	10.5	<p>Update on Managed IT Services Transition</p> <p>(3) Progress of the new Information Technology Service Agreement to be reported to the Audit Committee one year after commencement.</p>	Refer AC Work Program Sep 2015 – Oct 2016 # G.IT4	Scheduled for Oct 16
17/08/2015	10.2	<p>Business and Economic Development Update</p> <p>(2) Council's Strategic Economic Development Plan 2014 - 2018 and Next Generation Digital Economy Strategy 2014 - 2018 continue to inform the future program of works for the Business and Economic Development portfolio with funding of this program of work incorporated into Council's Long Term Financial Plan.</p> <p>(3) Council to continue to refine objective measures on return on investment associated with this portfolio.</p>	<p>As part of annual budget process</p> <p>Refer AC Work Program Sep 2015 – Oct 2016 #S.BP1</p> <p>Refer AC Work Program Sep 2015 – Oct 2016 # OpSrv5</p>	<p>Noted</p> <p>Scheduled for Aug 16</p>

Audit Committee Minutes (Outstanding Resolutions)				
AC Meeting	Agenda Item	Resolution	Status	Comments
17/08/2015	10.5	<p>Risk Assessment Report</p> <p>(5) Council adopts the 2 Year Audit Plan and provide appropriate resources in each budget cycle for the audits.</p>	<p>2 Year Audit Plan included in AC Work Program Sep 2015 – Oct 2016 # G.CG4</p> <p>IA Report - Assurance Mapping #G.CG2</p> <p>IA Report - Procurement & Contract Management Processes (June 2015) #OpSrv2 & #OpSrv3</p> <p>IA Report - Business Planning and Budget Process (Mar 2015/16) #F.RPT2</p> <p>IA Report - Asset Management Plan and Long Term Financial Plan (Oct 2015/16) #F.SUS1</p>	<p>Presented To Aug & Sep AC 2015 Completed</p> <p>Scheduled for May 16 – Resol to WS</p> <p>Scheduled for Aug 16</p> <p>Presented To May 16 Completed</p>

			<p>IA Report - Communications (June 2016 - 2015/16) #OpSrv9</p> <p>IA Report - Infringements (Aug 2016/17) #OpSrv8</p> <p>IA Report - Payroll (Oct 2016/17) #F.PAY1</p> <p>IA Report - Strategic Planning Alignment #S.SP1</p>	<p>Scheduled for Oct 16 Audit Report not likely to be finalised for Aug 16 Meeting</p> <p>Scheduled for Oct 16</p> <p>Scheduled for Dec 16</p> <p>Audit Scheduled for Mar 2017 Report Scheduled for May 2017</p>
02/11/2015	10.3	<p>Update on Managed Information Technology Services Transition</p> <p>(2) Progress of the new Managed IT Service Agreement is reported one year after commencement or earlier if there are significant issues.</p> <p>(3) Report to include examination of projected savings and service levels.</p>	<p>Refer AC Work Program Sep 2015 – Oct 2016 # G.IT3</p>	<p>Scheduled for Oct 2016</p>
07/12/2015	10.1	<p>Work Health and Safety Report</p> <p>(3) The Administration to determine best practice in managing external contractors, with regards to management of WHS.</p> <p>(4) This Report to be presented to Audit Committee on an annual basis in conjunction with the Mutual Liability Scheme Annual Review.</p>	<p>Refer AC Work Program Sep 2015 – Oct 2016 #G.WHS2</p> <p>Refer AC Work Program Sep 2015 – Oct 2016 #G.WHS3</p>	<p>Scheduled for Dec 2016</p> <p>Scheduled for Dec 2016</p>

