

# Notice of Audit Committee Meeting

Wednesday 31 January 2018

## MEMBERSHIP

Cr Peter Field (*Presiding Member*)

Cr Robin Coleman

Mr Ross Haslam  
(*Independent Member*)

Mr Daniel Edgecombe  
(*Independent Member*)

Ms Deanne Bear  
(*Independent Member*)

**NOTICE** is given pursuant to Sections 87 and 88 of the Local Government Act 1999 that the next **AUDIT COMMITTEE MEETING** will be held in the Civic Centre, 571 Montague Road, Modbury on **WEDNESDAY 31 JANUARY 2018** commencing at **6.30pm**

A copy of the Agenda for the above meeting is supplied



**JOHN MOYLE**  
**CHIEF EXECUTIVE OFFICER**

Dated: 25 January 2018



*Naturally Better*

# **CITY OF TEA TREE GULLY**

## **AUDIT COMMITTEE MEETING 31 JANUARY 2018**

### **AGENDA**

#### **1. Opening and Welcome**

##### **Acknowledgement of Country Statement**

“The City of Tea Tree Gully recognises this City’s considerable natural and cultural heritage, including thousands of years of Traditional Ownership by the Kaurna people and the more recent contributions from all who live here. We build on this heritage today by respecting and listening to each other, being receptive to new ideas and acting wisely for the current and future well-being of our community”.

##### **1.1 Acting Presiding Member**

In the absence of the Presiding Member, the Chief Executive Officer will call for nominations for an Acting Presiding Member of the Committee for this meeting.

#### **2. Attendance Record:**

- 2.1 Present
- 2.2 Apologies
- 2.3 Record of Officers in Attendance
- 2.4 Record of Number of Persons in the Public Gallery
- 2.5 Record of Media in Attendance

#### **3. Confirmation of Minutes of the Previous Meeting**

That the Minutes of the Audit Committee Meeting held on 29 November 2017 be confirmed as a true and accurate record of proceedings.

#### **4. Public Forum**

*Available to the public to address the Committee on policy, strategic matters or items that are currently before the Committee. Total time 10 mins with maximum of 2 mins per speaker. For more information refer to Council’s website [www.teatreegully.sa.gov.au](http://www.teatreegully.sa.gov.au)*

#### **5. Deputations**

*Requests from the public to address the meeting must be received in writing prior to the meeting and approved by the Presiding Member. For more information refer to Council’s website [www.teatreegully.sa.gov.au](http://www.teatreegully.sa.gov.au)*

## **6. Presentations**

*Requests to present to the meeting must be received in writing 5 days prior to the meeting and approved by the Presiding Member. For more information refer to Council's website [www.teatreegully.sa.gov.au](http://www.teatreegully.sa.gov.au)*

### **6.1 Internal Controls Assessment December 2017**

Mr Ryan McMahon, Director Organisation Services and Excellence, to present on the Internal Controls Assessment December 2017

### **6.2 2018-19 Budget Information Overview**

Mr Gareth James, Acting Manager Finance and Rating Operations, to present an overview of the principles and assumptions used in preparing the 2018-19 Budget.

## **7. Petitions - Nil**

## **8. Declarations of Conflicts of Interest**

*Members are invited to declare any material, actual and/or perceived conflicts of interest in matters appearing before the Committee.*

## **9. Adjourned Business - Nil**

## **10. Motions Lying on the Table - Nil**

## **11. Management Reports**

**Office of the Chief Executive Officer - Nil**

**Assets & Environment - Nil**

**Organisational Services & Excellence - Nil**

**Community & Cultural Development - Nil**

## **12. Notice of Motions - Nil**

## **13. Motions without Notice**

## **14. Questions on Notice - Nil**

## **15. Questions without Notice**

## **16. Information Reports**

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16.4 Internal Control Assessment December 2017 .....	127

## **17. Status Report on Council and Committee Resolutions**

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## **18. Other Business**

## **19. Section 90(2) Local Government Act 1999 – Confidential Items - Nil**

*A record must be kept on the grounds that this decision is made.*

## **20. Date of Next Ordinary Meeting**

28 March 2018

## **21. Closure**



# INFORMATION REPORT

## AUDIT COMMITTEE MEETING

31 January 2018

### Office of the Chief Executive Officer

#### **Annual reports 2016-2017 - Local Government Association Mutual Liability Scheme and Local Government Association Workers Compensation Scheme (D17/74583)**

The City of Tea Tree Gully, as a member of the Local Government Association is a member of the Local Government Association's Mutual Liability Scheme and Workers Compensation Scheme to support Council in its management of risk. The Schemes recently distributed their Annual Reports for the 2016-2017 financial year. This report presents an overview of key points as identified by the Schemes to provide the Audit Committee a brief summary.

#### **Local Government Association Mutual Liability Scheme (LGAMLS)**

The LGAMLS was established by the Local Government Association of South Australia (LGA) and operates for and on behalf of local government and its operating authorities across the State including Councils, their subsidiaries and the LGA.

The LGAMLS's Annual Report identified that:

- It provides all South Australian Councils with extensive civil liability protection. Members are provided with unlimited protection without exclusions, despite the changing nature and demands on Council risk profiles
- It has completed its 28th year of operation as at 30 June 2017, with commitment from 100% Council membership and an accumulated surplus of \$24.4m. Investments with the Local Government Finance Authority were at \$26.9m, which represented significant monies available to Local Government for reinvestment opportunities back into the sector
- The Strategic Plan committed to the delivery of the five fundamental goals being Membership, Services, Risk Environment, Financial and Governance - all linking with the LGA's Strategic Plan
- Members were provided with an interactive knowledge hub for all risk management needs, support, claims data and cover information
- Claims management services were provided for civil liability claims (claims made against a Member by a third party for property loss, personal injury and/or financial loss). The claims management service extends to include advice and support from the risk management department by way of reactive risk management services.

More detailed information is provided in the Annual Report for LGAMLS (Attachment 1)

## Local Government Association Workers Compensation Scheme (LGAWCS)

The LGAWCS was established by the LGA and operates for and on behalf of local government and its operating authorities including Councils, their subsidiaries and the LGA.

The LGAWCS's Annual Report included:

- Approval from Return to Work SA (RTWSA) for the renewal of registration as a self-insured employer for the LGA of South Australia for a 5 year period. This is the maximum term available, which emphasises the progress that the sector made in the development and adoption of standardised functional safety systems during the term of the current 3 year agreement
- The delivery of a record \$12.1M in performance rebates to Members.
- The delivery of an operating surplus of \$27.1M as at June 2017, an increase of \$2.17M on last year
- Receipt of an unqualified opinion from the financial Auditors
- A low number of new claims incurred (527) as at end of June, the lowest on record, and 8% lower than the previous year
- A 22% reduction in the total cost of Claims paid and a 12.5% reduction in Lost Time Injuries per million hours worked
- Delivery of the Healthy Lifestyle program, including the Skin Cancer Screening program, reaching over 3,000 employees annually
- Benefiting Councils who have adopted a sound risk management approach through ongoing support and systems based assessments attracting bonus payments
- Continuing the support to Regional Members through the employment of nine Regional Risk Coordinators, in an ongoing joint initiative with the LGAMLS
- Embracing technology by moving to a paperless claims lodgment process and use of "Go To" meeting format for regional claims meetings. The Scheme also funded the licensing of the SkyTrust Risk Management solution which has been endorsed by the sector with 55 Members adopting the program at the time of writing the annual report.

More detailed information is provided in the annual report for LGAWCS (Attachment 2)

## Attachments

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2.	LGAWCS - Annual Report 2016-17 - - for Audit and Council Information Reports - January 2018 .....	49

## Report Authorisers

Tanya Hook Team Leader Governance & Policy	8397 7397
Andrea Sargent Manager Governance and Policy	8397 7310
John Moyle Chief Executive Officer	8397 7201



# 2016/17 Annual Report

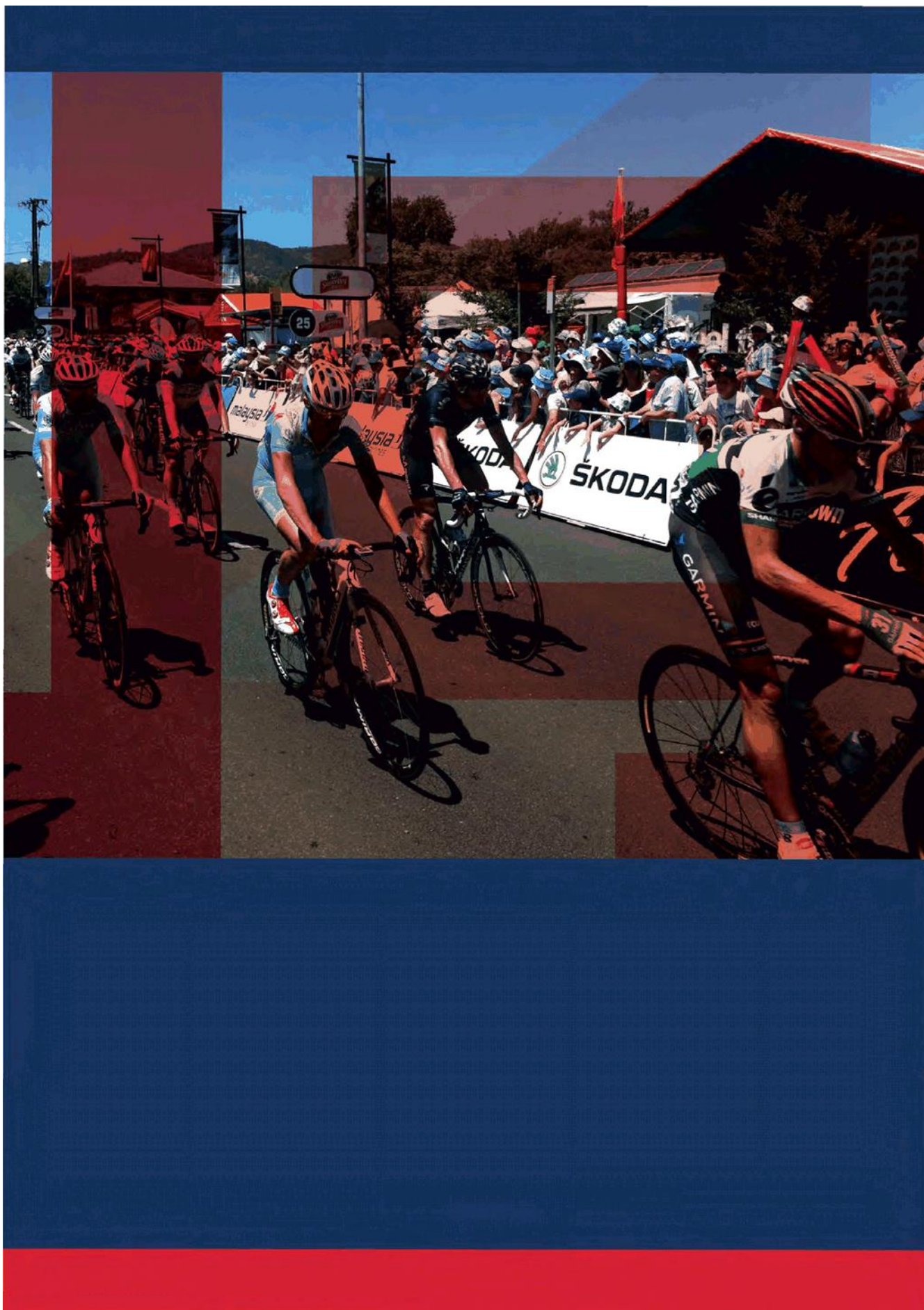


[www.lgrs.com.au](http://www.lgrs.com.au)

Item 16.1

Attachment 1





# LGAMLS Annual Report 2016/17

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## LGAMLS Board Members



Mayor Dave Burgess  
*Chairman*



Mr Matt Pinnegar  
*CEO, LGA*

Mayor Dave Burgess Chairman  
(reappointed November 2016)

Mr Matt Pinnegar  
(appointed Sept 2015)

Ms Alex Hart  
(appointed Jan 2016)

Mr Max Amber  
(reappointed Mar 2015)

Ms Helen Macdonald  
(appointed Nov 2016)

Mr Mario Barone  
(appointed Mar 2015)

Mr Bruce Green  
(appointed Mar 2015)

Mr Tim Burfield  
(reappointed Nov 2015)

Mr Leo Demer  
(reappointed Apr 2016)

Mr Gary Okely  
(reappointed Sept 2016)



Ms Alex Hart  
*Office for State/Local  
Government Relations*



Mr Max Amber  
*Cr, Campbelltown City  
Council*



Ms Helen Macdonald  
*CEO, Naracoorte  
Lucindale Council*



Mr Bruce Green  
*Mayor, City of Port  
Lincoln*



Mr Mario Barone  
*CEO, City of Norwood  
Payneham & St Peters*



Mr Tim Burfield  
*Director, Insurance  
SAICORP*



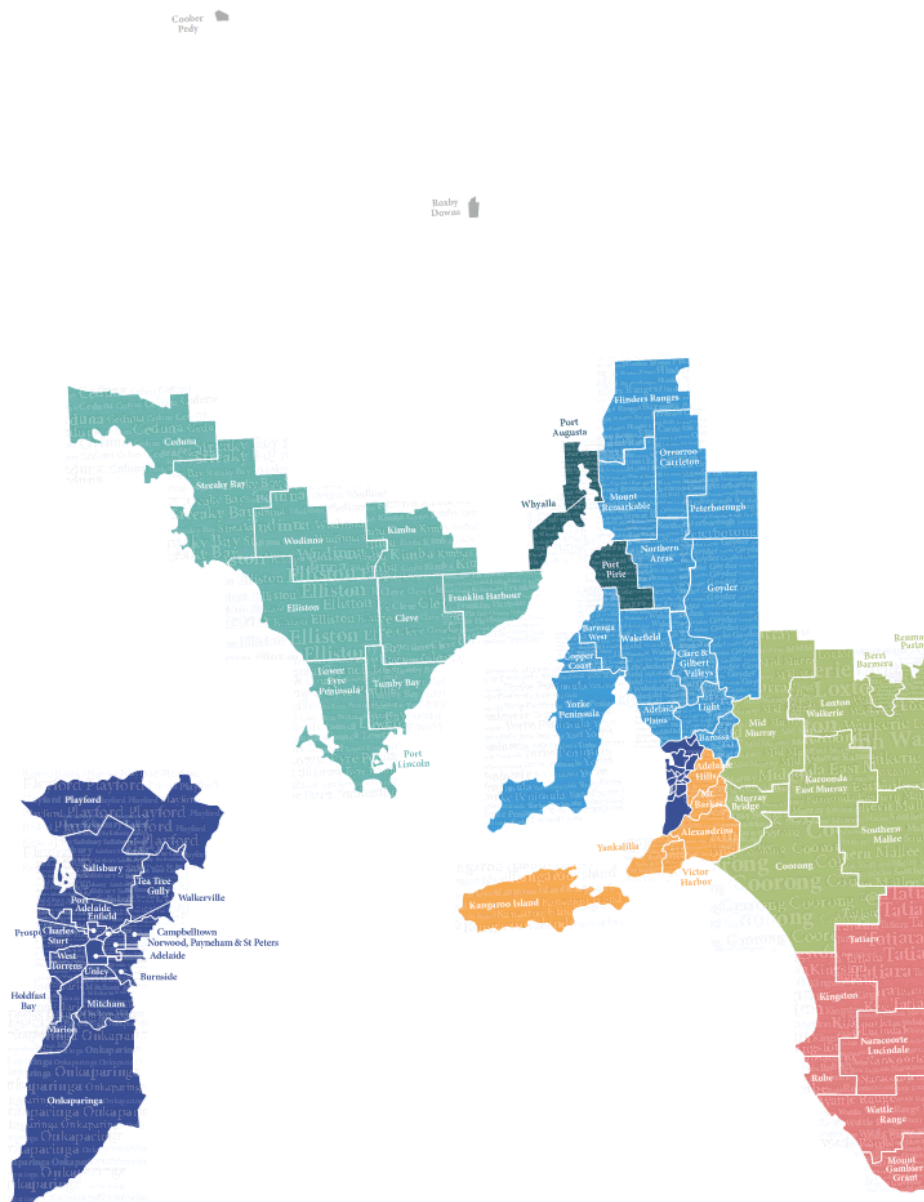
Mr Leo Demer  
*Local Government  
Risk Services*



Mr Gary Okely  
*Local Government  
Risk Services*

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## LGAMLS Staff

Robyn Daly - Scheme Manager

Daniel Verow - Manager, Claims

Erin Walker - Claims

Samantha Lynch - Claims

Jessica Kirk - Manager, Risk

Leia Homer - Risk Consultant

### Regional Risk Coordinators

Alan Walker

Deb Glasson

Bob Raymond

Caz Nitschke

David Jaunay

Jo Calliss

Julie Beaton

Melissa Cox

Rob Castle

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# Chairman's report





## Chairman's report

The LGAMLS continues to deliver a sound balance of financial, risk and claims management services to underpin the civil liability protection for all 68 Councils in South Australia, plus our Prescribed Body members. On 30 June 2017, the Local Government Association Mutual Liability Scheme (LGAMLS) successfully completed 28 years of operation, with an accumulated surplus of \$24.4m and investment with the LG Finance Authority of \$27.2m.



The LGAMLS strives to provide a financially stable service that meets Members' needs and embraces change while responding to the wide ranging civil liability risks within the Local Government sector – and again that aim has been substantially met in 2017FY.

Consistent with recent experience, modest contribution increases in line with the Local Government Price Index (as at December 2016) were applied for the 2017/18 membership renewal year, and were partially offset by the application of a \$3.46m bonus - calculated on individual Council risk profile and claim performance.

As a result of the strong financial performance, the Board was in a position as at 30 June 2017 to approve a Special Distribution of \$2m to be paid in the 2018FY, in addition to the annual bonus pool. Members are also able to benefit from Scheme funded risk based projects which are designed to be delivered across the sector.

The LGAMLS operates with the continuing support of the State Government Treasurers' Indemnity, and I am very pleased to confirm that the LGA has successfully negotiated with the State Government Treasurer for a further five year extension of this valued support. The Indemnity is structured to ensure local government has the broadest civil liability protection via access to the unique unlimited cover - which cannot be purchased via traditional insurance policies or programs. The value of the Treasurer's Indemnity in enabling the Local Government Association to secure the best possible cover for South Australian Councils cannot be overstated.

Local Government has faced an uncertain environment over very many years where risk events are triggered by natural disasters – exacerbated by "climate change" factors. By way of a whole of sector approach to Emergency Management, Local Government is able to apply its risk-based culture to respond to and recover quickly from extraordinary circumstances. This creates many positive flow-on effects for the benefit of the local community, the Region, the Sector and the State.

A significant example this year has been the delivery of the Rail Interface Risk Management program, identifying 550 of the 710 rail interfaces that exist across South Australia, being within Local Government's jurisdiction. LGAMLS is currently supporting Councils with the intricacies of identifying all relevant interfaces, identifying stakeholders for each interface, reviewing proposed agreements from Rail Infrastructure Managers, enhancing Council's communication with Rail Infrastructure Managers by interpreting legislation and knowledge-sharing to Councils – enhanced by resources obtained through discussions within the State Government and with various Rail Authorities. This project has to date supported more than 80% of Councils to formulate or execute agreements, continuing to support the Local Government Association to execute its obligations as an essential partner in this tri-party agreement.