Audit Committee Minutes (Outstanding Resolutions)				
AC Meeting	Agenda Item	Resolution	Status	Comments
07/12/2015	10.4	<p>Rating Audit Health Check – Annual Review</p> <p>(2) An annual review be presented to the Audit Committee identifying completed and outstanding action items and assessment of risk undertaken.</p>	Refer AC Work Program Sep 2015 – Oct 2016 #OpSrv10	Scheduled for Dec 2016
29/03/2016	10.2	<p>Risk Management Report – LGAMLS Risk Management Profile Review and Council Action Plan</p> <p>(2) Relevant Executive staff and Leadership Team staff be identified and added to the responsibility section in the Council Action Plan.</p>	Refer AC Work Program Sep 2015 – Oct 2016 #G.RM2	To incorporate in the next review report Mar 2017
29/03/2016	10.5	<p>Governance Audit Assessment Update</p> <p>(2) A further report to be provided to Council via the Audit Committee in six months advising of action taken to address any remaining non-compliances including public access to documents.</p>	Refer AC Work Program Sep 2015 – Oct 2016 #G.CG6	Scheduled for Oct 2016
29/03/2016	10.7	<p>Internal Controls Review 1 July 2015 – 31 December 2015</p> <p>(3) An Executive Summary to be reported to the Audit Committee with the next progress report.</p>	Refer AC Work Program Sep 2015 – Oct 2016 #F.CTRL1	Scheduled for Mar 2017

Audit Committee Minutes (Outstanding Resolutions)				
AC Meeting	Agenda Item	Resolution	Status	Comments
16/05/2016	10.1	<p>Work Health and Safety Report – KPI Action Plan</p> <p>(1) The Committee notes the elements of the comprehensive WHS Framework, based on the sector’s “One System” Model, adopted and adapted to suit the local WHS needs of Council and the ongoing process to mature the framework as per legislative and PSSI requirements.</p> <p>(2) The Committee notes the Work Health and Safety Key Performance Indicator (KPI) Action Plan arising from the 2015 LGAWCS Audit recommendations and the undertakings to ensure that Council is in a position to achieve a rebate of 100%, late 2016.</p> <p>(3) An interim report to be presented to the December 2016 Audit Committee meeting addressing the Action Plan.</p>	Refer AC Work Program Sep 2015 – Oct 2016 #G.WHS2	<p>Noted</p> <p>Noted</p> <p>Scheduled for Dec 2016</p>
16/05/2016	10.2	<p>Procurement Policy</p> <p>(1) The Audit Committee notes the deference of the Procurement Policy to a Council Workshop.</p>	Refer AC Work Program Sep 2015 – Oct 2016 #F.POL1	<p>Also Refer 18/08/2014 Item 10.7</p> <p>Workshop Scheduled for July 2016</p>
16/05/2016	10.3	<p>Internal Audit Report – Long Term Financial Plan and Asset Management Plan</p> <p>(1) Council notes Bentleys Internal Audit Report – Long Term Financial Plan and Asset Management Plan.</p> <p>(2) A further report be presented to the Audit Committee identifying the steps completed to address the findings identified in the Bentleys report.</p>	Refer AC Work Program Sep 2015 – Oct 2016 #F.SUS1	<p>Noted</p> <p>Scheduled for Dec 2016</p>

Audit Committee Minutes (Outstanding Resolutions)				
AC Meeting	Agenda Item	Resolution	Status	Comments
16/05/2016	10.6	<p>Annual Business Plan</p> <p>(1) Council consider commentary provided by the Audit Committee regarding the Draft Annual Business Plan 2016-2017 and its financial sustainability during deliberations associated with the 2016-2017 Budget and Long Term Financial Plan:</p> <p>a. Projected rates revenue increases should cater for committed growth initiatives without significant year on year rate fluctuations.</p> <p>b. Further to (a) above, consider a rate increase of 3% excluding growth for 2016-17 financial year to minimise the projected operating deficit.</p> <p>c. Should the decision to increase rates by 2% excluding growth remain, consider deferring other operating or capital projects to achieve a budget outcome closer to the long term financial plan targets, particularly operating surplus.</p>		Feedback from AC was discussed at Council Meeting 24/05/2016
16/05/2016	10.7	<p>External Audit Tender</p> <p>(1) Council to seek an open tender for Council's external audit services with a focus of having Local Government experience, quality and value for money.</p>	Refer AC Work Program Sep 2015 – Oct 2016 # G.CG8	Scheduled for October 2016