This ongoing focus on partnering reflects the basis for the LGAMLS "mutual" model. 100% Council participation creates a strong platform that enables Local Government to build its risk profile with diversity and vigour. The mutual approach reflects this by continuing to deliver consistently efficient and effective "whole of sector" services. The ability of the Scheme to deliver financial returns based on good performance allows for the continual re-investment in risk programs. With this ongoing support, the vision for the LGAMLS' success will continue to evolve in 2018 and beyond.

In closing I wish to acknowledge the role and support of the Board Members in the ongoing success of the LGAMLS and in assisting me in the role as Chairperson. It has been another challenging year in the history of the LGAMLS and from my perspective, it has been a most rewarding one to be able to deliver these results for Members.

I also acknowledge the ongoing dedication and professionalism of the Scheme Manager and the Scheme Staff who continue to deliver outstanding results for the Scheme and its Members with enthusiasm.

It is my pleasure as Chairman of the LGAMLS to deliver the 2017 Annual Report.

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# Scheme Manager's report



## Scheme Manager's report

The Local Government Association Mutual Liability Scheme (LGAMLS) completed its 28th year of operation as at 30 June 2017, with ongoing commitment from 100% Council membership and an accumulated surplus of \$24.4m – reflecting the adage that the more mature the Scheme, the more successful it becomes. Investments with the Local Government Finance Authority are currently at \$26.9m, which represents significant monies available to Local Government for reinvestment opportunities back into the sector.



**Robyn Daly**  
Scheme Manager

Effective risk mitigation supported by detailed claim and risk profiling has resulted in a \$3.46m bonus pool to be shared by all Councils. This reflection of positive performance provides the basis to offset against the minimal contribution increases which are in line with the Local Government Price Index (as at December 2016) applied to the 2017/18 membership renewal year. Once again, the Board was in a position as at 30 June 2017 to approve a Special Distribution of \$2.0m in addition to the annual bonus pool.

Ongoing 100% Council membership is the glue that binds the mutual model allowing the LGAMLS to consistently deliver a balance of financial, risk and claims management services to underpin the unique civil liability protection for all 68 Councils in South Australia, extending to our Prescribed Body Members.

An important milestone this year was the recommitment by the State Government of ongoing support for the LGAMLS in the form of the Treasurer's Indemnity for a further 5 years. This is most significant in encouraging the sector to operate in the mutual model environment, recognising that financial security and ongoing focus on risk mitigation ultimately benefits the whole South Australian community. In addition to this, the Minister for Local Government, the Hon Geoff Brock MP has endorsed an increase from \$50m to \$300m as the regulated minimum amount of civil liability cover a Council must hold to ensure its community's risk profile is adequately and appropriately covered.

The LGAMLS Strategic Plan is underpinned by the vision that Councils in South Australia continue to enjoy the value and benefit of this state of the art approach to "insurance". South Australia continues to be the lead State in developing and maturing its risk culture maintaining the right balance of risk tolerance so as not to miss out on opportunity or being too risk adverse. The Strategic Plan commits to the delivery of the five fundamental ingredients being, Membership, Services, Risk Environment, Financial and Governance - all linking with the LGA's Strategic Plan.

In the 2017FY the LGAMLS Board has focussed on these five Goals to ensure Members continue to gain optimum benefit. Changes in legislation and compliance demands continue to focus on a Council's current ability to manage its strategic and financial

future. This year the Board has again provided support for members to manage the impact of high profile issues such as:

- Partnering with the LGA to deliver a whole of sector Emergency Management program
- Management of Railway Safety and Interface agreements with key stakeholders
- Community leader role of Local Government in Community Resilience
- Management and future of River Murray - environmental, economic and recreation
- Development of Strategic Risk Management plans to complement Councils' Operational risk plans
- Enhancement and delivery of the Aerodrome Risk Management Program
- Elected Members – Governance and Protocols

It is satisfying to know, that the achievement of these financial results by the LGAMLS has enabled the board to provide significant funding to support the important and essential risk management programs across LG in the 2017FY.

The LGAMLS has continued to work in partnership with Regions to develop regular information forums throughout the various regions as well as delivery of advisory and support services to individual Councils via the Regional Risk Services program. The RRC program, as highlighted in the Strategic Plan, is designed to recognise and deliver services unique to the Regional Councils, seeking the balance between technical and strategic support. The Board has an ongoing commitment to fund this essential component of the LGAMLS' services – services that encourage the ideals of a sector based membership Scheme.

I wish to acknowledge the ongoing support and trust of the Board for the many initiatives undertaken this year, and also the continued efforts of the LGAMLS Claims and Risk advisory staff along with the LGRS Operations team that allows us to ensure the ongoing quality of service delivery to LGAMLS Members.

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## Corporate Governance

The Local Government Association Mutual Liability Scheme (LGAMLS) is established by the Local Government Association of South Australia (LGA) and operates for and on behalf of local government and its operating authorities including Councils, their subsidiaries and the LGA.

Sound governance principles are important for the Board to establish the framework for how it oversees the LGAMLS to achieve operational objectives, fulfil legislative requirements, recognise and manage risk and undertake effective decision making.

The Board will embrace governance principles to ensure that accountability, transparency and integrity are evident from the manner in which LGAMLS performs its functions. The adopted principles provide a practical approach that provides flexibility and efficiency in a challenging and ever changing operating environment to protect the interests of the LGA and Scheme Members.

### Role of The Board

The Board is responsible to administer the Scheme for and on behalf of the LGA in line with its delegated authorities contained within the Scheme Rules. In general terms, the Board is responsible for:

- Providing and monitoring strategic direction
- Establishing financial targets and performance
- Compliance with applicable laws and regulation
- Effective management of risks
- Protection and optimisation of LGAMLS assets
- Regular reports on these items are provided to the LGA

### Role of The Scheme Manager

The LGAMLS is established by the LGA, and in terms of the Agreement with the LGA, the Scheme Manager has delegated authorities, agreed with the Board, that enables management of the LGAMLS operations. In general terms, the Scheme Manager is responsible for:

- Administering the Scheme
- Preparation of financial budgets, reports and contributions

- Compliance with applicable laws, regulations and
- Codes of conduct
- Effective management of risks and claims
- Regular reports to the LGA and LGAMLS Board
- Regular liaison with the Executive Director of LGA

### Composition of The Board

The Board is to be comprised of Members with skills, experience and attributes appropriate for the Scheme and its activities.

The Board membership comprises qualified people, representing Local Government, State Government and the Scheme Manager. In terms of the LGAMLS Rules the Board comprises ten Members with nine Members being non-executive and the Fund Manager being the only Executive Member appointed to the Board. The LGAMLS Rules require the Board to comprise:-

- Six Members, nominated by the State Executive of LGA, one of whom will be the Presiding Member
- Two Members, one of which shall be the Fund Manager, shall be nominated by the Scheme Manager
- Two Members are nominated by the Government of the State of SA

Membership of the Board will be for a term of three years and Membership can be renewed at the expiration of the member's term.

The Board meets regularly and its performance is overseen by the Presiding Member (Chairman). The Board is focussed on managing the Scheme's:

- Strategic direction
- Financial targets and performance
- Identification and control of risk
- Regulatory compliance

To assist it to discharge its duties the Board regularly considers external actuarial, audit and legal advice. The LGAMLS's strategic issues, financial plans and business plans are reviewed annually by the Board. The Board receives updates and forecasts throughout the year from the Scheme Manager.

The Local Government Association Mutual Liability Scheme (LGAMLS) is established by the Local Government Association of South Australia (LGA) and operates for and on behalf of local government and its operating authorities including Councils, their subsidiaries and the LGA.

### Remuneration and Personal Liability of Board Members

Except in special circumstances approved by LGA, no payment or other valuable consideration or other benefit shall be made or given out to any member of the Board in respect of that person's performance of duties as a member of the Board or otherwise.

A member of the Board (including a deputy) will incur no personal liability for an honest act or omission in the performance or purported performance of powers, functions or duties of the Board.

A liability that would, but for this immunity lie against a member of the Board, lies instead against the LGA.

### Monitoring LGAMLS Results

The Board is responsible to monitor the performance of the LGAMLS and undertakes this by:

- Quarterly reviews of operational, financial, investment and corporate performance;
- Establishment and review of an annual budget;
- Receiving advice from an independent Actuary and independent Auditor;
- Annual review of LGAMLS strategic results and objectives

The Scheme Manager also implement risk management and other audits to ensure Members manage their civil liability risks.

### Regulation

The LGAMLS operates as a scheme established under Schedule 1 of the Local Government Act 1999 and must comply with this legislation. The Scheme Manager must have the appropriate Financial Services Licence to operate Mutual Risk Products as defined by Australian Securities & Investment Commission (ASIC). As a Mutual Risk Product, the LGAMLS is not regulated by APRA, however the Board has adopted a philosophy of benchmarking its prudential performance against insurance company requirements.

### Actuarial Review

Since its inception, the LGAMLS has established that its liabilities and financial performance are to be assessed by an independent actuary. The external actuary is involved in outstanding claim reviews, assessment of unearned contributions, setting contributions and assessing outstanding claim reserves. A peer review of Actuarial advice is conducted at least every 3 years. The external actuary is to be from an organisation which is not associated with the external auditor.

### Audit Reviews

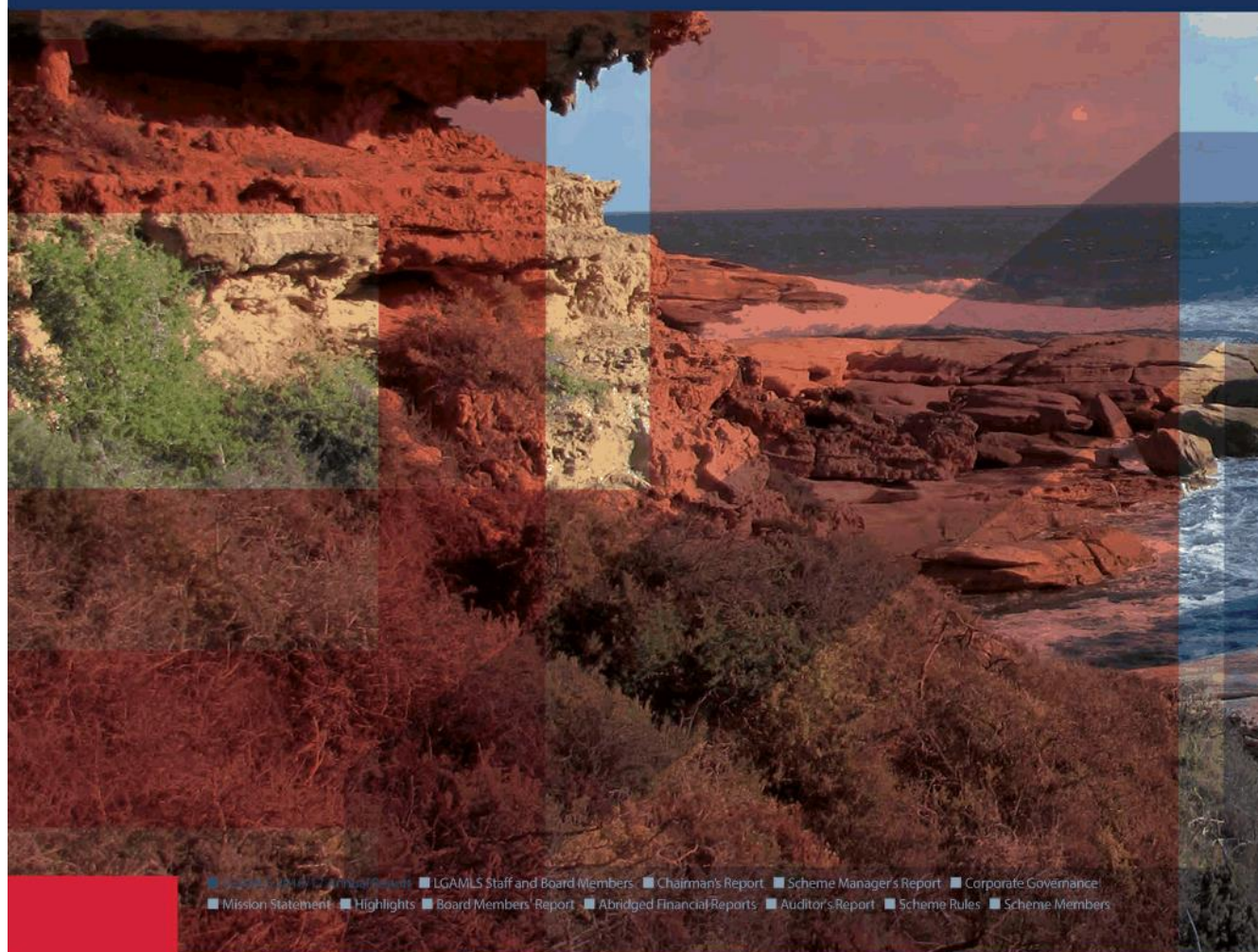
An independent external auditor is appointed by the Board of LGAMLS to audit the financial statements at 30 June each year. The external auditor is required to report to the Board and is required to meet the Board annually following completion of the audit. The external auditor is to be from an organisation which is not associated with the external actuary.

### Business Risks

The LGAMLS identifies business risks through its annual strategic planning and quarterly performance monitoring processes. In line with the assessment of business risk exposures, the Board safeguards its risk exposure by purchasing reinsurance protection where appropriate. The LGAMLS also utilises the SA Government Indemnity to protect its catastrophe risk exposures.

## Mission Statement:

Our aim is to provide a  
**quality service** which  
meets our **members' needs**,  
**embraces change**  
and responds to the **liability exposures**  
created within the Local Government Sector.



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## This will be achieved by:

- Providing a **complete and balanced service to all members**, incorporating Scheme Administration, Risk Management and Claims Management.
- Developing **an extensive information resource for all matters** relevant to Local Government liability exposures.
- Providing a Risk Management service which is **effective, accountable** and designed to meet the needs of Local Government.
- Providing a Claims Management service which is **equitable, sound** and achieves financial efficiency.



## 2016/17 LGAMLS Overview Highlights

The Local Government Association Mutual Liability Scheme (LGAMLS) provides all South Australian Councils with the most extensive civil liability protection in Australia. Backed by the treasurer's indemnity, Members are provided with the unlimited protection without exclusions, despite the changing nature and demands on Council risk profiles.



### Aim

The LGAMLS aims to continually provide Members with unique, tailored services designed to take a proactive approach to minimise risk outcomes while supporting Members to navigate the complex topics of emergency, resilience and disaster management.



**\$3M**

**SPECIAL DISTRIBUTIONS**

Paid to LGAMLS Members in 2016/17



**\$3.46M**

**BONUSES APPLIED TO COUNCIL MEMBERS**



**11.5%**

**LOWER MEMBER CONTRIBUTIONS**

On average, compared with 5 years ago



**\$440,000**

**SCHEME FUNDED PROGRAMS**

Delivered back to the sector in 2016/17

### The LGRS Member Centre

The LGRS Member Centre provides Members with an interactive knowledge hub for all risk management needs, support, claims data and cover information.



**1200**

**CURRENT USERS**

LGRS Members Centre



**250**

**ACTIVE USERS EACH WEEK**

LGRS Members Centre



**6700**

**PAGE VIEWS**

With close to half of the pages relating to risk management programs and LGAMLS best practices

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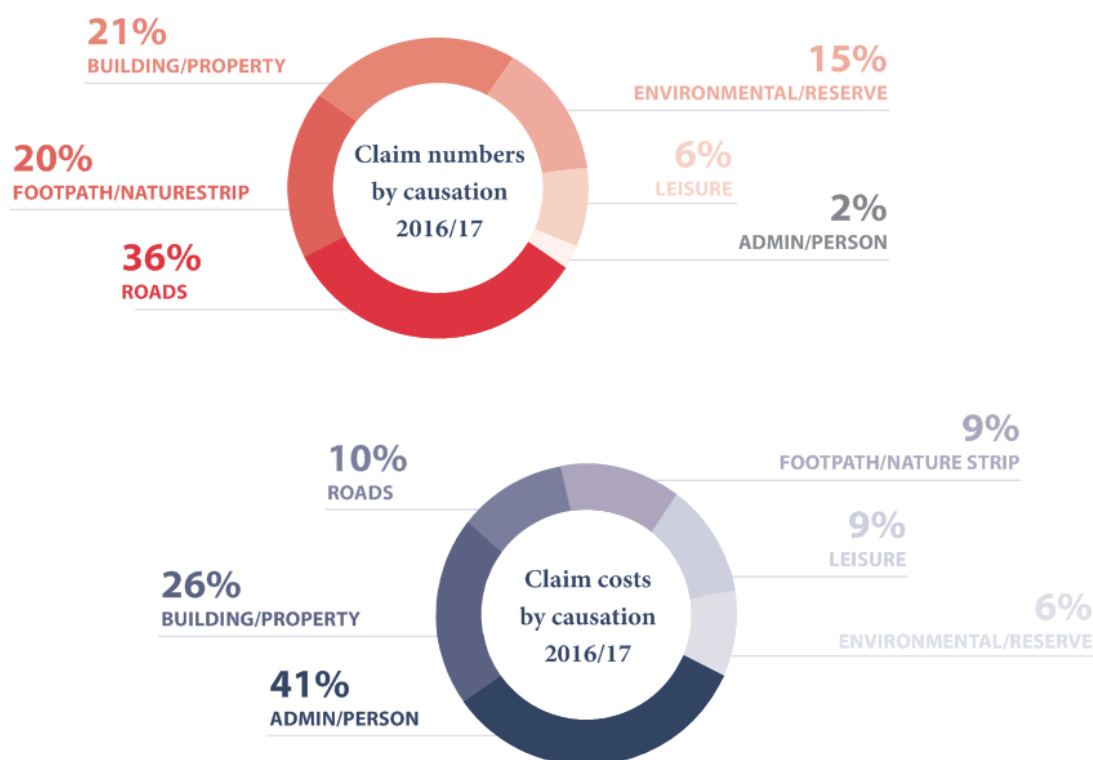
## Claims Highlights

The Local Government Association Mutual Liability Scheme (LGAMLS) claims team provides comprehensive claims management services for civil liability claims made against a Member by a third party for property loss, personal injury and/or financial loss. The claims management service extends to include advice and support from the risk management department by way of reactive risk management services.



### Aim

The LGAMLS aims to deliver efficient claims results and outcomes for Members.



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# Abridged Financial Reports



## Board Members' Report

The Board members present their report together with the financial report of Local Government Association Mutual Liability Scheme ('the Scheme') for the year ended 30 June 2017 and the auditor's report thereon.

### Board Members

The Board members of the Scheme at any time during or since the end of the financial year are:

**Matt Pinnegar** (appointed Sept 2015)

**Dave Burgess** (reappointed November 2016)

**Max Amber** (reappointed Mar 2015)

**Leo Demer** (reappointed Apr 2016)

**Gary Okely** (reappointed Sept 2016)

**Tim Burfield** (reappointed Nov 2015)

**Bruce Green** (appointed Mar 2015)

**Mario Barone** (appointed Mar 2015)

**Helen Macdonald** (appointed Nov 2016)

**Alex Hart** (appointed Jan 2016)

### Principal Activities

The Scheme is a mutual risk product which offers discretionary indemnity and claims management service to its members in respect of their potential and actual civil liabilities. These services are provided to Local Government in South Australia, and include the provision of risk management services to minimise the occurrence of civil liabilities and the provision of claims management services.

### Review and results of operations

The surplus for the year amounted to \$493,421 (2016: \$1,205,819). The Scheme determined a bonus of \$3,633,590 to Members which has been off set against Member contributions for 2017/18 (2016/17: bonus provided was \$3,464,357).