ATTACHMENTS: NIL

AGENDA ITEM NO.: 10.8 ON AGENDA

TO: Audit Committee on 22 August 2016

DIRECTOR: Ginny Moon, Director Corporate Services

REPORT AUTHOR: Ginny Moon, Director Corporate Services

SUBJECT: Audit Committee Work Program Status Report

1. EXECUTIVE SUMMARY

- 1.1 The Audit Committee Work Program Status Report September 2015 – October 2016 is provided as **Attachments 1 –13** for noting.
- 1.2 A new Audit Committee Work Program Status Report for the period November 2016 – October 2018 will be presented to the 10 October 2016 Audit Committee Meeting.

2. RECOMMENDATION

- (1) Council notes the Audit Committee Work Program Status Report – September 2015 – October 2016 provided as **Attachments 1-13.**
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3. RELEVANCE TO CORE STRATEGIES / POLICY

- 3.1 Core Strategy – “Your Council” - Key Strategy 5.7 “Provide efficient and effective services using the most appropriate service delivery model and technology.
- 3.2 Core Strategy – “Your Council” - Key Strategy 5.8 “Ensure Financial Sustainability.”

4. COMMUNITY INVOLVEMENT

- 4.1 There is no relevant community consultation requirement.

5. DISCUSSION

- 5.1 Implementing a Work Program assists with ensuring Council is delivering services in an effective and relevant manner, and that Council is complying with its statutory and legal requirements. It also assists Council to promote and demonstrate corporate fairness, transparency and accountability, and provides Council and the community with a level of assurance the organisation is managing its risks within the context of its Risk Management Policy.
- 5.2 The Audit Committee’s Work Program must include the principal functions and extent of authority for an Audit Committee as set out in Section 126 (4) of the Local Government Act as follows:

- (a) *reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and*
- (ab) *proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan; and*
- (ac) *proposing, and reviewing, the exercise of powers under section 130A; and*
- (ad) *if the council has exempted a subsidiary from the requirement to have an audit committee, the functions that would, apart from the exemption, have been performed by the subsidiary's audit committee; and*
- (b) *liaising with the council's auditor; and*
- (c) *reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.*

5.3 In relation to sub-section (c) above, Council has an Internal Audit Function. This function, along with a number of areas identified during the Audit Committee's Risks Workshop on 16 March 2015, has provided a foundation in formulating the Revised Audit Committee's Work Program.

5.4 Council's Internal Auditor, Bentleys was engaged to conduct an assurance mapping review in June 2015, in line with the Audit Committee Internal Audit program.

5.5 The Audit Committee is satisfied with the process undertaken to provide an overview of the types of assurance in place, gaps and overlaps in accountability arrangements.

5.6 The results of the Risk Assessment and Assurance Mapping will help inform the Audit Committee of the activities for the next two years and the Audit Committee has revised its own Work Program based on the findings.

5.7 Following the Assurance Mapping exercise, the following activity areas have been considered appropriate for inclusion in an Audit Committee Work Program:-

5.7.1 Strategy

1. Business Plan
2. Strategic Plan
3. Stakeholder Engagement

5.7.2 Governance

1. Corporate Governance
2. Risk Management
3. WHS Compliance
4. Business Continuity/Disaster Recovery
5. Fraud (fraud risk management, whistleblowing)
6. Information Security

5.7.3 Finance

1. Financial Budget and Management Reporting
2. Financial Sustainability /Asset Management Plan and Long Term Financial Plan
3. Accounting Policies & Procedures
4. Statutory Reporting
5. Financial Treatment of Fixed Assets
6. Control Self-Assessment / Internal Controls over financial reporting
7. Payroll