### Special distribution

During the 2017 financial year the Scheme made a special distribution of \$3,000,000 to Members. (2016: \$1,500,000).

### State of affairs

In the opinion of the board members, there were no significant changes in the state of affairs of the Scheme during the financial year under review.

### Environmental regulation

The Scheme's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Scheme has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Scheme.

### Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature has arisen, in the opinion of the Board members of the Scheme, likely to affect significantly the operations, or the state of affairs of the Scheme in future financial years.

### Likely developments

Information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years has not been included in this report.

### Indemnification and insurance of directors and officers

Scheme Rule 6.10 states that a member of the Board (including a deputy) will incur no personal liability for an honest act or omission in the performance or purported performance of powers, functions or duties of the Board.

Scheme Rule 6.11 states that a liability that would, but for Rule 6.10 lie against the member of the Board, lie instead against the Local Government Association of South Australia (LGA).

Signed in accordance with a resolution of the Board members



Chairman  
Dave Burgess



Fund Manager  
Gary Okely

Adelaide, 11th September 2017

## Operating Disclosures

Local Government Association Mutual Liability Scheme Annual abridged financial report 30 June 2017

### Relationship of the abridged financial report to the full financial report

The abridged financial report is an extract from the full financial report for the year ended 30 June 2017. The financial statements and specific disclosures included in the abridged financial report have been derived from the full financial report.

The abridged financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Local Government Association Mutual Liability Scheme as the full financial report. Further financial information can be obtained from the full financial report.

The full financial report and auditor's report will be sent to members on request, free of charge. Please call 08 8235 6444 and a copy will be forwarded to you. Alternatively, you can access the full financial report on the secure section of the LGA website at [www.lga.sa.gov.au](http://www.lga.sa.gov.au).

### Basis of the preparation of abridged financial report

This abridged financial report covers Local Government Association Mutual Liability Scheme (the Scheme) as an individual entity and has been prepared from information extracted from the 30 June 2017 Local Government Association Mutual Liability Scheme non-statutory general purpose financial report.

The Scheme financial report was prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional reporting requirements in Australia. The 30 June 2017 Local Government Mutual Liability Scheme non-statutory general purpose financial report was prepared to meet the Scheme rules.

### Board Members' declaration

The abridged financial report has been derived from the audited full financial report of Local Government Association Mutual Liability Scheme for the year ended 30 June 2017 in accordance with accounting policies described in Note 1 to the audited full financial report. The abridged financial report should be read in conjunction with the audited full financial report, available upon request free of charge.

In the directors' opinion, the abridged financial report is consistent with the audited full financial report of the Scheme for the year ended 30 June 2017 and presents fairly the Scheme's financial position as at 30 June 2017 and its performance for the financial year ended on that date.

There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Board.

  
Chairman  
Dave Burgess

  
Fund Manager  
Gary Okely

Dated at Adelaide this 11th day of September 2017.

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# Statement of Comprehensive Income

For the year ended 30 June 2017

	Notes	2017	2016
		\$	\$
Member contributions		10,934,590	10,947,393
Catastrophe insurance		(6,788,965)	(6,653,273)
<b>Net member contribution revenue</b>		<b>4,145,625</b>	<b>4,294,120</b>
Claims expense	1(b)	(3,961,371)	(3,083,889)
Reinsurance and other recoveries revenue	1(b)	3,774,699	2,496,284
<b>Net claims expense</b>		<b>(186,672)</b>	<b>(587,605)</b>
Scheme manager expense		(1,240,089)	(1,218,358)
<b>Scheme result</b>		<b>2,718,864</b>	<b>2,488,157</b>
Interest income		819,445	914,253
Net fair value gains on financial assets at fair value through profit and loss		(95,690)	208,264
Other administration expenses	1(a)	(2,949,198)	(2,404,855)
		(2,225,443)	(1,282,338)
<b>Operating surplus</b>		<b>493,421</b>	<b>1,205,819</b>
<b>Total operating surplus for the year attributable to Local Government Association Mutual Liability Scheme</b>		<b>493,421</b>	<b>1,205,819</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

For the year ended 30 June 2017

	Note	2017	2016
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	2	2,845,754	2,129,111
Receivables		3,903,760	12,261,792
Prepayments		137,603	137,603
Financial assets at fair value through profit or loss		-	17,111,878
Reinsurance and other recoveries receivable		2,746,938	2,905,483
<b>Total Current Assets</b>		<b>9,634,055</b>	<b>34,545,867</b>
<b>Non-current assets</b>			
Reinsurance and other recoveries receivable		9,160,084	8,060,651
Financial assets at fair value through profit or loss		25,249,347	11,233,158
<b>Total Non-Current Assets</b>		<b>34,409,431</b>	<b>19,293,809</b>
<b>Total Assets</b>		<b>44,043,486</b>	<b>53,839,676</b>
<b>Current liabilities</b>			
Payables		525,752	1,188,210
Outstanding claims liability	3	5,814,134	6,010,681
Unearned member contribution liability		3,350,882	10,934,590
<b>Total Current Liabilities</b>		<b>9,690,768</b>	<b>18,133,481</b>
<b>Non-current liabilities</b>			
Outstanding claims liability	3	9,910,403	8,757,301
<b>Total Non-Current Liabilities</b>		<b>9,910,403</b>	<b>8,757,301</b>
<b>Total Liabilities</b>		<b>19,601,171</b>	<b>26,890,782</b>
<b>Net Assets</b>		<b>24,442,315</b>	<b>26,948,894</b>
<b>Equity</b>			
Retained earnings		24,442,315	26,948,894
<b>Total Equity</b>		<b>24,442,315</b>	<b>26,948,894</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

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## Statement of changes in total accumulated funds

For the year ended 30 June 2017

	2017	2016
	\$	\$
Total accumulated funds at the beginning of the year	26,948,894	27,243,075
Surplus for the year	493,421	1,205,819
Special distribution	(3,000,000)	(1,500,000)
Total accumulated funds at the end of the year	24,442,315	26,948,894

The above statement of changes in total accumulated funds should be read in conjunction with the accompanying notes.



## Statement of cash flows

For the year ended 30 June 2017

	Note	2017	2016
		\$	\$
<b>Cash flows from operating activities</b>			
Member contributions received (inclusive of GST)		12,184,528	12,185,362
Outward reinsurance premium paid		(7,421,681)	(7,011,261)
Claims payments		(3,123,250)	(1,605,015)
Payment to suppliers (inclusive of GST)		(4,600,168)	(4,453,376)
Interest received		843,403	965,376
Reinsurance and other recoveries received		2,833,811	956,325
<b>Net cash (outflow) from operating activities</b>		<b>716,643</b>	<b>1,037,411</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of investments		3,000,000	-
<b>Net cash inflow from investing activities</b>		<b>3,000,000</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Special distribution		(3,000,000)	(1,500,000)
<b>Net cash (outflow) from financing activities</b>		<b>(3,000,000)</b>	<b>(1,500,000)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>716,643</b>	<b>(462,589)</b>
Cash and cash equivalents at the beginning of the financial year		2,129,111	2,591,700
Cash and cash equivalents at end of year	2	2,845,754	2,129,111

The above statement of cash flows should be read in conjunction with the accompanying notes.



## Notes to the Financial Statements

For the year ended 30 June 2017

### Note 1 - Operating surplus

(a) Expenses

	2017	2016
	\$	\$
<i>Operating surplus has been arrived at after charging the following items</i>		
Actuarial fees	58,743	42,360
Audit fees	28,050	28,050
Bank fees	258	294
LGA Management fee	439,758	432,895
Legal fees	114,558	114,524
Other expenses	110,658	67,836
Rent	98,484	102,127
Risk management	1,512,899	1,421,085
Sponsorship & awards	57,325	60,934
Development fund	440,468	52,500
Audit risk (Airport)	87,997	82,250
	<b>2,949,198</b>	<b>2,404,855</b>

## Notes to the Financial Statements

For the year ended 30 June 2017

### Note 1 - Operating surplus

(b) Net claims expense

#### Direct business

Current period claims relate to risk borne in the current financial year. Prior period amounts relate to a reassessment of the risks borne in all previous financial years.

2017	Current year	Prior years	Total
	\$	\$	\$
Gross claims expense			
Gross claims and related expenses - undiscounted	5,874,568	(1,580,345)	4,294,223
Gross claims and related expenses - discount	(412,544)	79,692	332,852
Gross claims and related expenses - discounted	5,462,024	(1,500,653)	3,961,371
Reinsurance and other recoveries revenue			
Reinsurance and other recoveries revenue - undiscounted	(5,058,529)	965,171	(4,093,358)
Reinsurance and other recoveries revenue - discount	391,985	(73,326)	318,659
Reinsurance and other recoveries - discounted	(4,666,544)	891,845	(3,774,699)
Net claims incurred	795,480	(608,808)	186,672

2016	Current year	Prior years	Total
	\$	\$	\$
Gross claims expense			
Gross claims and related expenses - undiscounted	3,588,093	(551,470)	3,036,623
Gross claims and related expenses - discount	(158,471)	205,737	47,266
Gross claims and related expenses - discounted	3,429,622	(345,733)	3,083,889
Reinsurance and other recoveries revenue			
Reinsurance and other recoveries revenue - undiscounted	(2,863,836)	419,936	(2,443,900)
Reinsurance and other recoveries revenue - discount	147,504	(199,888)	(52,384)
Reinsurance and other recoveries - discounted	(2,716,332)	220,048	(2,496,284)
Net claims incurred	713,290	(125,685)	587,605

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## Note 2 - Cash and Cash Equivalents

	2017	2016
	\$	\$
Cash at bank and in hand	914,405	550,012
Term investments less than 3 months to maturity	1,931,349	1,579,099
	<b>2,845,754</b>	<b>2,129,111</b>

## Note 3 - Outstanding claims liability

	2017	2016
	\$	\$
Central estimate (A)	15,732,878	14,483,405
Discount to present value	(928,399)	(595,547)
	<b>14,804,479</b>	<b>13,887,858</b>
Claims handling cost (B)	147,455	108,369
	<b>14,951,934</b>	<b>13,996,227</b>
Risk margin (C)	772,603	771,755
<b>Gross outstanding claims liability</b>	<b>15,724,537</b>	<b>14,767,982</b>
Gross claims incurred - undiscounted (A + B + C)	<b>16,652,936</b>	<b>15,363,529</b>
Current	5,814,134	6,010,681
Non - current	9,910,403	8,757,301
	<b>15,724,537</b>	<b>14,767,982</b>

### Risk margin

Process used to determine the risk margin:

The risk margin is an additional allowance for uncertainty in the ultimate cost of claims. The Overview Committee determines the overall margin adopted after considering the uncertainty in the portfolio, industry trends and the Scheme's risk appreciation.

To determine the margin adopted the actuary concluded that a risk margin of 25% (2016: 25%) of net outstanding claims would be reasonable and consider this appropriate given the relatively higher volatility of older accident years and the greater proportional uncertainty that arises from a highly reinsured portfolio.

The risk margin is added to the central estimate of net outstanding claims liability reduced by the appropriate reinsurance recoveries provided.

# Auditor's Report





## *Independent auditor's report on the summary financial statements*

To the Board members of Local Government Association Mutual Liability Scheme

### *Our opinion*

In our opinion, the summary financial statements are consistent in all material respects, with the audited financial report, in accordance with the basis of preparation described in Note 4 to the audited financial report.

### *What we have audited*

The summary financial statements are derived from the audited financial report of Local Government Association Mutual Liability Scheme for the year ended 30 June 2017. The summary financial statements comprise:

- the summary statement of financial position as at 30 June 2017
- the summary statement of comprehensive income for the year then ended
- the summary statement of changes in total accumulated funds for the year then ended
- the summary statement of cash flows for the year then ended
- the related notes to the audited financial report of Local Government Association Mutual Liability Scheme for the year then ended
- Board members' declaration.

### *Summary financial statements*

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards applied in preparation of the audited financial report of the Local Government Association Mutual Liability Scheme. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report of Local Government Association Mutual Liability Scheme and the auditor's report thereon.

### *The audited financial report and our report thereon*

We expressed an unmodified audit opinion on the audited financial report in our report dated 11 September 2017.

### *Basis of accounting and restriction on distribution and use*

We draw attention to Note 4 to the summary financial statements, which describes the basis of accounting. The summary financial statements have been prepared to assist Local Government Association Mutual Liability Scheme to meet the requirements of users. As a result, the summary financial statements may not be suitable for another purpose. Our report is intended solely for the members of Local Government Association Mutual Liability Scheme.

### *Board members' responsibility for the summary financial statements*

The Board members of the Scheme are responsible for the preparation of the summary audited financial report in accordance with the basis of preparation described in Note 4.

### *Auditor's responsibility*

Our responsibility is to express an opinion whether the summary financial statements are consistent, in all material respects, with the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

  
PricewaterhouseCoopers  
M.T. Lojszczyk  
Partner

Adelaide  
11 September 2017



## Scheme Rules



# Scheme Rules

## 1. Operation of Rules

These Rules operate from 4.00pm on 30th June 2002.

## 2. Definitions

In these Rules, the following words have the meanings given to them:

- 2.1 "Board" means the Board of Management appointed by LGA in accordance with these Rules.
- 2.2 "Civil Liability" means any liability not being criminal resulting from an obligation, function, power or duty of a Member arising under law.
- 2.3 "Claim" means any claim for civil liability made upon a Member during the term of this Mutual Scheme.
- 2.4 "Eligible Body" means:
  - 2.4.1 Local Government Association of South Australia (LGA);
  - 2.4.2 The Local Government Finance Authority of South Australia;
  - 2.4.3 Local Government Superannuation Board;
  - 2.4.4 Council Purchasing Authority Pty Ltd;
  - 2.4.5 All Councils and subsidiaries constituted pursuant to the provisions of the Local Government Act, 1999;
  - 2.4.6 Any other body so prescribed by the provisions of the Local Government Act, 1999;
  - 2.4.7 Any other body admitted to membership of the Mutual Scheme by LGA.
- 2.5 "Fund" means the fund established and maintained in accordance with these Rules.
- 2.6 "Indemnity Cover" means insurance or reinsurance cover purchased or procured by LGA for and on behalf of Members to satisfy and manage the Claims admitted to indemnity in the amount determined from time to time by LGA.
- 2.7 "Manager" means the manager appointed in accordance with Part 1 of Schedule 1 to the Local Government Act 1999 and these Rules.
- 2.8 "Member" means an eligible body admitted at the discretion of LGA to membership of the Mutual Scheme.

2.9 "Mutual Scheme" means The Local Government Association Mutual Liability Scheme conducted pursuant to Schedule 1 of the Local Government Act, 1999 and in accordance with these Rules.

2.10 "Ordinary Resolution" means a resolution passed with the majority of the votes of all persons present and entitled to vote at the meeting at which the resolution is put.

2.11 "Pooled Cover" means the discretionary indemnity cover provided from the Fund to satisfy and manage the Claims admitted to indemnity in the amount determined from time to time by LGA.

2.12 "Special Resolution" means a resolution passed with the unanimous vote of all persons present and entitled to vote at the meeting at which the resolution is put.

## 3. Delegation

- 3.1 LGA may delegate any power, function or duty under these Rules to the Board subject to such limitations and conditions as may be determined by LGA.
- 3.2 LGA may revoke or amend a delegated power, function or duty at any time.
- 3.3 Subject only to any limitations or conditions in the delegation the Board in exercising delegated power will be empowered under these Rules as if it were LGA.

## 4. Objectives of the Mutual Scheme

- 4.1 The objectives of the Mutual Scheme are to provide to Members of the Mutual Scheme assistance in respect of their potential and actual Civil Liabilities more particularly set out in these Rules and including but not limited to:
  - 4.1.1 advice in respect of minimising the occurrence and severity of all Civil Liabilities;
  - 4.1.2 assistance in the administration, investigation, management and resolution of all Claims;
  - 4.1.3 legal representation in respect of all Claims; and
  - 4.1.4 financial assistance by way of discretionary grants in respect of the Civil Liabilities of the Members.

## Scheme Rules

### 5. Membership

- 5.1 The Eligible Bodies set out in Rules 2.4.1 to 2.4.5 inclusive are automatically entitled to membership of the Mutual Scheme.
- 5.2 LGA may from time to time by Special Resolution admit to membership of the Mutual Scheme any other Eligible Body which makes application to LGA and agrees to be bound by these Rules.
- 5.3 In exercising discretion to admit an Eligible Body to membership of the Mutual Scheme, LGA may take into account any matter which it considers relevant.
- 5.4 In respect of each financial year during the operation of the Mutual Scheme, the Members shall be those Eligible Bodies which have been admitted to membership and have paid all moneys levied in respect of their membership for that financial year.
- 5.5 At the discretion of LGA the benefits of membership may be limited to defined Civil Liability, to limited Pooled Cover, to limited Indemnity Cover or any combination of those matters.
- 5.6 Payment of a contribution by a Member shall be evidence of the Member's agreement to be bound by these Rules.

### 6. The Board

- 6.1 LGA will establish a Board to administer the Mutual Scheme in the pursuit of the Objectives for and on behalf of LGA.
- 6.2 Membership of the Board will be for a term of three years and Board members will be eligible for reappointment upon expiry of their term.
- 6.3 The Board will comprise:
  - 6.3.1 Six members appointed by the State Executive of LGA one of whom will be appointed by the Board to be the Presiding Member of the Board; and
  - 6.3.2 Two members nominated by the Government of the State of South Australia, whose appointment will not be unreasonably withheld, and appointed by the State Executive of LGA; and
  - 6.3.3 Two members nominated by the Manager, whose appointment will not be unreasonably withheld, and appointed by the State Executive of LGA.

- 6.4 Every member of the Board may have a deputy nominated by the member who may attend meetings and vote in the absence of the member and otherwise may attend meetings at the invitation of the Board but will not be entitled to vote.
- 6.5 Save for any matter which under the Rules requires a Special Resolution, questions arising at a meeting of the Board shall be decided by Ordinary Resolution.
- 6.6 Six members of the Board including one member appointed under Clause 6.3.2 (or the deputy attending as the case may be) will constitute a quorum for any meeting of the Board.
- 6.7 Members of the Board will be entitled to only one vote on any matter.
- 6.8 Except in special circumstances approved by LGA no payment or other valuable consideration or any other benefit shall be made or given out of the Fund to any member of the Board in respect of that person's performance of duties as a member of the Board or otherwise.
- 6.9 The Board shall report annually to LGA and the Members on all aspects of the operation of the Mutual Scheme for the preceding year.
- 6.10 A member of the Board (including a deputy) will incur no personal liability for an honest act or omission in the performance or purported performance of powers, functions or duties of the Board.
- 6.11 A liability that would, but for Rule 6.10 lie against a member of the Board, lies instead against LGA.

### 7. Fund

- 7.1 LGA shall establish and maintain a Fund to meet the Objectives and for that purpose shall at the commencement of each financial year levy the Members of the Mutual Scheme a contribution to be paid into the Fund at such levels as are determined by LGA to meet:
  - 7.1.1 such Claims as may be made against any one or more of the Members during that year to the extent of the Pooled Cover;
  - 7.1.2 the premium payable to an appropriate indemnity insurer to provide Indemnity Cover for the Members during that year;



- 7.1.3 the operating expenses of the Mutual Scheme for that year;
- 7.1.4 any grants or allocations to Members which LGA in its discretion may make;
- 7.1.5 an administration fee determined by LGA from time to time and payable to LGA for the performance by LGA of its functions and duties under these Rules;
- 7.1.6 any other amount determined by LGA to be required for the continuation of the Mutual Scheme.
- 7.2 Each Claim shall be met:
- 7.2.1 to the extent that the Claim does not exceed the amount of the Pooled Cover, from the Fund;
- 7.2.2 to the extent that the Claim exceeds the amount of the Pooled Cover:
- 7.2.2.1 to the amount of the Pooled Cover, from the Fund;
- 7.2.2.2 thereafter from Indemnity Cover to the extent of that cover;
- 7.2.3 to the extent that the Claim exceeds the amount of the Pooled Cover and the Indemnity Cover;
- 7.2.3.1 to the amount of the Pooled Cover, from the Fund;
- 7.2.3.2 to the amount of the Indemnity Cover, to the extent of that cover; and
- 7.2.3.3 the balance by the Member against which the Claim was made.
- 7.3 The Members must contribute to the Fund in the proportions determined annually by LGA.
- 7.4 LGA shall administer the Fund with the intent that upon the settlement of all Claims made in any financial year:
- 7.4.1 any surplus remaining in the Fund attributable to that year shall be allocated at the absolute direction of LGA toward liabilities of the Fund for any other year whether future or past; and
- 7.4.2 any deficiency in the Fund in that year may be met by additional contributions levied by LGA against each Member for that year in the proportion in which contributions were made to the Fund for that year.
- 8. Management of the Mutual Scheme**
- 8.1 LGA shall engage a Manager upon such terms and conditions as may be determined by LGA.
- 8.2 The Manager's duties shall be specified by LGA from time to time and shall include:
- 8.2.1 the preparation of the annual operating budget;
- 8.2.2 the calculation of contributions in conjunction with actuarial advice;
- 8.2.3 the recommendation of the level of Pooled Cover to be provided in any year;
- 8.2.4 the recommendation of the level of Indemnity Cover in any year;
- 8.2.5 the negotiation of Indemnity Cover on the best terms available;
- 8.2.6 the management of Claims made against each Member including:
- 8.2.6.1 the investigation and assessment of those Claims;
- 8.2.6.2 the preparation of regular reports to LGA or the Board on the progress of Claims and the preparation of recommendations as to the settlement or otherwise of the Claims;
- 8.2.6.3 the issue of instructions to the Mutual Scheme's legal advisers for advice in respect of Claims and for assistance in the defence of Claims;
- 8.2.6.4 the provisions of loss prevention and risk minimisation guidelines;
- 8.2.6.5 the keeping of the accounts of the Fund for each year;
- 8.2.6.6 the preparation of advice and recommendations on the investment of any moneys of the Fund not immediately required;
- 8.2.6.7 the preparation of regular reports to LGA or the Board in such form as LGA or the Board shall from time to time direct in respect of the Fund under its administration as to:
- 8.2.6.7.1 Claims outstanding;
- 8.2.6.7.2 the assessment of liability in respect of each outstanding Claim;

## Scheme Rules

8.2.6.7.3 the ability of the Fund to meet the assessment of liability;

8.2.6.7.4 the assessment of further contributions required, if any;

8.2.6.7.5 the investment of the monies of the Fund not immediately required;

8.2.6.7.6 the allocation of surplus money in the Fund, if any.

8.3 The Manager shall be available at all times to LGA, and to the Board and to any member of the Board, or any member of any committee of the Board or any of the Members to answer any questions on the conduct of the activities of the Mutual Scheme.

### 9. Admission of Claim to Indemnity

LGA shall consider any Claim for which a Member seeks indemnity from the Fund and may in its sole and absolute discretion and either in whole or in part and upon such terms and conditions as LGA may consider appropriate determine whether it will grant indemnity for the Member from the Fund in respect of any such Claim.

### 10. Duties of the Board

10.1 The Board shall be responsible to LGA to the extent of delegated power and within the ambit of its power the duties of the Board shall be:

10.1.1 to achieve and implement the Objectives of the Mutual Scheme;

10.1.2 to ensure from a financial perspective that the Mutual Scheme is viable;

10.1.3 to conduct its business in such manner as is resolved by the Board from time to time;

10.1.4 to determine whether to recommend to LGA the admission of an Eligible Body to membership;

10.1.5 to recommend to LGA any changes to the Rules;

10.1.6 to review the performance and function of the Mutual Scheme.

10.2 The Board shall be responsible to LGA for the financial management of the Mutual Scheme to the extent that it shall:

10.2.1 from time to time undertake an assessment of the Members or any of them and their activities to assist in the determination of the proportion in which the Members are to contribute to the Fund in any year and may upon the conclusion of any such investigation direct the Members or any of them as to the procedures to be adopted by them to prevent losses or to minimise Civil Liability;

10.2.2 annually prepare the financial statements and, where considered necessary, report to LGA and the Members on any items arising from those statements;

10.2.3 annually determine the extent of Civil Liabilities to be indemnified from the Fund;

10.2.4 annually determine the amount of Pooled Cover to be provided for the Members from the Fund;

10.2.5 annually determine the amount and nature of Indemnity Cover to be purchased for the Members from the Fund for any term and to determine the indemnity insurer for this purpose;

10.2.6 be responsible for the assessment of the Members to determine the proportion in which they are to contribute to the Fund in each year.

10.3 The Board shall consider regularly the reports of the Manager in relation to Claims:

10.3.1 shall submit its instructions to the Manager as to any Claim made against the Pooled Cover; and

10.3.2 from time to time shall issue instructions to the Manager to permit the Manager to process those Claims.

10.4 The Board may establish such committees as it considers necessary to be constituted by such persons as the Board may determine to investigate and report to the Board on any matter relevant to the Mutual Scheme.

10.5 The Board shall upon receipt of the recommendation of the Manager prepare and submit to LGA in and for each year during the term of the Mutual Scheme a budget and a financial report which shall deal separately with the following items:

10.5.1 the projected income of the Fund by way of contributions, interest or other sources;

10.5.2 the liabilities of the Fund for estimated Claims and Claims adjustment costs;

10.5.3 the amounts to be allowed to provide for the cost of arranging Indemnity Cover

10.5.4 general and administrative costs to be charged against the Fund;

10.5.5 any grants to be made to a Member or any other person or body for any purpose associated with a Civil Liability of a Member whenever arising.

10.6 The Board may at its discretion alter the amounts to be expended in respect of the items listed in the budget for each year where necessary to meet the purposes of the Mutual Scheme.

10.7 Where it becomes apparent to the Board that for any year the Fund will be insufficient to meet Claims payable from the Fund, the Board must so advise LGA which may at any time require the payment by the Members of an additional contribution in the same proportions as the contribution paid by each of the Members to the Fund for that year in order to ensure that all Claims upon the Fund for that year are able to be met.

## 11. Additional Powers of LGA

11.1 Pooled Cover LGA shall consider granting indemnity with respect to any Civil Liability of a Member from the Fund for a level of Pooled Cover to be determined annually by LGA.

11.2 Indemnity Cover LGA shall authorise the Manager to purchase Indemnity Cover in excess of Pooled Cover to an amount determined by LGA from year to year.

### 11.3 Excess

Each member will be liable for the first amount of any Claim to be known as the "Excess" which shall be determined by LGA. The Excess may be a differential amount for each Member and for each Claim or a combination of both.

### 11.4 Limit of Exposure

Subject to admitting a Claim to Indemnity under Clause 9 a Member's entitlement from the Fund shall never exceed the Pooled Cover for each Claim. Entitlement to claim from Indemnity Cover shall be as contracted by LGA on behalf of all Members. The quantum of any Claim in excess of Indemnity Cover shall be the responsibility of the Member.

### 11.5 Defaulting Member

LGA may by written notice to a Member in default of these Rules exclude that Member from any or a defined entitlement to Pooled Cover or Indemnity Cover.

## 11.6 Special Risks

LGA may by written notice to a Member exclude the Member from any or a defined entitlement to Pooled Cover or Indemnity Cover with respect to a "special risk" of Civil Liability as determined by LGA.

## 11.7 Other Insurance

A Member is not entitled to indemnity from the Pooled Cover for any loss, damage or liability which at the time of the happening of such loss, damage or liability or the Claim for such was otherwise indemnified or insured by or would, but for the existence of this Mutual Scheme be indemnified or insured by any other Policy or Policies of Insurance or otherwise except in respect of any liability beyond the amount which would have been payable under such other Policy or Policies had this Mutual Scheme not been effected. This Rule is to be construed to exclude Claims made with respect to professional indemnity claims and occurrences for all other claims, made or occurring prior to 30 June 1989.

## 12. Claims Procedure

### 12.1 Notice

A Member shall as a condition precedent to a Claim to be indemnified under these Rules and subject to the default provisions as a condition of continued membership forthwith give to the Manager written notice of each of the following:

12.1.1 any circumstance or occurrence of which the Member shall become aware which is likely to give rise to a Claim against the Member for Civil Liability;

12.1.2 any receipt of notice, written or oral, from any person of any intention to make a Claim against the Member; and

12.1.3 any Claim made against the Member whether the quantum of the Claim exceeds the Excess or not.

### 12.2 Not admit liability

A Member shall not admit liability for, compromise, settle or make or promise any payment in respect of any Claim which may be the subject of indemnity hereunder or incur any costs or expenses in connection therewith without the written consent of LGA which if it so wishes shall be entitled to take over and conduct in the name of the Member the defence and/or settlement of any such claim for which purpose the Member shall give all such information and assistance as LGA may reasonably require.

## Scheme Rules

- 12.3 Increase in Risk A Member shall forthwith give to LGA full particulars in writing of any material increase in the risk of any Civil Liability and shall pay such additional contribution and shall comply with such other terms and conditions, if any, as may be reasonably required by LGA in respect of such Civil Liability.
- 12.4 **Fraudulent Claims and False Information**  
If a Member shall make any Claim knowing the same to be false or fraudulent as regards amount or otherwise or shall provide any false information with respect to a Claim the entitlement shall become void and all benefits hereunder relating to that Claim shall be forfeited.
- 12.5 **Continued Support**  
During the continuance of any Claim against a Member which is to be indemnified from the Mutual Scheme the Member shall provide the Board or the Manager with whatever information and support (including technical and professional support if requested) as is requested to enable the adequate investigation, defence and resolution of any such Claim.
- 12.6 **Subrogation**  
Every Member seeking indemnity from the Mutual Scheme shall by membership of the Mutual Scheme have agreed to subrogate to LGA its rights to investigate, defend and resolve any Claim against the Member.
- 12.7 **Special Assistance**  
Any Member requiring special assistance by way of a grant or otherwise to manage any Civil Liability may make written application for such to LGA whereupon LGA shall deal with the matter and in doing so may request any information from the Member and may resolve to refuse the grant, or make the grant on such terms and conditions as it deems appropriate.
- 13. Contributions**
- 13.1 Contributions for each year shall be as determined by LGA having regard to any matter which it determines relevant.
- 13.2 Contributions once paid by a Member to the Fund shall not be recoverable in whole or in part by the Member for any reason.
- 13.3 Contributions by each Member shall be applied by LGA at its discretion toward the accumulation of the Fund, the purchase for and on behalf of each Member (as one of a group of Members of the Mutual Scheme) of Indemnity Cover in respect of Civil Liability of each Member in excess of the level of Pooled Cover and otherwise in furtherance of the objectives of the Mutual Scheme.
- 13.4 Contributions for each Member shall be determined by LGA from year to year and for the purpose of determining the appropriate contribution for each Member, the Member shall provide LGA, the Board and the Manager such information as is required to determine:
- 13.4.1 the history of Civil Liability claims against the Member;
- 13.4.2 operating procedures of the Member in all of its activities; and
- 13.4.3 any other matter requested by LGA, the Board or the Manager.
- 13.5 Additional contributions for any year may be levied by LGA against any Member at any time for any of the following reasons:
- 13.5.1 increasing Pooled Cover in any year;
- 13.5.2 purchasing additional Indemnity Cover in any year;
- 13.5.3 to cover special Civil Liability risks as determined by LGA;
- 13.5.4 to cover increase in risk of Civil Liability of a Member;
- 13.5.5 to compensate the Fund for the actions of a defaulting Member;
- 13.5.6 any other reason determined by LGA by Special Resolution to be a relevant reason.
- 13.6 For the purposes of this Rule the certificate of the Manager of the costs to the Fund of a defaulting Member if accepted by LGA shall be final and binding upon all Members.
- 14. Financial Provisions**
- 14.1 LGA shall in the name of the Mutual Scheme open an account with a Bank of its choice.
- 14.2 LGA may authorise a member of the Board and/or the Manager to operate the bank account.
- 14.3 All moneys received in respect of the Mutual Scheme shall be immediately deposited to the credit of the bank account.
- 14.4 LGA may invest any moneys received and not immediately required to meet the liabilities of the Mutual Scheme:
- 14.4.1 with the Local Government Finance Authority of South Australia;
- 14.4.2 in any security or investment authorised by the Trustee Act; or

14.4.3 in any security or investment authorised by the Local Government Act, 1999 or prescribed for the purposes of that Act.

14.5 LGA may borrow moneys for the objectives of the Mutual Scheme and for that purpose may secure the repayment of such loans by granting security over the assets of the Mutual Scheme and the Fund.

14.6 LGA, the Board and the Manager shall keep or cause to be kept all such accounting records for the Mutual Scheme as fully and correctly explain the transactions and financial position of the Mutual Scheme.

14.7 The accounting records shall be prepared and maintained in such a manner as will enable:

14.7.1 true and fair accounts of the Mutual Scheme to be prepared from time to time; and

14.7.2 the accounts of the Mutual Scheme to be conveniently and properly audited annually.

## 15. Auditor

15.1 LGA shall appoint an auditor to audit the books of account kept in respect of the Mutual Scheme.

15.2 The Members (and the authorised representatives of each of the Members) and the Auditor shall be entitled at all times to have access to the accounting and all other records of the Mutual Scheme.

15.3 The Auditor shall audit the Mutual Scheme's accounting records annually during the currency of the Mutual Scheme or more frequently as LGA may direct.

15.4 The Auditor shall cause a written report to be sent to LGA and the Board on the completion of each annual audit in respect of the accounting records of the Mutual Scheme and other records relating to the accounts prepared therefrom.

15.5 The Auditor's report shall state whether in the Auditor's opinion the accounting records aforesaid have been kept in accordance with generally accepted accounting principles and if the Auditor considers that the records have not been so kept the Auditor shall specify the reason for not being satisfied with them.

## 16. Actuary

16.1 LGA shall appoint an actuary to advise LGA on all aspects of the Mutual Scheme.

16.2 LGA will procure actuarial advice as and when required and at least annually for the purpose of preparing the annual budget.

16.3 The annual actuarial report will be provided to LGA, the Board and the Manager.

## 17. Accumulation

LGA is permitted to accumulate and to retain for purposes consistent with these Rules any money or contributions from Members in any one or more financial year for any purpose consistent with the objectives of the Mutual Scheme.

## 18. Termination of Membership

18.1 A Member may terminate membership of the Mutual Scheme at any time by notice in writing to that effect or by failing to pay contributions levied by LGA within the time prescribed and in such case the Member shall not thereafter be entitled to any benefits which may otherwise have been forthcoming from the Mutual Scheme

18.2 A Member which fails to give at least ninety (90) days written notice of intention to withdraw from the Mutual Scheme or which otherwise fails to comply with time requirements of LGA shall pay to LGA any costs incurred by LGA, the Board or the Manager as a result of such failure and any costs may be recovered by LGA against the Member as a debt.

18.3 Termination of membership of a Member shall not vary or waive the obligations of the continuing Members.

18.4 Termination of membership shall not affect the withdrawing Member's current or subsequent obligation to make further contributions for any year during which the membership was current including the year of termination.

18.5 Membership may be terminated by LGA in the event that a Member:

18.5.1 fails to comply with the reasonable directions of LGA, the Board or the Manager as to the conduct of its operations so as to minimise risk;

18.5.2 fails to allow a risk management audit to be undertaken by the Board or the Manager or by the Manager's nominee;

18.5.3 fails to pay contributions within the time prescribed by LGA;

18.5.4 commits any breach of these Rules.



## Scheme Rules

- 18.6 Termination of membership shall not otherwise affect entitlement to indemnity for any Claim already admitted to indemnity by virtue of Rule 9 nor vary or waive the obligations of the defaulting Member to comply with the provisions of the Rules in respect of any year during which the defaulting Member was a Member of the Mutual Scheme.
- 18.7 If a Member is in default in payment of a contribution or in any other way so that the Fund suffers any financial loss or incurs additional expense LGA may as an alternative to termination under Rule 18.5 require the defaulting Member to pay to the Fund an amount to be determined by LGA to reimburse the Fund for the loss or additional expense. A Certificate of the Manager specifying the amount so payable by the defaulting Member shall be accepted by LGA and shall be final and binding upon the Member. The amount in the Certificate may be recovered against the member by LGA as a debt payable by the defaulting Member.
- 18.8 If a Member fails to comply with a direction under Rule 18.5.1 LGA may as an alternative to termination require the Member to pay an additional contribution to cover the additional risk of Civil Liability or it may exclude that risk of Civil Liability from the Pooled Cover and the Reinsurance Cover or it may otherwise limit the exposure of the Fund and the reinsurer to such Civil Liability.
- 18.9 Subject to compliance with the termination procedures a defaulting Member may have its entitlements to Pooled Cover and Reinsurance Cover limited by the Board under this Rule.
- 18.10 In any situation where membership is terminated or limited LGA shall forthwith provide formal notification of the fact to the Minister responsible for Local Government and to the Treasurer.
- ### 19. Determination of Disputes
- 19.1 If any dispute or difference shall arise between any Member and LGA or any Member and the Board or any Member and the Manager out of or in connection with the operations of the Mutual Scheme then any party may give written notice of dispute which adequately identifies and provides details of the dispute to the other party or parties. Notwithstanding the existence of a dispute the parties shall continue to perform their respective obligations under the Rules.
- 19.2 Within fourteen (14) days after receiving a notice of dispute the parties to the dispute shall confer at least once and in good faith to resolve the dispute or to agree on methods of doing so. All aspects of every such conference, except the fact of the occurrence of the conference, shall be privileged. If one or the other of the parties has not made a reasonable or meaningful attempt at a resolution within 28 days of service of the notice of dispute, that dispute shall be referred to arbitration.
- 19.3 If within a further fourteen (14) days of the dispute being referred to arbitration, the parties have not agreed upon an arbitrator the dispute shall be referred to a solicitor or barrister of the Supreme Court of South Australia appointed for this purpose by the President for the time being of the Law Society of South Australia and all proceedings shall be subject to the provisions of the Commercial Arbitration Act 1986.
- 19.4 Except where the parties to a dispute otherwise agree in writing each party shall bear its own costs and pay one half of the fees and expenses of the arbitration.
- 19.5 The decision of the Arbitrator shall be final and binding upon the parties.
- ### 20. Amendment to Rules
- 20.1 These Rules may be amended at any time by LGA.
- 20.2 Amendments to these Rules shall operate prospectively and not retrospectively.
- 20.3 Notice of any amendment shall be given forthwith to all Members and to the Minister responsible for Local Government and to the Treasurer as long as the reinsurance from the State Government exists.
- ### 21. Term of Mutual Scheme and Termination
- 21.1 The Mutual Scheme will continue until it is terminated by an Act of the Parliament of the State of South Australia.
- 21.2 Upon termination of the Mutual Scheme, unless the Parliament of the State of South Australia determines otherwise, the Fund remaining after satisfying all liabilities will be paid by LGA for the benefit of the members at that time in such manner as is determined by LGA in its absolute discretion.