5.7.4 HR

1. Workers Compensation Scheme
2. Retention / multi skilling of staff

5.7.5 Operational Services

1. Purchasing & Procurement
2. Contract Management
3. Infrastructure Integrity
4. Business and Economic Development – Rate of Return to Council
5. ICT Shared Service Initiatives
6. Conflict of Interest
7. Infringements
8. Communications
9. Rating Health Check
10. Fringe Benefit Tax Review
11. Service Delivery/Customer Service Review

5.8 The Audit Committee should address issues which fall within the activity areas determined by its terms of reference. Some issues may be addressed on a once-off basis and others on a regular basis.

5.9 This Work Program will be resourced by Council and needs to be budgeted accordingly. The consultation between the Audit Committee and Council and its Chief Executive Officer should balance the needs identified in the Work Program against the level of resources required.

Some of the key areas are:-

Financial Reporting

5.10 The Audit Committee needs to be satisfied that practices adopted by Council and supported by its external auditor (unless otherwise indicated by a qualification to the audit or commented on in the accompanying management letter) are appropriate having regard to its circumstances and practices elsewhere and are reflected in formal Council policies as appropriate.

Internal Controls and Risk Management Systems

5.11 The Local Government Act 1999 (Section 125) requires Councils to maintain effective internal controls. The Audit Committee needs to ensure that Council and its management team have in place locally appropriate plans, policies and arrangements to manage and mitigate the organisation's business risks.

Internal Audit

In the context of Council's overall risk management system, the Audit Committee needs to monitor and review the effectiveness of Council's internal audit function.

External Audit

5.12 The Audit Committee needs to;

- 5.12.1 meet as necessary, and monitor Council's relationship, with its external auditor;
- 5.12.2 consider and make recommendations to Council in relation to all aspects of the appointment, re-appointment, remuneration, and removal or resignation of Council's external auditor;
- 5.12.3 assess the effectiveness of the external audit process and outputs relative to the scope of the engagement; and,
- 5.12.4 review management's response to the external auditor's findings and recommendations.

Reporting

5.13 In addition to receiving minutes of Audit Committee meetings, Council also needs to have significant, urgent findings of the Audit Committee promptly brought to its attention. The Audit Committee should also review its charter and performance annually (either by self assessment or through an external reviewer) and report these conclusions and its overall activity outputs to, and invite comment from, Council.

Other Matters

5.14 A key role of Council Audit Committees, recognised in the Local Government Act and arguably warranting special emphasis based on the findings of the Financial Sustainability Inquiry, is to identify areas where Council's financial governance policies and practices can be improved. In particular Audit Committees have a role in ensuring Council's strategic management and annual business plan development, management and reporting processes take account of, and support, Council's future financial sustainability.

Resources

5.15 Resource for the Audit Committee (2016/2017) includes:-

5.15.1 an amount of \$15,000 to fund the Audit Committee's Work Program, including the conduct of any Internal Audits (by external person(s)), Service Reviews, etc. Council resolved the entire \$15,000 budget be committed for an internal audit function for 3 years (2014/2015, 2015/2016 and 2016/2017) as a priority. Refer Minutes of Audit Committee on 18 August 2014, Agenda Item 10.11.

5.15.2 a separate budget appropriation for Audit Committee sitting fees.

5.15.3 a separate budget appropriation for the External Audit (currently performed by Dean Newbury and Partners), and

5.15.4 salary budgets that cover staff time consumed in supporting the Audit Committee.

5.16 The \$15,000 may not be sufficient to fund all of the internal audits dependent on the scope of the proposed Work Program to be undertaken by external person(s), taking into account additional internal audits required as a result of S128 of the Local Government Act 1999, "The Auditor".

5.17 Internal resources can be used to minimise the additional cost of the internal audit function. A number of 'areas of interest' could be identified for "Review" (as opposed to "Audit"). A Review will generally be undertaken by the Administration, either with or without the assistance of an Internal Auditor, with a report submitted to the Audit Committee for consideration outlining the review methodology, findings and recommendations. Whilst not conducted by an independent person, such reviews will enable the Audit Committee to obtain a level of comfort Council is managing the risks associated that it functions adequately.