# Scheme Members



Item 16.1

Attachment 1

## Scheme Members



■ LGAMLS 2016/17 Annual Report ■ LGAMLS Staff and Board Members ■ Chairman's Report ■ Scheme Manager's Report ■ Corporate Governance  
■ Mission Statement ■ Highlights ■ Board Members' Report ■ Abridged Financial Reports ■ Auditor's Report ■ Scheme Rules ■ Scheme Members

## Councils

Adelaide  
Adelaide Hills  
Adelaide Plains  
Alexandrina  
Barossa  
Barunga West  
Berri Barmera  
Burnside  
Campbelltown  
Ceduna  
Charles Sturt  
Clare & Gilbert Valleys  
Cleve  
Coober Pedy  
Coorong  
Copper Coast  
Elliston  
Flinders Ranges  
Franklin Harbour  
Gawler  
Goyder  
Grant  
Holdfast Bay  
(Incl. Alwyndor Nursing Home)  
Kangaroo Island  
Karoonda East Murray  
Kimba  
Kingston  
Light  
Lower Eyre Peninsula  
Loxton Waikerie  
Marion  
Mid Murray

Mitcham  
Mount Barker  
Mount Gambier  
Mount Remarkable  
Murray Bridge (Incl. Lerwin Nursing Home)  
Naracoorte Lucindale  
Northern Areas  
Norwood, Payneham & St Peters  
Onkaparinga  
Orroroo/Carrieton  
Peterborough  
Playford  
Port Adelaide Enfield  
Port Augusta (Incl. Nerrilda Nursing Home)  
Port Lincoln  
Port Pirie  
Prospect  
Renmark Paringa  
Robe  
Roxby Downs  
Salisbury  
Southern Mallee  
Streaky Bay  
Tatiara  
Tea Tree Gully  
Tumby Bay  
Unley  
Victor Harbor  
Wakefield  
Walkerville  
Wattle Range  
West Torrens

Whyalla  
Wudinna  
Yankalilla  
Yorke Peninsula

## Prescribed Bodies

Adelaide Central Market Authority  
Adelaide Hills Region Waste Management Authority  
Adelaide Parklands Authority  
Centennial Park Cemetery Authority  
Central Local Government Region of South Australia  
East Waste Management Authority Inc  
Eastern Health Authority Inc  
Eastern Region Alliance Water  
Eyre Peninsula LGA  
Fleurieu Regional Waste Authority  
Fleurieu Regional Aquatic Centre Authority  
Gawler Flood Plains Management Authority  
Highbury Landfill Authority  
Local Government Association of SA  
Local Government Corporate Services  
Local Government Finance Authority of SA  
Murray and Mallee Local Government Association  
Murray Mallee Community Transport Scheme  
Northern Adelaide Waste Management Authority  
Nuriootpa Centennial Park Authority  
Queen Elizabeth Park Trust Inc  
Rundle Mall Management Authority  
Limestone Coast Local Government Association  
Southern and Hills Local Government Association  
Southern Region Waste Resource Authority





Mutual Liability Scheme

**Local Government Association**  
of South Australia

Level 1, 148 Frome St  
Adelaide SA 5000

GPO Box 1693  
Adelaide SA 5001

T (08) 8235 6444

F (08) 8235 6448



[www.lgrs.com.au](http://www.lgrs.com.au)



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

# 2016/17 Annual Report



[www.lgrs.com.au](http://www.lgrs.com.au)

Item 16.1

Attachment 2





# LGAWCS Annual Report 2016/17

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## LGAWCS Board Members



Mayor Dave Burgess  
*Chairman*



Mr Matt Pinnegar  
*CEO, LGA*

Mayor Dave Burgess Chairman  
(reappointed November 2016)

Mr Matt Pinnegar  
(appointed Sept 2015)

Ms Alex Hart  
(appointed Jan 2016)

Mr Max Amber  
(reappointed Mar 2015)

Ms Helen Macdonald  
(appointed Nov 2016)

Mr Stephen Park  
(appointed Aug 2015)

Mr Bruce Green  
(appointed Mar 2015)

Mr Charles Mansueto  
(reappointed Nov 2016)

Mr Leo Demer  
(reappointed Apr 2016)

Mr Gary Okely  
(reappointed Sept 2016)



Ms Alex Hart  
*Office for State/Local  
Government Relations*



Mr Max Amber  
*Cr, Campbelltown City  
Council*



Ms Helen Macdonald  
*CEO, Naracoorte  
Lucindale Council*



Mr Bruce Green  
*Mayor, City of Port  
Lincoln*



Mr Stephen Park  
*State Government  
Public Sector Workforce*



Mr Charles Mansueto  
*GM, Business Excellence  
City of Salisbury*



Mr Leo Demer  
*Local Government  
Risk Services*



Mr Gary Okely  
*Local Government  
Risk Services*

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## LGAWCS Staff

Tony Gray – General Manager, Local Government Risk Services

### Claims

Jeanette Hullick – Claims Manager / LGA Authorised Officer

Matthew Barton – Team Leader, Claims

Kirsty Gold – Team Leader, Claims

Trevor Beare – Senior Claims Consultant

Rammy Sandhu – Senior Claims Consultant

Maria Silvestri – Senior Claims Consultant

Louise Ward – Senior Claims Consultant

Elle Sharp – Claims Consultant

### Return To Work (RTW)

Trudi Ng – RTW Manager

Gowri Ravikumar – Senior RTW Consultant

Brenda Moore – Senior RTW Consultant

Francine Bruzzaniti – RTW Consultant

Rebecca Wynne – RTW Consultant

Karen McNeeley – RTW Consultant

Karen Prior – RTW Consultant

### Regional Risk Coordinators

Alan Walker – Regional Risk Coordinator

Deb Glasson – Regional Risk Coordinator

Bob Raymond – Regional Risk Coordinator

Cazz Nitschke – Regional Risk Coordinator

David Jaunay – Regional Risk Coordinator

Jo Calliss – Regional Risk Coordinator

Julie Beaton – Regional Risk Coordinator

Melissa Cox – Regional Risk Coordinator

Rob Castle – Regional Risk Coordinator

### Work Health & Safety (WHS)

Stevie Sanders – WHS & Risk Manager

Colleen Green – WHS Consultant

Vicky Smith – WHS Consultant

Jodie Wells-Smith – WHS Consultant

### Procedure Validation Team

Andrea Morrison

Craig Milnes



# Chairman's & Scheme Manager's Reports



■ LGAWCS 2016/17 Highlights ■ LGAWCS 2016/17 Chairman's Report ■ Chairman's Report ■ Scheme Manager's Report ■ Corporate Governance  
■ Highlights ■ Board Members Report ■ Shareholder Information ■ LGAWCS Support ■ Scheme Rules ■ Scheme Members

## Chairman's report

I have great pleasure in presenting this annual report for the year ending 30 June 2017. I am pleased to report that the first year of our fourth decade has begun with excellent results on many fronts and provides support and expectation that this great local government Scheme will continue to work closely with and through all Councils across South Australia.



**Dave Burgess**  
Chairman

The partnership between Councils and the Scheme has delivered a record low number of new claims this year. This has progressed significant new initiatives in the Work, Health & Safety field with establishing the new SkyTrust WHS and risk database, a Procedures Validation team and process, providing WHS Interactive Court Simulation experiences at various locations across the state, and continuing a capacity building program to assist all Councils to have a trained WHS person on staff.

There has been significant Council support for the project to review the needs of an Ageing Workforce along with the highly valued Healthy Lifestyle program that has provided thousands of Health Checks and Skin Cancer Screenings on site for Local Government employees every year since 1999. There have been numerous examples of this program identifying critical health concerns and issues that have proved to be both lifesaving and life enhancing. A wonderful long running Scheme initiative for our employees!

*The partnership between Councils and the Scheme has delivered a record low number of new claims this year, and progressed significant new initiatives in the Work, Health & Safety field.*

It provides great satisfaction to the Board to be able to oversee such a successful Scheme that is able to deliver back into the local government community the above initiatives at no direct cost in most cases to individual Scheme Members due to the financial success of the Scheme's ongoing practices.

The 2017FY has continued to provide challenges with just the second year of the new Return to Work legislation in place, the Scheme undergoing its regular and rigorous licence review by the regulator, RTWSA, and all the while Councils are working hard to maintain and develop their services to their communities. Indeed, much of the 2017FY has been taken up with the licence renewal process involving several nominated Councils in the Partnership program between LGAWCS & RTWSA which was completed mid-year.

*I am extremely proud to advise that we have received advice (after June 30) from RTWSA that the LGA will be granted a five-year self-insurance licence renewal term (from late 2017) based on the rigorous review of the LGAWCS' injury management and RTW systems and practices and similarly for the WHS systems and practices.*

This is a wonderful achievement and a vast amount of credit must go to the Partnership Councils involved (Kingston District Council, City of Mitcham and Port Augusta City Council).

I particularly appreciate the positive leadership of the Scheme staff led by WHS Manager, Stevie Sanders and Claims Manager, Jeanette Hullick in guiding our Members through this renewal, and in working closely with Council management in this process. Both have required an enormous amount of work for members and the LGAWCS Board has been very mindful of this in continuing to support assistance programs for Members to implement their safety systems.

As always, there are many contributors to the success of this Scheme. First I must acknowledge the Councils' ongoing support, contributions and participation with the Scheme to consistently address and resolve the very many challenges that arise.

We also recognise the role of our two major unions, in the Australian Workers Union and the Australian Services Union each of which has been supportive since the early days of the LGAWCS.

Most importantly, Local Government has been fortunate to maintain a very productive partnering relationship with Return To Work SA and we look forward to its continuation.

Finally, I must recognise the commitment of the LGRS staff serving the LGAWCS for their diligence and skill in assisting Scheme Members, their senior management and injured workers to navigate the return to work and safety management processes so productively. Similarly, I wish to thank the Board Members and Scheme management for their support and assistance to me in my role as Chairman.

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## Scheme Manager's report

It's been another outstanding year for the Local Government Association Workers Compensation Scheme (LGAWCS), with the LGAWCS again delivering excellent financial results with significant Rebates declared to Members, achieving sound Accumulated Reserves, and as advised by the independent Scheme Actuary has saved local government some \$251M over the years through being self-insured.



**Tony Gray**  
LGAWCS Scheme Manager

The LGAWCS continues to deliver strong results for Scheme Members amidst a challenging economic and industrial climate that continues to test Councils in this critical and challenging aspect of workforce management.

Through the strong financial results, and guided by the Accumulated Surplus policy, the LGAWCS Board was able to declare a record Special Distribution for the Scheme of \$3M (which forms part of a combined Special Distribution of \$6M from the LG Risk Schemes). It reflects the ongoing performance of reducing claims exposures for the LGAWCS working in partnership with Councils and other Scheme Members.

Although the LGAWCS has delivered outstanding results, it has been both a challenging and demanding year. Throughout 2016-17 the LGAWCS and its staff and RTWSA partnership Councils have been preparing for the self-insurance licence renewal assessment which commenced in earnest in April 2017. The assessment is extremely comprehensive involving an extensive review of the LGAWCS Injury Management and Claims systems as well as an audit of the safety systems of three Councils; City of Mitcham, Kingston District Council and Port Augusta City Council.

I am excited and proud to advise that after the 30th of June on the 11th of September 2017, Return to Work SA (RTWSA), approved the renewal of registration as a self-insured employer for the LGA of South Australia for a 5 year period. This is the maximum term available, which emphasises the significant progress that the sector has made in the development and adoption of standardised, functional safety systems during the term of the current 3 year agreement.

*"This represents an outstanding achievement for Local Government; with conservative actuarial estimates projecting that self-insurance has saved the sector over \$251M. Importantly, 2016-17 also saw a record low number of new Workers Compensation claims, emphasising the advancements the sector has made in providing employees with a safe work environment."*

This fantastic result is the culmination of several years hard work from all Members and the LGAWCS. I would like to highlight the contributions of a few specific Members of the LGAWCS team, Stevie Sanders, Jeanette Hullick, Matt Barton, Kirsty Gold, Trudi Ng, Colleen Green, Jodie Wells-Smith, Deb Glasson & Julie Beaton. They worked tirelessly with the Partnership Council Audit sites in preparation for the evaluation.

The 5 year licence does not come without conditions and a commitment to on-going continuous improvement. So it is imperative that we all celebrate this outcome, but also make sure that we maintain the necessary focus over the next 5 years to retain the current momentum.

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Further highlights from 2017FY include:

- Delivery of a record \$12.1M in performance rebates to Members.
- Delivery of an operating surplus of \$27.1M as at June 2017, an increase of \$2.17M on last year.
- Receipt of an unqualified opinion from the financial Auditors.
- Achieved a record low number of new claims incurred (\$27) as at end of June, the lowest on record, and 8% lower than the previous year.
- Achieved a 22% reduction in the total cost of Claims paid and a 12.5% reduction in Lost Time Injuries per million hours worked.
- Continued to deliver on-site to every Council, the highly regarded Healthy Lifestyle program, including the valuable Skin Cancer Screening program, reaching over 3000 employees annually.
- Continued to reward Councils adopting a sound risk management approach through ongoing support and systems based assessments attracting bonus payments.
- Continuing to support Regional Members through the employment of nine Regional Risk Coordinators, in an ongoing joint initiative with the LGA Mutual Liability Scheme.
- Embraced technology by moving to a paperless claims lodgement process, and use of "Go To" meeting format for regional claims meetings. The Scheme also funded the licensing of the SkyTrust Risk Management solution which has been actively endorsed by the sector with 55 Members adopting the program at the time of writing.

The Healthy Lifestyle program continues to evolve and deliver value to Members. In 2017FY, over 1600 Health Assessments and 3000 Skin Cancer Screenings were delivered to Local Government employees. Participation in the program is voluntary and all results are kept confidential. These early assessments are potentially lifesaving, and are clearly appreciated by Council staff. Of particular note is that of the 3000 Skin Screenings conducted, 8.3% were referred on for further assessment, highlighting the value of the program.

The Scheme values innovation and continuous improvement in return to work and workplace safety initiatives and this is well demonstrated by the \$60,000 of Award prizes granted to successful Scheme Member applicants this year. This excellent program has been running since 1999, and since then over \$800,000 has been distributed to Members as incentive for sharing improvements across the Local Government sector.

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*The Scheme and its Members have been very well served by a diligent and largely stable (in these modern times) group of staff, and I acknowledge and thank them for their ongoing commitment and dedication to the interests of the Scheme and its Members.*

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## Corporate Governance

The Local Government Association Workers Compensation Scheme (LGAWCS) is established by the Local Government Association of South Australia (LGA) and operates for and on behalf of local government and its operating authorities including Councils, their subsidiaries and the LGA.

Sound governance principles are important for the Board to establish the framework for how it oversees the LGAWCS to achieve operational objectives, fulfil legislative requirements, recognise and manage risk and undertake effective decision making.

The Board will embrace governance principles to ensure that accountability and integrity are evident from the manner in which LGAWCS performs its functions. The adopted principles provide a practical approach whilst achieving flexibility and efficiency in a challenging and ever changing operating environment to protect the interests of the LGA and Scheme Members.

### Role of the Board

The Board is responsible to administer the Scheme for and on behalf of the LGA in line with its delegated authorities contained within the Scheme Rules. In general terms, the Board is responsible for:

- Providing and monitoring strategic direction
- Establishing financial targets and monitoring performance
- Compliance with applicable laws and regulation
- Effective management of risks
- Protection and optimisation of LGAWCS assets

Regular reports on these items are provided to the LGA.

### Role of the Scheme Manager

The Scheme Manager has delegated authorities, agreed with the Board and the LGA that enables effective management of the LGAWCS operations. In general terms, the Scheme Manager is responsible for:

- Administering the Scheme
- Preparation of financial budgets, reports and contributions
- Compliance with applicable laws, regulations and codes of conduct
- Effective management of risks and claims
- Regular reports to the LGA and LGAWCS Board
- Regular liaison with the Executive Director of LGA

### Composition of the Board

The Board is to be comprised of Members with appropriate skills, experience and attributes appropriate for the Scheme and its activities.

The Board Membership comprises qualified people, representing Local Government, State Government and the Scheme Manager. In terms of the LGAWCS Rules the Board comprises ten Members with nine Members being non-executive and the Fund Manager being the only Executive Member appointed to the Board. The LGAWCS Rules require the Board to comprise:-

- Six Members nominated by the LGA, one of whom will be the Presiding Member.
- Two Members are nominated by the Government of the State of SA.
- Two Members nominated by the Manager

Membership of the Board will be for a term of three years and Membership can be renewed at the expiration of the member's term.

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The Board meets regularly and its performance is overseen by the Presiding Member (Chairman). The Board is focussed on managing the Scheme's:

- Strategic direction
- Financial targets and performance
- Identification and control of risk
- Regulatory compliance

To assist it to discharge its duties the Board regularly considers external actuarial, audit and legal advice. The LGAWCS's strategic issues, financial plans and business plans are reviewed annually by the Board. The Board receives updates and forecasts throughout the year from the Scheme Manager.

#### Remuneration and Personal Liability of Board Members

Except in special circumstances approved by LGA, no payment or other valuable consideration or other benefit shall be made or given out to any member of the Board in respect of that person's performance of duties as a member of the Board or otherwise.

A member of the Board (including a deputy) will incur no personal liability for an honest act or omission in the performance or purported performance of powers, functions or duties of the Board.

A liability that would, but for this immunity lie against a member of the Board, lies instead against the LGA.

#### Monitoring LGAWCS Results

The Board is responsible to monitor the performance of the LGAWCS and undertakes this by:

- Quarterly reviews of operational, financial, investment and corporate performance
- Establishment and review of an annual budget
- Receiving advice from an independent Actuary and independent Auditor
- Annual review of LGAWCS strategic results and objectives

The Scheme Manager and RTWSA also implement an audit regime to ensure Members comply with the required safety and injury management standards.

#### Regulation

The LGAWCS operates as a scheme established under Schedule 1 of the Local Government Act 1999 and must comply with this legislation. The LGAWCS must also comply with the various requirements of the Return To Work Act 2014 and all relevant performance standards determined by RTW Corporation under the Code of Conduct for Self-insured Employers.

#### Actuarial Review

Since its inception, the LGAWCS has established that its liabilities and financial performance are to be assessed by an independent actuary. The external actuary is involved in outstanding claim reviews, assessment of unearned contributions, setting contributions and assessing outstanding claim reserves. A peer review of Actuarial advice is conducted at least three yearly. The external actuary is to be from an organisation which is not associated with the external auditor.

#### Audit Reviews

An independent external auditor is appointed by the Board of LGAWCS to audit the financial statements at 30 June each year. The external auditor is required to report to the Board and is required to meet the Board annually following completion of the audit. The external auditor is to be from an organisation which is not associated with the external actuary.

#### Business Risks

The LGAWCS identifies business risks through its annual strategic planning and quarterly performance monitoring processes. In line with RTWSA requirements and the assessment of business risk exposures, the Board safeguards its risk exposure by purchasing reinsurance protection where appropriate.

## 2016/17 Highlights

Together Local Government Risk Services (LGRS) and the Local Government Association (LGA) pioneered Australia's self-insurance mutual fund concept within Local Government with the establishment of the Local Government Association Workers Compensation Scheme (LGAWCS). This changed the Local Government risk landscape in South Australia for the better, as Councils and Risk Schemes partnered to improve the safety of the working environment for all employees.



**\$27.1M**

**NET FUND RESERVES**

A \$2.17M increase on last year



**25,000 Hours**

**OF PREVENTATIVE RISK AND WHS SERVICES**

Delivered to sector through WHS & Risk Consultants



**\$1M**

**SPECIAL DISTRIBUTIONS**

Paid in 2016/17



**\$3M**

**SPECIAL DISTRIBUTIONS**

Approved for payment in 2017/18



**\$12.1M**

**REBATES RETURNED TO MEMBERS**

Up from \$11.4M last year

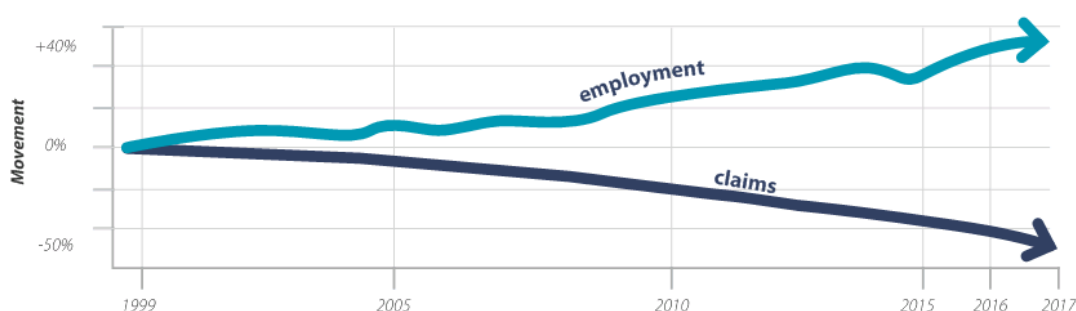


**22% Reduction**

**IN TOTAL CLAIMS COST**

## Employment VS Claims Summary 2016/17

Claims numbers at an all-time LOW of 527



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## Claims and RTW Highlights

Managing claims for 30 years for the Local Government sector, our specialist injury management team carries with them a wealth of knowledge, experience and skill base that is committed to providing effective services to Members.



### Aim

Our Members can be assured the Local Government Association Workers Compensation Scheme (LGAWCS) aims to deliver effective claims results and outcomes.



**527**

**NEW CLAIM NUMBERS RECEIVED**

Down 7.9% from 572 in 2016FY



**4,058**

**TOTAL DAYS LOST**

Down 9.8% from 4,500 days in 2016FY



**\$6,149**

**AVERAGE COST PER CLAIM**

\$4,776 in 2016FY



**12.5%**

**REDUCTION IN LOST TIME INJURIES**



**22% Reduction**

**IN TOTAL COST OF CLAIMS**

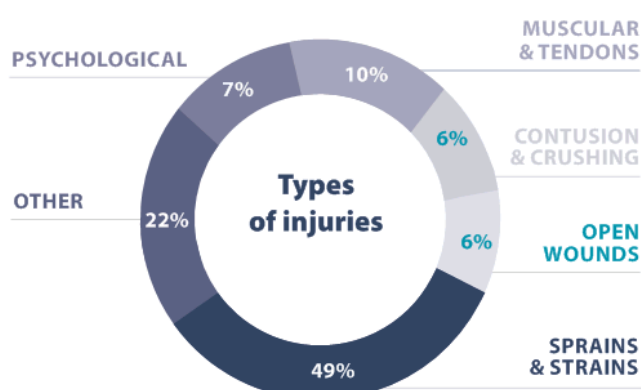
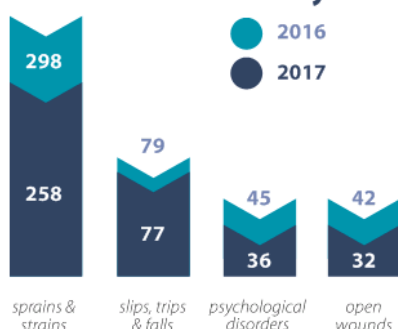
Compared to 2016FY



**90% of Claims**

**MADE A FULL RETURN TO WORK IN 2017**

### Reduction in types of claims summary



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## Training and Prevention Program Highlights

The LGAWCS allows Scheme Members to benefit from sound planning and effective delivery of key strategies resulting in a strong financial performance built on the back of strong systems established in injury management, return to work and work health and safety.



### Aim

**The LGAWCS values innovation and continuous improvement in return to work and workplace initiatives.**

#### Skytrust

Skytrust was implemented to assist Members to collate and centrally analyse incidents and near misses that occur to meet the reporting requirements of RTWSA. The cloud based management system aims to effectively identify and target trends for new programs within the industry as part of the PSSI. It offers a holistic approach to Members software needs relating to risk - particularly the process applied to keeping Local Government workers safe.



**80%**  
**MEMBERS**

Implemented the system



**78%**  
**MEMBERS**

Undertook training and receive ongoing support

#### The Safety Leadership Program

The Safety Leadership Program has been specifically developed to deliver a nationally recognised Certificate IV in WHS for Local Government employees. Upon successful completion of the course, participants also have six units of competency towards the nationally recognised Certificate IV in Leadership and Management. This initiative aims to produce organisational leaders in WHS with clear and documented skills (which are externally recognised and transferable) in the application of the Local Government WHS Management system at the Council level.



**5**  
**COURSES**

Run to date



**31**  
**PARTICIPANTS**

To date



**\$108,500+**  
**VALUE OF COURSES**

Delivered to sector

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### Interactive Court Simulations

LGAWCS Interactive Court Simulations were developed together with SafeWork SA and experienced WHS Partner from Sparke Helmore Lawyers, Luke Holland. This scheme funded program delivered Interactive Court Simulation scenarios with commentary explaining the critical points and highlighted the potential interpretations and consequences of answers given by witnesses providing Council staff an insight into the aftermath of a serious workplace incident.



**8**

**INTERACTIVE COURT SIMULATIONS**

Across metro and regional SA to date



**364**

**LOCAL GOVERNMENT EMPLOYEES**

Participated



**+ 120**

**LOCAL GOVERNMENT PARTICIPANTS**

At LGRS Risk Management Conference

### First Aid Readiness Initiative

This initiative is aimed to identify the level of first aid readiness across the Local Government sector and to assist Members in meeting their first aid obligations to provide a safe workplace, the LGAWCS funded a series of first aid training courses for Councils in 2017 through leading first aid provider, St John. Not only did this offer help Members reduce their costs, but most importantly it improved workplace safety by having more employees trained in first aid.



**34**

**COURSES**

Held to date



**80%**

**COUNCILS**

Participated in the program



**\$54,088**

**RRP VALUE**

Of courses delivered to the sector



**Over 400**

**EMPLOYEES**

Received First Aid training

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## Healthy Lifestyle Program Highlights

The Healthy Lifestyle Program aims to improve the health awareness and health outcomes of Local Government employees and assist to reduce injury incidence and improve injury outcomes. Various program components combine to have a positive impact on the overall health and wellbeing of thousands. Empowering employees to reduce health risks, we encourage more Council employees to actively participate in this Scheme funded program.



### HEALTHY LIFESTYLE PROGRAM

100% COUNCIL PARTICIPATION



### HEALTH ASSESSMENTS

1651 HEALTH ASSESSMENTS COMPLETED IN THE LAST YEAR



### HEALTH COACHING

212 EMPLOYEES TOOK PART IN HEALTH COACHING

A 45% INCREASE IN PARTICIPATION COMPARED TO LAST YEAR



### SKIN SCREENINGS

3027 SKIN SCREENINGS COMPLETED

239 NON-URGENT REFERRALS

12 URGENT REFERRALS

8.3% REFERRAL RATE

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## DEMOGRAPHIC BREAKDOWN

AVERAGE AGE: 43.9 YEARS

GENDER BREAK DOWN : 56.9 % MALE VS 43.1% FEMALE

67.4% INDOOR | 25.6% OUTDOOR | 7% BOTH



## BOWEL SCREENING KITS

276 BOWEL SCREENING KITS DISTRIBUTED TO DETECT SIGNS OF BOWEL CANCER



## EXECUTIVE HEALTH EVALUATIONS

29 HEALTH EVALUATIONS COMPLETED

38.1% INCREASE IN PARTICIPANTS COMPARED TO LAST YEAR



## ONLINE PROGRAM

AS OF FEBRUARY 2017, THE ONLINE WELLBEING HUB HAS BEEN TRANSFERRED TO THE LGRS MEMBERS PORTAL

TO DATE, 540 ACTIVE USERS OF THE ONLINE PROGRAM



## HELPING YOUR MATES PROGRAM

LAUNCHED FEBRUARY 2017

646 EMPLOYEES PARTICIPATED TO DATE



# Abridged Financial Reports



## Board Members' Report

The Board members present their report together with the financial report of Local Government Association Workers Compensation Scheme (LGAWCS) for the year ended 30 June 2017 and the auditor's report thereon.

### Board Members

The Board members of the Scheme at any time during or since the end of the financial year are:

**Dave Burgess** (reappointed Nov 2016)

**Matt Pinnegar** (appointed Sept 2015)

**Max Amber** (reappointed Mar 2015)

**Leo Demer** (reappointed Apr 2016)

**Gary Okely** (reappointed Sept 2016)

**Charles Mansueto** (reappointed Nov 2016)

**Stephen Park** (appointed Aug 2015)

**Alex Hart** (appointed Jan 2016)

**Helen Macdonald** (appointed Nov 2016)

**Bruce Green** (appointed Mar 2015)

### Principal Activities

The Scheme is a mutual risk product which offers discretionary indemnity and injury management service to its members in respect of their potential and actual liabilities that arise under the provisions contained in the Return to Work Act 2014 (RTW Act). These services are provided to Local Government in South Australia, and include the provision of claims management, return to work and work health and safety management services, to minimise the occurrence of worker compensation liabilities.

### Review and Results of Operations

The operating surplus for the 2017FY amounted to \$3,264,766 (2016FY: \$890,584). In 2018FY, the LGAWCS provided rebates against contributions, totalling \$12,102,204 (2017FY: rebate provided against contributions was \$11,431,330).

During the 2017 financial year the Scheme made a special distribution of \$1,000,000 to Members. (2016: \$1,000,000)

### State of Affairs

In the opinion of the board members, there were no significant changes in the state of affairs of the Scheme during the financial year under review.

### Environmental Regulation

The Scheme's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Scheme has adequate systems in place for the management of its environment requirements and is not aware of any breach of those environmental requirements as they apply to the Scheme.

### Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature has arisen, in the opinion of the board members of the Scheme, likely to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

### Likely Developments

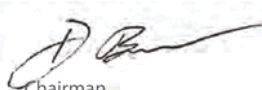
Information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years has not been included in this report.

### Indemnification & insurance of directors & officers

Scheme Rule 6.10 states that a member of the Board (including a deputy) will incur no personal liability for an honest act or omission in the performance or purported performance of powers, functions or duties of the Board.

Scheme Rule 6.11 states that a liability that would, but for Rule 6.10 lie against the member of the Board, lie instead against the Local Government Association of South Australia (LGA).

Signed in accordance with a resolution of the Board members

  
Chairman  
Dave Burgess

  
Fund Manager  
Gary Okely

Adelaide, 11th September 2017

## Operating Disclosures

Local Government Association Workers  
Compensation Scheme Annual abridged  
financial report 30 June 2017

### Relationship of the abridged financial report to the full financial report

The abridged financial report is an extract from the full financial report for the year ended 30 June 2017. The financial statements and specific disclosures included in the abridged financial report have been derived from the full financial report.

The abridged financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Local Government Association Workers Compensation Scheme as the full financial report. Further information can be obtained from the full financial report.

The full financial report and auditor's report will be sent to members on request, free of charge. Please call (08) 8235 6460 and a copy will be forwarded to you. Alternatively, you can access the full financial report on the secure section of the LGA website at [www.lga.sa.gov.au](http://www.lga.sa.gov.au)

### Board Members' declaration

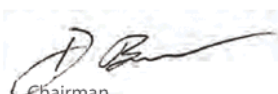
The abridged financial report has been derived from the audited full financial report of Local Government Association Workers' Compensation Scheme for the year ended 30 June 2017 in accordance with accounting policies described in Note 1 to the audited full financial report. The abridged financial report should be read in conjunction with the audited full financial report, available upon request free of charge.

In the directors' opinion, the abridged financial report is consistent with the audited full financial report of the Scheme for the year ended 30 June 2017 and presents fairly the Scheme's financial position as at 30 June 2017 and its performance for the financial year ended on that date.

There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Board.

Dated in Adelaide this 11th day of September 2017.

  
Chairman  
Dave Burgess

  
Fund Manager  
Gary Okely

# Statement of Comprehensive Income

For the year ended 30 June 2017

	Notes	2017	2016
		\$	\$
Member contributions		22,231,322	21,476,332
Catastrophe insurance		(1,320,560)	(1,254,035)
<b>Net member contribution revenue</b>		<b>20,910,762</b>	<b>20,222,297</b>
Net claims expense	1(b)	(10,163,862)	(12,881,023)
Scheme manager expense		(2,252,494)	(2,192,800)
<b>Scheme result</b>		<b>8,494,406</b>	<b>5,148,474</b>
Investment and other income		1,340,464	1,395,854
Other administration expenses	1(a)	(6,570,105)	(5,653,744)
<b>Operating surplus/(deficit)</b>		<b>3,264,765</b>	<b>890,584</b>
<b>Total operating surplus/(deficit) for the year attributable to Local Government Association Workers' Compensation Scheme</b>		<b>3,264,765</b>	<b>890,584</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.



## Statement of Financial Position

For the year ended 30 June 2017

	Note	2017	2016
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	2	4,902,043	1,371,575
Receivables		8,139,927	25,004,788
Financial assets at fair value through profit or loss		17,051,786	41,291,673
<b>Total Current Assets</b>		<b>30,093,756</b>	<b>67,668,036</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss		24,210,105	-
<b>Total Non-Current Assets</b>		<b>24,210,105</b>	<b>-</b>
<b>Total Assets</b>		<b>54,303,861</b>	<b>67,668,036</b>
<b>Current liabilities</b>			
Payables		1,043,198	2,589,228
Outstanding claims liability	3	9,150,765	7,994,968
Unearned member contribution liability		6,889,094	22,338,492
<b>Total Current Liabilities</b>		<b>17,083,057</b>	<b>32,922,688</b>
<b>Non-current liabilities</b>			
Catastrophe margin		85,000	85,000
Outstanding claims liability	3	10,034,216	9,823,524
<b>Total Non-Current Liabilities</b>		<b>10,119,216</b>	<b>9,908,524</b>
<b>Total Liabilities</b>		<b>27,202,273</b>	<b>42,831,212</b>
<b>Net Assets</b>		<b>27,101,588</b>	<b>24,836,824</b>
<b>Equity</b>			
Retained earnings		27,101,588	24,836,824
<b>Total Equity</b>		<b>27,101,588</b>	<b>24,836,824</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

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## Statement of changes in total accumulated funds

For the year ended 30 June 2017

	2017	2016
	\$	\$
Total accumulated funds at the beginning of the year	24,836,823	24,946,240
Surplus for the year	3,264,765	890,584
Special distribution	(1,000,000)	(1,000,000)
Total accumulated funds at the end of the year	27,101,588	24,836,824

The above statement of changes in total accumulated funds should be read in conjunction with the accompanying notes.

## Statement of cash flows

For the year ended 30 June 2017

	Note	2017	2016
		\$	\$
<b>Cash flows from operating activities</b>			
Member contributions received (inclusive of GST)		24,438,854	23,611,608
Outward reinsurance premium paid		(1,432,420)	(1,365,904)
Claims payments		(8,797,373)	(14,096,074)
Payment to suppliers (inclusive of GST)		(11,055,422)	(9,819,378)
Interest received		1,376,829	1,548,947
<b>Net cash (outflow) from operating activities</b>		<b>4,530,468</b>	<b>(120,801)</b>
<b>Cash flows from investing activities</b>			
Payments for investments		-	(283,003)
<b>Net cash (outflow) from investing activities</b>		<b>-</b>	<b>(283,003)</b>
<b>Cash flows from financing activities</b>			
Special distribution paid		(1,000,000)	(1,000,000)
<b>Net cash (outflow) from financing activities</b>		<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>3,530,468</b>	<b>(1,403,804)</b>
Cash and cash equivalents at the beginning of the financial year		1,371,575	2,775,379
Cash and cash equivalents at end of year	2	4,902,043	1,371,575

The above statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

For the year ended 30 June 2017

### Note 1 - Operating surplus

(a) Expenses

	2017	2016
	\$	\$
<i>Operating surplus has been arrived at after charging the following items</i>		
Actuarial fees	56,155	45,233
Audit fees	33,150	33,150
Bank and guarantee fees	33,733	25,863
Health & wellbeing	653,479	619,432
Industrial, legal & consulting fees	506,585	491,769
Injury management legislative compliance	118,541	138,214
Legal fees	12,080	3,461
General expenses	47,892	16,987
Rent	212,903	208,054
Regional risk management fees	987,650	939,900
Sponsorship & promotion	123,524	81,987
Seminars	-	4,417
Subscriptions	24,244	6,735
OHS core system development	1,404,133	860,455
Development fund	206,777	141,235
RTWSA levy	1,358,398	1,284,000
Loss control fees	774,124	740,874
Board meeting expenses	1,326	7,489
Risk Management Fees	15,411	4,489
	<b>6,570,105</b>	<b>5,653,744</b>



## Notes to the Financial Statements

For the year ended 30 June 2017

### Note 1 - Operating surplus

(b) Net claims expense

#### Direct business

Current period claims relate to risk borne in the current financial year. Prior period amounts relate to a reassessment of the risks borne in all previous financial years.

2017	Current year	Prior years	Total
	\$	\$	\$
Gross claims expense			
Gross claims and related expenses - undiscounted	12,508,636	(2,235,105)	10,273,531
Gross claims and related expenses - discount	(239,509)	129,840	(109,669)
Gross claims and related expenses - discounted	12,269,127	(2,105,265)	10,163,862
Net claims incurred	12,269,127	(2,105,265)	10,163,862

2016	Current year	Prior years	Total
	\$	\$	\$
Gross claims expense			
Gross claims and related expenses - undiscounted	10,076,983	2,516,506	12,593,489
Gross claims and related expenses - discount	(148,556)	436,091	287,535
Gross claims and related expenses - discounted	9,928,427	2,952,597	12,881,024
Net claims incurred	9,928,427	2,952,597	12,881,024

#### Note 2 - Cash and Cash Equivalents

	2017	2016
	\$	\$
Cash at bank and in hand	524,943	283,882
Term investments less than 3 months to maturity	4,377,100	1,087,693
	<b>4,902,043</b>	<b>1,371,575</b>

#### Note 3 - Outstanding claims liability

	2017	2016
	\$	\$
Central estimate (A)	16,214,161	14,998,441
Discount to present value	(685,579)	(575,909)
	<b>15,528,582</b>	<b>14,422,532</b>
Claims handling cost (B)	458,900	426,214
	<b>15,987,482</b>	<b>14,848,746</b>
Risk margin (C)	3,197,496	2,969,749
<b>Gross outstanding claims liability</b>	<b>19,184,978</b>	<b>17,818,495</b>
Gross claims incurred - undiscounted (A + B + C)	<b>19,870,557</b>	<b>18,394,404</b>
Current	9,150,765	7,994,968
Non - current	10,034,216	9,823,524
	<b>19,184,981</b>	<b>17,818,492</b>

#### Risk margin

Process used to determine the risk margin:

The risk margin is an additional allowance for uncertainty in the ultimate cost of claims. The Board determines the overall margin adopted after considering the uncertainty in the portfolio, industry trends and the Scheme's risk appreciation.

To determine the margin adopted the actuary concluded that a risk margin of 20% would be reasonable, if the Scheme was to have approximately 75% probability of its claim provisions proving reliable.