5.18 Should further resources be required, a request for budget adjustment will be submitted to Council for consideration.

Audit Committee Work Program Status Report September 2015 – October 2016

5.19 The Audit Committee Program Status Report will be refined over time to take account of variables such as budget available, scope of the internal audits to be undertaken and potential collaboration with other councils.

5.20 The results of the Risk Assessment and Assurance Mapping helped informed the Audit Committee of the activities for the next two years. The Revised Audit Committee Work Program Status Report for September 2015 – October 2016 is presented at **Attachments 1–13**.

5.21 A revised Audit Committee Work Program Status Report for the period November 2016 – October 2018 will be presented to the 10 October 2016 Audit Committee Meeting.

ATTACHMENTS

Attachments 1-13: Audit Committee Work Program Status Report – September 2015 – October 2016

**City of Prospect
Audit Committee Work Program September 2015 - October 2016**

Code #	Activity / Process	ACWP & BPM Ref	Current Practice			Increasing Assurance							Summary		Audit Committee Work Program (September 2015 - October 2016)										
			Current Status / Action to be taken	Reports	Frequency by CoP	Frequency Proposed	Business Management			Corporate	Independent			Assurance Provision - Current Plan	Bentleys Recommendations	17-Aug-15	28-Sep-15	2-Nov-15	7-Dec-15	14-Mar-16	16-May-16	15-Aug-16	10-Oct-16	5-Dec-16	
							Management review	System Control	Procedures	Segregation and Access Controls	Training	Executive Management Team (EMT)	Policies												Internal Audit (IA)
	HR					2	0	0	0	0	2	0	0	0	2										
HR1 also refer G.WHS 1	Workers Compensation Scheme	2.2	LGA Workers Compensation Scheme Audits (SA Partnership Visit) – Review to 19/08/2013 AC Review annually	LGA Workers Compensation Scheme Review Report	Annually	Annually	√				√			√	Maintain current plan	√					√ Resol 19/08/2013 Item 10.7	√ Resol 29/03/2016 Item 10.3	√ Presented to AC on 16 May 2016		
HR2	Retention / multi skilling of staff	4.3.9	Employee relationships	Human Resource Function Audit Report	as request	as request	√				√			√	Maintain current plan	√				√ Resol 18/08/2014 Item 10.9			√ Resol 18/08/2014 Item 10.9		

Attachment 10

**City of Prospect
Audit Committee Work Program September 2015 - October 2016**

Code #	Activity / Process	ACWP & BPM Ref	Current Practice					Increasing Assurance							Summary		Audit Committee Work Program (September 2015 - October 2016)							
			Current Status / Action to be taken	Reports	Frequency by CoP	Frequency Proposed	Business Management			Corporate		Independent		Assurance Provision - Current Plan	Bentleys Recommendations	17-Aug-15	28-Sep-15	2-Nov-15	7-Dec-15	14-Mar-16	16-May-16	15-Aug-16	10-Oct-16	5-Dec-16
							Management review	System Control	Procedures	Segregation and Access Controls	Training	Executive Management Team (EMT)	Policies											
OpSrv12	Service Delivery/ Customer Service Review	5.7	Review Service Delivery/ Customer Service	Service Delivery/ Customer Service Review Report. Service Std Review to be conducted in 2016/2017 pending adoption of New Strategic Plan. Scheduled for May 2017 .	as request	as request																		

Legend:

Internal Audit Projects

 High risk areas, per 3 years Internal audit plan

Assurance Provision

 Maintain current plan

 Opportunity to remove / refocus effort

 Potential to increase assurance in this area - Suggested Quarterly - Not practical. Request to alter to Annually.

 Essential to increase assurance in this area

ACWP Audit Committee Work Program
BPM Best Practice Model