The risk margin is added to the central estimate of net outstanding claims liability.

# Auditor's Report

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## *Independent auditor's report on the summary financial statements*

To the Board members of Local Government Association Workers' Compensation Scheme

### *Our opinion*

In our opinion, the summary financial statements are consistent in all material respects, with the audited financial report, in accordance with the basis of preparation described in Note 4 to the audited financial report.

### *What we have audited*

The summary financial statements are derived from the audited financial report of Local Government Association Workers' Compensation Scheme for the year ended 30 June 2017. The summary financial statements comprise:

- the summary statement of financial position as at 30 June 2017
- the summary statement of comprehensive income for the year then ended
- the summary statement of changes in total accumulated funds for the year then ended
- the summary statement of cash flows for the year then ended
- the related notes to the audited financial report of Local Government Association Workers' Compensation Scheme for the year then ended
- Board members' declaration.

### *Summary financial statements*

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards applied in preparation of the audited financial report of the Local Government Association Workers' Compensation Scheme. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report of Local Government Association Workers' Compensation Scheme and the auditor's report thereon.

### *The audited financial report and our report thereon*

We expressed an unmodified audit opinion on the audited financial report in our report dated 11 September 2017.

### *Basis of accounting and restriction on distribution and use*


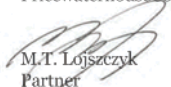
We draw attention to Note 4 to the summary financial statements, which describes the basis of accounting. The summary financial statements have been prepared to assist Local Government Association Workers' Compensation Scheme to meet the requirements of users. As a result, the summary financial statements may not be suitable for another purpose. Our report is intended solely for the members of Local Government Association Workers' Compensation Scheme.

### *Board members' responsibility for the summary financial statements*

The Board members of the Scheme are responsible for the preparation of the summary audited financial report in accordance with the basis of preparation described in Note 4.

### *Auditor's responsibility*

Our responsibility is to express an opinion whether the summary financial statements are consistent, in all material respects, with the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

  
PricewaterhouseCoopers  
  
M.T. Lojszczyk  
Partner

Adelaide  
11 September 2017



# Scheme Rules

■ LGAWCS 2016-17 Annual Report ■ LGAWCS Staff and Board Members' Report ■ Chairman's Report ■ Scheme Manager's Report ■ Scheme Financial Reports ■ Auditor's Report ■ Scheme Rules

# Scheme Rules

## 1. Operation of Rules

These Rules operate from 4.00 pm on 30 June 2005.

## 2. Definitions

In these Rules, the following words have the meanings given to them:

- 2.1 "Board" means the Board of Management appointed by LGA in accordance with these Rules.
- 2.2 "Claim" means any claim made upon a Member by an employee in respect of a compensable disability under the Workers' Rehabilitation and Compensation Act 1986, or a claim by another entity seeking recovery from a Member in respect of a compensable disability by any person.
- 2.3 "Fund" means the fund established and maintained in accordance with these Rules.
- 2.4 "LGA" means the Local Government Association of South Australia which for the purposes of the Workers' Scheme is the "Nominated Employer" pursuant to Section 60(7) of the Workers' Rehabilitation and Compensation Act 1986 ("the Act") and for the purposes of these Rules and any decision making by LGA under these Rules is the State Executive of the Local Government Association of South Australia.
- 2.5 "Manager" means the Manager appointed in accordance with these Rules.
- 2.6 "Member" means:
  - 2.6.1 Local Government Association of South Australia (LGA);
  - 2.6.2 CPA Pty Ltd;
  - 2.6.3 The Local Government Finance Authority of South Australia;
  - 2.6.4 Local Government Superannuation Board;
  - 2.6.5 All Councils and Subsidiaries constituted pursuant to the provisions of the Local Government Act 1999;
  - 2.6.6 Any other body so prescribed by the provisions of any Act of Parliament;
  - 2.6.7 Any other entity admitted to the membership of the Workers' Scheme by the LGA.

- 2.7 "Ordinary Resolution" means a resolution passed with the majority of the votes of all persons present and entitled to vote at the meeting at which the resolution is put.
- 2.8 "Special Resolution" means a resolution passed with the unanimous vote of all persons present and entitled to vote at the meeting at which the resolution is put.
- 2.9 "the Act" means the Workers' Rehabilitation and Compensation Act 1986, and any Act of Parliament in addition to or in substitution for that Act.
- 2.10 "Workers' Scheme" means The Local Government Association Workers' Compensation Scheme first established in 1994 and conducted pursuant to the Local Government Act 1999 and in accordance, with these Rules.

## 3. Delegation

- 3.1 LGA may delegate any power, function or duty under these Rules to the Board subject to such limitations and conditions as may be determined by LGA.
- 3.2 LGA may revoke or amend a delegated power, function or duty at any time by giving written notice to that effect to the Board.
- 3.3 Subject only to any limitations or conditions in the delegation the Board in exercising delegated power will be empowered under these Rules as if it were the LGA.
- 3.4 Any other power, function or duty to be delegated by LGA to the Board will be as determined by LGA and notified in writing to the Board.

## 4. Objectives

- 4.1 The objectives of the Workers' Scheme are to provide to Members assistance in respect of their potential and actual liabilities for any Claim for the rehabilitation of and/or payment of compensation to an employee or any other person so entitled for compensable disabilities under the Act and including but without limiting the generality of the foregoing to provide.
  - 4.1.1 advices in respect of minimising the risk of occurrence and severity of all compensable disabilities;
  - 4.1.2 assistance in the administration, investigation and resolution of any Claim;

## Scheme Rules

4.1.3 assistance in the rehabilitation of employees suffering from compensable disabilities;

4.1.4 legal representation in respect of any Claim;

4.1.5 financial assistance by way of discretionary grants in respect of Member liabilities for the rehabilitation and compensation of all employees suffering from compensable disabilities.

### 5. Membership

5.1 The entities defined in Rule 2.6 are by the adoption of these Rules Members of the Workers' Scheme.

5.2 LGA may from time to time on the recommendation of the Board and by Special Resolution admit to membership of the Workers' Scheme any other entity which makes application to LGA and agrees to be bound by these Rules.

5.3 In exercising discretion to admit an entity to membership of the Workers' Scheme, LGA may take into account any matter which it considers relevant.

5.4 In respect of each financial year during the operation of the Workers' Scheme, the Members shall be those entities which have been admitted to membership and have paid all moneys levied in respect of their membership for that financial year ("contribution").

5.5 Payment of a contribution by a Member shall be evidence of the Member's agreement to be bound by these Rules.

### 6. The Board

6.1 LGA will maintain a Board to administer the Workers' Scheme in the pursuit of the objectives for and on behalf of LGA and the Members of the Workers' Scheme.

6.2 Membership of the Board will be for a term of three years which can be renewed from time to time.

6.3 The Board will comprise:

6.3.1 Six members nominated by the LGA one of whom will be appointed by the Board to be the Presiding Member of the Board;

6.3.2 Two members nominated by the Government of the State of South Australia; and

6.3.3 Two members nominated by the Manager.

6.4 Every member of the Board may have a deputy nominated by the Board member and approved by the LGA who may attend meetings participate fully in the meeting and vote in the absence of the Board member and otherwise may attend meetings at the invitation of the Board but will not then be entitled to vote.

6.5 Save for any matter which under the Rules requires a Special Resolution, questions arising at a meeting of the Board shall be decided by Ordinary Resolution.

6.6 Six members of the Board including one Board member appointed under Clause

6.3.2 (or the deputy attending as the case may be) will constitute a quorum for any meeting of the Board.

6.7 Members of the Board will be entitled only to one vote on any matter.

6.8 Except in special circumstances approved by LGA no payment or other valuable consideration or any other benefit shall be made or given out of the Fund to any member of the Board in respect of that person's performance of duties as a member of the Board or otherwise.

6.9 The Board shall report annually to LGA and the Members on all aspects of the operation of the Workers' Scheme for the preceding year.

6.10 A member of the Board (including a deputy) will incur no personal liability for an honest act or omission in the performance or purported performance of powers, functions or duties of the Board.

6.11 A liability that would, but for Rule 6.10 lie against a member of the Board or a deputy, lies instead against LGA which will fully indemnify the member of the Board and a deputy for any such liability.

### 7. Fund

7.1 LGA shall maintain a Fund to meet the objectives of the Workers' Scheme and for that purpose shall at the commencement of each financial year levy the Members of the Workers' Scheme a contribution to be paid into the Fund at such levels as are determined by LGA to meet:

7.1.1 such Claims as may be made against any one or more of the Members during that year;

- 7.1.2 such Claims as may have been made against any one or more of the Members during any previous year and which at the commencement of these Rules and any new financial year have not been settled;
- 7.1.3 the operating expenses of the Workers' Scheme for that year;
- 7.1.4 any grants or allocations to Members which LGA in its discretion may make or intends to make;
- 7.1.5 the cost to LGA of performing its responsibilities under the Workers' Scheme;
- 7.1.6 any other amount determined by LGA to be required for a contribution to the Workers' Scheme.
- 7.2 The Members must contribute to the Fund in the proportions and the amounts determined annually by LGA.
- 7.3 LGA shall administer the Fund with the intent that upon the settlement of all Claims made in any financial year:
- 7.3.1 any surplus remaining in the Fund attributable to that year shall be allocated at the absolute direction of LGA toward liabilities of the Fund for any other year whether future or past; and
- 7.3.2 any deficiency in the Fund in that year may be met by additional contributions levied by LGA against each Member for that year in the proportion in which contributions were made to the Fund by each Member for that year.
- 8. Powers, Duties & Functions of LGA**
- 8.1 LGA shall be empowered for and on behalf of the Members of the Workers' Scheme to do all the following things namely:
- 8.1.1 levy Members for differential contributions to the Fund;
- 8.1.2 invest all contributions received from Members of the Workers' Scheme;
- 8.1.3 expend the contributions and income earned comprising the Fund of the Workers' Scheme in respect of each financial year in and towards:
- 8.1.3.1 the general administration of the Workers' Scheme;
- 8.1.3.2 assistance to Members by way of any advices in respect of their potential and actual liabilities in respect of compensable disabilities;
- 8.1.3.3 assistance to Members in respect of the rehabilitation of employees suffering from compensable disabilities;
- 8.1.3.4 assistance to Members in the administration, investigation and resolution of Claims;
- 8.1.3.5 legal representation for Members in respect of any Claims;
- 8.1.3.6 financial assistance by way of grants to Members in respect of their liabilities to rehabilitate and compensate employees suffering from compensable disabilities;
- 8.1.3.7 the cost to LGA of performing its responsibilities under the Workers' Scheme; and
- 8.1.3.8 such other expenses determined by LGA to be necessarily incidental to the proper functioning of the Workers' Scheme.
- 8.2 LGA may make such additional rules to be observed by a Member or the Members as it may deem fit with respect to the terms and conditions upon which a Member or Members will be eligible for assistance from the Workers' Scheme provided that no such rule shall be made in terms inconsistent with these Rules and further provided that no such rule shall operate and take effect in respect of any Member until a copy thereof shall have been served upon such Member or Members.
- 8.3 LGA will enter into all such agreements for and on behalf of Members of the Workers' Scheme as are necessary for or incidental to, the proper administration of the Workers' Scheme in the pursuit of its objectives.
- 8.4 LGA will carry out all such investigation of such things and make all submissions to such bodies as LGA may deem to be necessary for or incidental to, the proper administration of the Workers' Scheme in the pursuit of its objectives.



## Scheme Rules

### 9. Admission of Claim to Indemnity

LGA shall consider any Claim for which a Member seeks indemnity from the Fund and may in its sole and absolute discretion and either in whole or in part and upon such terms and conditions as LGA may consider appropriate determine whether it will grant indemnity and assistance for the Member from the Fund in respect of any such Claim.

### 10. Management of the Scheme

10.1 LGA must engage a Manager upon such terms and conditions as may be determined by LGA.

10.2 The Manager's duties shall be specified by LGA from time to time and shall include:

10.2.1 carrying out such duties with respect to the management and administration of the Workers' Scheme for and on behalf of LGA as LGA may deem fit from time to time;

10.2.2 keeping records of all activities for and on behalf of the Workers' Scheme;

10.2.3 the preparation of the annual operating budget;

10.2.4 the calculation of contributions in conjunction with actuarial advice;

10.2.5 the management of Claims made against each Member including:

10.2.5.1 the investigation and assessment of those Claims;

10.2.5.2 the preparation of regular reports to LGA or the Board on the progress of Claims and the preparation of recommendations as to the settlement or otherwise of the Claims;

10.2.5.3 the issue of instructions to the Workers' Scheme legal advisers for advice in respect of Claims and for assistance in the defence of Claims;

10.2.5.4 the keeping of the accounts of the Fund for each year;

10.2.5.5 the preparation of advice and recommendations on the Investment of any moneys of the Fund not immediately required;

10.2.5.6 the preparation of regular reports to LGA or the Board in such form as LGA or the Board shall from time to time direct in respect of the Fund under its administration as to:

(a) Claims outstanding;

(b) the assessment of liability in respect of each outstanding Claim;

(c) the ability of the Fund to meet the assessment of liability;

(d) the assessment of further contributions required, if any;

(e) the investment of the moneys of the Fund not immediately required; and

(f) the allocation of surplus moneys in the Fund, if any.

10.2.6 the conduct of any investigation or audit of the activities of a Member so as to identify and assess risk, to give Notice to a Member to take action to minimise risk and to report to the Board the outcome of such investigation or audit including detail of any Notice given by the Manager to a Member and the Member's response to such Notice.

10.3 The Manager shall be available at all times to LGA, and to the Board and to any member of the Board, any member of any committee of the Board and the Members to answer any questions on the conduct of the activities of the Workers' Scheme.

10.4 The Manager shall be entitled to payment of a Management Fee for the performance of its duties.

### 11. Duties of the Board

11.1 The Board shall be responsible to LGA to the extent of delegated power and within the ambit of its power the duties of the Board shall be:

11.1.1 to achieve and implement the objectives of the Workers' Scheme;

11.1.2 to ensure from a financial perspective that the Workers' Scheme is viable;

- 11.1.3 to conduct its business in such manner as is resolved by the Board from time to time;
- 11.1.4 to determine whether to recommend to LGA to admit an entity to membership of the Workers' Scheme;
- 11.1.5 to recommend to LGA any changes to the Rules;
- 11.1.6 to review the performance and function of the Workers' Scheme.
- 11.2 The Board shall be responsible to LGA for the financial management of the Workers' Scheme to the extent that it shall:
- 11.2.1 from time to time undertake an assessment of Members or any of them and their activities to assist in the determination of the proportion in which the Members are to contribute to the Fund in any year and may upon the conclusion of any such investigation direct the Members as to the procedures to be adopted by them to prevent claims or to minimise risks;
- 11.2.2 annually prepare the financial statements and, where considered necessary, report to LGA and the Members on any items arising from those statements;
- 11.2.3 be responsible for the assessment of the Members to determine the proportion in which they are to contribute to the fund in each year.
- 11.2.4 be responsible for the investment of monies of the Fund not immediately required and the allocation of surplus monies in the Fund.
- 11.3 The Board shall consider regularly the reports of the Manager in relation to Claims and,
- 11.3.1 shall submit its instructions to the Manager as to any Claim made against a Member seeking indemnity from the Fund; and
- 11.3.2 from time to time shall issue instructions to the Manager to permit the Manager to process those Claims.
- 11.4 The Board may establish such committees as it considers necessary to be constituted by such persons as the Board may determine to investigate and report to the Board on any matter relevant to the Workers' Scheme.
- 11.5 The Board shall upon receipt of the recommendation of the Manager prepare and submit to LGA in and for each year during the term of the Workers' Scheme a budget and a financial report which shall deal separately with the following items:
- 11.5.1 general and administrative costs to be charged against the Fund;
- 11.5.2 the projected income of the Fund by way of contributions interest or other sources;
- 11.5.3 the liabilities of the Fund for estimated Claims and Claims adjustment costs;
- 11.5.4 any grants to be made to a Member or any other person or body for any purpose associated with a Claim on a Member whenever arising.
- 11.6 The Board may at its discretion alter the amounts to be expended in respect of the items listed in the budget for each year where necessary to meet the purposes of the Workers' Scheme;
- 11.7 Where it becomes apparent to the Board that for any year the Fund will be insufficient to meet Claims payable from the Fund, the Board should so advise LGA which may at any time require the payment by the Members for that year of an additional contribution in the same proportions as the contribution paid by each of the Members to the Fund for that year in order to ensure that all Claims upon the Fund for that year are able to be met.

## 12. Additional Powers of the LGA

### 12.1 Excess

Each Member will be liable for the first amount of any Claim to be known as the "Excess" which shall be determined by LGA. The Excess may be a differential amount for each Member and for each Claim or a combination of both.

### 12.2 Defaulting Member

LGA may by written notice to a Member in default of these Rules exclude that Member from any or a defined entitlement to indemnity from the Fund for a particular year or years.

## Scheme Rules

### 12.3 Special Risks

LGA may by written notice to a Member exclude a Member from any or a defined entitlement to indemnity from the Fund for a Claim in respect of a "special risk" as determined by LGA.

### 12.4 Other Insurance

A Member is not entitled to indemnity from the Fund for any Claim for which, at the time of the happening of the event giving rise to the Claim, the Member was otherwise indemnified or insured by or would, but for the existence of this Workers' Scheme be indemnified or insured by any other Policy or Policies of Insurance or otherwise, except in respect of any liability beyond the amount which would have been payable under such other Policy or Policies had this Workers' Scheme not been in existence.

### 12.5 Failure to Notify and False Notification

12.5.1 Where a Member fails to notify the Manager as required by Rules 13.1 and 13.3 or breaches Rule 13.2 or submits a false claim or provides false information contrary to Rule 13.4 or fails to comply with any requirement or Notice issued pursuant to Clause 15, the LGA may (in lieu of terminating the membership of the defaulting Member pursuant to Rule 20 and in addition to any other power under these Rules) levy an additional contribution to be paid by a defaulting Member or remove any benefit which may otherwise have accrued to the benefit of the Member under these Rules either as a penalty for the default or as a condition precedent for the Claim against the Member to be considered for indemnity from the Fund.

12.5.2 A decision by LGA to levy an additional contribution against a Member in default, or to remove any benefit in lieu of termination of membership or any other sanction, does not preclude LGA from exercising the power to terminate the membership of the defaulting Member if there is any repeat of the default or failure by the Member to adequately address the issue of concern identified by LGA (including the payment of the additional contribution) or any other relevant performance or risk management issue.

## 13. Claims Procedure

### 13.1 Notice

A Member shall, as a condition precedent for a Claim to be indemnified under these Rules and subject to the default provisions as a condition of continued entitlement to the benefits of membership, forthwith give to the Manager written notice of each of the following:

13.1.1 any circumstance or occurrence of which the Member shall become aware or should reasonably be aware which is likely to give rise to a Claim;

13.1.2 receipt of any notice, written or oral, from any person of any intention to make a Claim; and

13.1.3 every Claim whether the quantum of the Claim exceeds the Excess or not.

### 13.2 Not admit liability

A Member shall not admit liability for, compromise, settle or make or promise any payment in respect of any Claim which may be the subject of indemnity hereunder or incur any costs or expenses in connection therewith without the written consent of LGA which if it so wishes shall be entitled to take over and conduct in the name of the Member the defence and/or settlement of any such Claim for which purpose the Member shall give all such information and assistance as LGA may reasonably require.

### 13.3 Increase in Risk

A Member shall forthwith give to LGA full particulars in writing of any material increase in the risk of any Claim or liability and shall pay such additional contribution and shall comply with such other terms and conditions, if any, as may be required by LGA in respect of such Claims or liability.

### 13.4 Fraudulent Claim and False Information

If a Member shall submit a Claim for indemnity from the Fund knowing the claim to be false or fraudulent as regards amount or otherwise or shall provide any false information with respect to a Claim the entitlement to indemnity from the Fund shall become void and all benefits hereunder relating to that Claim shall be forfeited.

#### 13.5 Continued support

During the continuance of any Claim which is to be indemnified from the Fund the Member shall provide the Board or the Manager with whatever information and support (including technical and professional support if requested) as is requested to enable the adequate investigation defence and resolution of any such Claim.

#### 13.6 Subrogation

Every Member seeking indemnity from the Fund shall by membership of the Workers' Scheme have agreed to subrogate to LGA its rights to investigate, defend and resolve any Claim.

#### 13.7 Special Assistance

Any Member requiring special assistance by way of a grant or otherwise to manage any Claim may make written application for such to LGA whereupon LGA shall deal with the matter and in doing so may request any information from the Member and may resolve to refuse the grant or make the grant on such terms and conditions as it deems appropriate.

### 14. Contributions

14.1 Contributions for each year shall be as determined by LGA having regard to any matter which it determines relevant. Contributions so determined must be paid by each Member as requested by the LGA.

14.2 Contributions once paid by a Member to the Fund shall not be recoverable in whole or in part by the Member for any reason, including in the event of the expulsion of a Member from the Workers' Scheme, the early termination of membership, a decision by LGA not to indemnify a claim or to impose a condition for indemnity, or a decision to not renew membership of the Workers' Scheme for any year.

14.3 Contributions by each Member shall be applied by LGA at its discretion toward the accumulation of the Fund and otherwise in furtherance of the objectives of the Workers' Scheme.

14.4 Contributions for each Member shall be determined by LGA from year to year and for the purpose of determining the appropriate contribution for each Member the Member shall provide LGA, the Board and the Manager such information as is required to determine:

14.4.1 the history of Claims against the Member;

14.4.2 operating and risk management procedures of the Member in all of its activities; and

14.4.3 any other matter requested by LGA, the Board or the Manager.

14.5 Additional contributions for any year may be levied by LGA against any Member or Members or all of the Members at any time for any of the following reasons:

14.5.1 to compensate the Fund for the actions of a defaulting Member or Members;

14.5.2 to compensate the Fund for additional risk, non-compliance with a request resulting in a loss to the Fund, or the failure by a Member to abide by a reasonable direction of LGA, the Board or Manager;

14.5.3 to satisfy the requirements of Rule 12.5; and

14.5.4 any other reason determined by LGA by special resolution to be a relevant reason.

14.6 For the purposes of these Rules the certificate of the Manager regarding the cost to the Fund of a default by a Member if accepted by LGA shall be final and binding upon all Members as the cost to be paid by the Member.

14.7 LGA may on the recommendation of the Manager and having regard to the advice of an Actuary, operate a "bonus/penalty" scheme and the Members shall be bound to accept such a decision by LGA.

### 15. Member's Obligations

15.1 The primary obligation of a Member is to comply strictly with the technical requirements, and the spirit and intent of the Workers' Scheme Rules so as to ensure the integrity and viability of the Workers' Scheme which has been established as a discretionary mutual indemnity scheme for the benefit of all Members.



## Scheme Rules

- 15.2 In the spirit of mutual obligation every Member must not only comply with the technical requirements of the Workers' Scheme Rules and the directions of LGA, the Board and/or the Manager but must also respect the spirit and intent of the Workers Scheme by ensuring that timely and comprehensive notification is given to the Manager of any incident, circumstance or matter which may give rise to a Claim or be a circumstance or matter which may be a risk capable of causing a compensable disability to any person, and by ensuring that adequate risk management and prevention strategies are put in place so as to absolutely minimise the risk of such a claim or compensable disability to any person.
- 15.3 It is also the obligation of every Member to notify the Manager in advance of any activity to be undertaken by a Member or by any other person on a Member's premises or under a Member's control or influence which has by its nature a risk profile which is different to the risk profile of the usual and known activities of the Member, that is, usual activities of the Member actually known about by the Manager.
- 15.4 The Manager may at any time undertake a risk management audit of a Member's activities, including those activities over which a Member has control or influence, and every Member is obliged to fully and honestly assist the Manager to conduct such an audit by providing the Manager with all information as requested by the Manager and by giving the Manager access to all property, premises, records and any other material requested by the Manager for the purposes of the audit.
- 15.5 A Member must modify or cease activities which the Board or the Manager determine to be an unacceptable risk and about which the Manager has issued a Notice to the Member.
- 15.6 A Member must comply with any Notice given by LGA, the Board or the Manager under these Rules.
- 16. Financial Provisions**
- 16.1 LGA shall in the name of the Workers' Scheme open an account with a Bank of its choice.
- 16.2 LGA may authorise the Manager to operate the bank account.
- 16.3 All moneys received in respect of the Workers' Scheme shall be immediately deposited to the credit of the bank account.
- 16.4 The Manager may invest any moneys received and not immediately required to meet the liabilities of the Workers' Scheme:
- 16.4.1 with the Local Government Finance Authority; of South Australia;
- 16.4.2 in any security or investment authorised by the Trustee Act; or
- 16.4.3 in any security or investment authorised by the Local Government Act 1999 or prescribed for the purposes of that Act.
- 16.5 LGA may borrow moneys for the objectives of the Workers' Scheme and for that purpose may secure the repayment of such loans by granting security over the assets of the Workers' Scheme and the Fund.
- 16.6 LGA, the Board and the Manager shall keep or- cause to- be kept all such accounting records for the Workers' Scheme as fully and- correctly explain the transactions and financial position of the Workers' Scheme.
- 16.7 The accounting records shall be prepared and maintained in such a manner as will enable:
- 16.7.1 true and fair accounts of the Workers' Scheme to be prepared from time to time; and
- 16.7.2 the accounts of the Workers' Scheme to be conveniently and properly audited annually.
- 17. Auditor**
- 17.1 LGA shall appoint an auditor to audit the books of account kept in respect of the Workers' Scheme and the Fund.
- 17.2 The LGA and the Auditor shall be entitled at all times to have access to the accounting and all other records of the Workers' Scheme.
- 17.3 The Auditor shall audit the Workers' Scheme's accounting records annually during the currency of the Workers' Scheme or more frequently as LGA may direct.

17.4 The Auditor shall cause a written report to be sent to LGA and the Board on the completion of each annual audit in respect of the accounting, records of the Workers' Scheme and other records relating to the accounts prepared therefrom.

17.5 The Auditor's report shall state whether in the Auditor's opinion the accounting records aforesaid have been kept in accordance with generally accepted accounting principles and if the Auditor considers that the records have not been so kept the Auditor shall specify the reason for not being satisfied with them.

## 18. Actuary

18.1 LGA shall appoint an actuary to advise LGA on all aspects of the Workers' Scheme.

18.2 LGA will procure actuarial advice as and when required and at least annually for the purpose of preparing the annual budget.

18.3 The annual actuarial report will be provided to LGA, the Board and the Manager.

## 19. Accumulation

LGA is permitted to accumulate and to retain for purposes consistent with these Rules any money or contributions from Members in any one or more financial year for any purpose consistent with the objectives of the Workers' Scheme.

## 20. Termination of Membership

20.1 A Member may terminate membership of the Workers' Scheme at any time by notice in writing to that effect delivered to LGA or by failure to pay a contribution, an additional contribution, or costs levied by LGA within the time prescribed and in such case the Member shall not thereafter be entitled to any benefits which may otherwise have been forthcoming from the Workers' Scheme for both past, present and future claims.

20.2 A Member which fails to give at least ninety (90) days written notice of intention to withdraw from the Workers' Scheme or which otherwise fails to comply with time requirements of LGA shall pay to LGA any costs incurred by LGA, the Board or the Manager as a result of such failure and any such costs may be recovered by LGA against the Member as a debt.

20.3 Termination of membership of a Member shall not vary or waive the obligations of the continuing Members.

20.4 Termination of membership of any Member shall not affect any other Member's current or subsequent obligation to make further contributions for any year nor does it affect the terminated Members obligations to make payment previously levied at a time when the membership was current.

20.5 Membership may be terminated by LGA in the event that a Member:

20.5.1 fails to comply with any Notice issued under these Rules or the reasonable directions of LGA, the Board or the Manager as to the conduct of its operations so as to minimise Claims and the risk of exposure to Claims or compensable disability of any person;

20.5.2 fails to allow and/or accommodate a risk management audit to be undertaken by the Manager;

20.5.3 fails to pay contributions additional contributions, costs and penalties within the time prescribed by LGA;

20.5.4 commences or continues to undertake an activity which in the opinion of LGA is an activity which should not be undertaken or continued by the Member because it creates an unreasonable risk for the Member and the Workers' Scheme;

20.5.5 conducts its activities in such a way as to put at risk the self insurance status of LGA and the Members under the Act;

20.5.6 fails to notify LGA of any incident which may give rise to a claim or;

20.5.7 commits any other breach of these Rules, and, such termination is effective forthwith upon the decision being made by LGA or on such other later date as is determined by LGA whereupon the Member is thereafter from the date of the decision of LGA not entitled to any benefits of Membership under the Workers' Scheme.

20.6 Termination of membership shall not otherwise affect entitlement to indemnity for any Claim already admitted to indemnity by virtue of Rule 9 nor vary or waive the obligations of the defaulting Member to comply with the provisions of the Rules in respect of any year during which the defaulting Member was a member of the Workers' Scheme.

## Scheme Rules

20.7 If a Member is in default in payment of a contribution an additional contribution or the payment of costs or penalty or in any other way so that the Fund suffers or is likely to suffer any financial loss or incur additional expense LGA may as an alternative to termination under Rule 20.5 require the defaulting Member to pay to the Fund an amount to be determined by LGA to reimburse the Fund for the loss or additional expense. A Certificate of the Manager specifying the amount so payable by the defaulting Member shall if accepted by LGA be final and binding upon the Member. The amount in the Certificate may be recovered against the member by LGA as a debt payable by the defaulting Member.

20.8 If Member fails to comply with a Notice or direction under Rule 20.5, LGA may in its absolute discretion as an alternative to termination require the Member to pay an additional contribution to the Fund as compensation for the default.

20.9 The LGA may on the recommendation of the Board terminate a Member's membership of the Workers' Scheme at any time during a year.

20.10 A decision by LGA to terminate membership of any Member is final and binding on all Members, including the terminated Member.

20.11 In any situation where membership is terminated or limited LGA shall forthwith provide formal notification of the fact to the Minister responsible for Local Government and the Minister responsible for Employment Relations.

### 21. Determination of Disputes other than Termination of Membership

21.1 If any dispute or difference (other than a decision of LGA on recommendation of the Board to terminate a membership) shall arise between any Member, and LGA, the Board or the Manager out of or in connection with the operations of the Workers' Scheme such difference or dispute shall:

21.1.1 first be referred for resolution to the Executive Director of the LGA, the Chief Executive Officer of the Member and the Manager, and failing that;

21.1.2 shall be referred to arbitration in Adelaide by a Solicitor or Barrister of the Supreme Court of South Australia appointed for this purpose by the President for the time being of the Law Society of South Australia, and the submission to arbitration and all proceedings thereunder shall be subject to the provisions of the Commercial Arbitration Act 1986; and

21.1.3 except where the parties to a dispute otherwise agree in advance in writing each party shall bear its own costs and each shall pay one half of the fees and expenses of the arbitration.

21.2 The decision of the arbitrator shall be final and binding upon the parties to the arbitration.

### 22. Amendment of Rules

22.1 These Rules may be amended at any time by LGA.

22.2 Amendments to these Rules shall operate prospectively and not retrospectively.

22.3 Notice of any amendment shall be given forthwith to all Members and to the Minister responsible for Local Government and the Minister responsible for Employment Relations.

22.4 Amendments will be binding on all Members from the date of their adoption by LGA.

### 23. Term of Workers' Scheme and Termination

23.1 The Workers' Scheme will continue until it is terminated by an Act of the Parliament of the State of South Australia.

23.2 Upon termination of the Workers' Scheme, unless the Parliament of the State of South Australia determines otherwise, the Fund remaining after satisfying all liabilities will be paid by LGA for the benefit of the Members at that time in such manner as is determined by LGA in its absolute discretion for the purpose of minimising the risk of claims arising in the future.

## Scheme Members



■ LGAWCS Annual Report ■ LGAWCS Staff and Board Members ■ Chairman's Report ■ Scheme Manager's Report ■ Corporate Governance  
■ Highlights ■ Board Members' Report ■ Abridged Financial Reports ■ Auditor's Report ■ Scheme Rules ■ Scheme Members



## Scheme Members



■ LGAWCS 2016/17 Annual Report ■ LGAWCS Staff and Board Members ■ Chairman's Report ■ Scheme Manager's Report ■ Corporate Governance  
■ Highlights ■ Board Members' Report ■ Abridged Financial Reports ■ Auditor's Report ■ Scheme Rules ■ Scheme Members

## Councils

Adelaide  
Adelaide Hills  
Adelaide Plains  
Alexandrina  
Barossa  
Barunga West  
Berri Barmera  
Burnside  
Campbelltown  
Ceduna  
Charles Sturt  
Clare & Gilbert Valleys  
Cleve  
Coober Pedy  
Coorong  
Copper Coast  
Elliston  
Flinders Ranges  
Franklin Harbour  
Gawler  
Goyder  
Grant  
Holdfast Bay (Incl. Alwyndor Nursing Home)  
Kangaroo Island  
Karoonda East Murray  
Kimba  
Kingston  
Light  
Lower Eyre Peninsula  
Loxton Waikerie

Marion  
Mid Murray  
Mitcham  
Mount Barker  
Mount Gambier  
Mount Remarkable  
Murray Bridge (Incl. Lerwin Nursing Home)  
Naracoorte Lucindale  
Northern Areas  
Norwood, Payneham & St Peters  
Onkaparinga  
Orroroo/Carrieton  
Peterborough  
Playford  
Port Adelaide Enfield  
Port Augusta (Incl. Nerrilda Nursing Home)  
Port Lincoln  
Port Pirie  
Prospect  
Renmark Paringa  
Robe  
Roxby Downs  
Salisbury  
Southern Mallee  
Streaky Bay  
Tatiara  
Tea Tree Gully  
Tumby Bay  
Unley  
Victor Harbor

Wakefield  
Walkerville  
Wattle Range  
West Torrens  
Whyalla  
Wudinna  
Yankalilla  
Yorke Peninsula

## Prescribed Bodies

Adelaide Hills Region Waste Management Authority  
Centennial Park Cemetery Authority  
East Waste Management Authority Inc  
Eastern Health Authority Inc  
Eyre Peninsula LGA  
Fleurieu Regional Waste Authority  
Local Government Association of SA  
Local Government Corporate Services  
Local Government Finance Authority of SA  
Local Government Professionals SA  
Local Government Systems Inc  
Murray Mallee Community Transport Scheme  
Northern Adelaide Waste Management Authority  
Nuriootpa Centennial Park Authority  
Limestone Coast Local Government Association  
Southern Region Waste Resource Authority  
Alwyndor (Holdfast Bay)  
Lerwin Nursing Home (Murray Bridge)  
Nerrilda Nursing Home (Port Augusta)



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

Level 1,148 Frome St  
Adelaide SA 5000

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Adelaide SA 5001

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# INFORMATION REPORT

## AUDIT COMMITTEE MEETING

**31 January 2018**

**Office of the Chief Executive Officer**

### Internal Audit Plan Status Update and Other Audits / Reviews (D18/613)

#### Background

An internal audit program has been established to provide the Audit Committee (Committee) with confidence in the internal control practices and procedures across Council. The purpose of this report is to provide the Committee with a progress update in relation to the delivery of the 3 Year Internal Audit Plan for the Financial Years Ending 2017-2019 (Internal Audit Plan), which is provided as Attachment 1.

#### Status of internal audit program

An overview of the scheduled internal audits from the Internal Audit Plan are listed below:

#### 2016-2017 Financial Years Internal Audit Projects:

<b>Audit Engagement</b>	<b>Status</b>	<b>Comments</b>
Review of major projects (project risk assessments)	In progress	Scoping document completed Audit date to be established
Compliance Process – Environmental Health	Completed	Presented at the September 2017 Committee meeting
Recruitment	Completed	Presented at the September 2017 Committee meeting
Credit Card Controls and Operations	Completed	Presented at the March 2017 Committee meeting
VicRoads	Completed	Presented at the October 2016 Committee meeting
Procurement Practices (Quotations)	Completed	Report to be presented at the January 2018 Committee meeting



**2017-2018 Financial Years Internal Audit Projects:**

<b>Audit Engagement</b>	<b>Status</b>	<b>Comments</b>
Review of major projects (topic yet to be further refined)	Not yet commenced	N/A
Strategic Planning	In progress	Draft Scoping document completed, awaiting review from stakeholders
Children and Vulnerable Persons Safe Environment	In progress	Draft Scoping document completed, awaiting review from stakeholders
Rates	In progress	Evaluation of Request for Quote submissions underway
Credit Card Controls and Operations	In progress	Scoping completed
VicRoads	Completed	Audit report submitted to the Audit Committee at the September 2017 meeting
Procurement Practices	In progress	Scoping completed and draft Report with Management for approval

**Overview of the internal audit process**

Steps in performing the internal audit process include:

- Developing the Internal Audit Plan – developing or reviewing a plan which provides guidance into the types of audits that are intended to be undertaken within the specified timeframe
- Planning the internal audit process and associated schedule – following the Internal Audit Plan, the scoping of document which confirms with the relevant stakeholders the extent of the identified internal audit and approximate timeline
- Engaging a provider to undertake the internal audit (if relevant)– if audit is being undertaken externally, then the relevant procurement processes are followed in relation to engaging a suitable internal auditor
- Conducting the internal audit –undertaking the audit / fieldwork, i.e. meeting with relevant stakeholders, obtaining relevant evidence etc.
- Reporting the internal audit findings – a draft report is prepared including consultation with key stakeholders to create a final report and develop agreed actions based on the internal auditors recommendations. The internal audit report is to include an action plan addressing any audit issues identified and suggested continuous improvement opportunities
- Final Internal Audit Report presented to the Committee for adoption
- Follow up of internal audit agreed actions – ensure action plan and continuous improvement opportunities have been addressed

## Other Audits and Reviews Register update

Since March 2017 the Committee has been provided a listing with an overview of other audits and reviews that have been or are being undertaken by the organisation.

In addition to audits undertaken in accordance with the Internal Audit Plan and Financial audits (external audits), and in an endeavor to present a more holistic and Council wide view of risk assurance to the Committee, it was determined that it would be beneficial to provide the Committee with an overview of other types of audits and reviews undertaken by various departments outside of the internal and external audit process (where considered relevant).

Given that it is the Committee's responsibility under their Terms of Reference to monitor Council's risk profile and ensure that there are appropriate plans in place to mitigate risk, the intention of this approach was to demonstrate to the Committee that there is a significant amount of risk assurance work undertaken across Council outside of the traditional audit functions. Supplementary audits and reviews of this nature may arise from the following sources:

- Contractual Agreements – (e.g. Department of Community and Social Inclusion)
- Performance Standards – (e.g. Commonwealth Home Support Program)
- External Funding bodies (as part of grant funding conditions)
- Insurance bodies – (e.g. LGA Mutual Liability Scheme and LGA Workers Compensation Scheme)
- Local Government bodies (e.g. LGA)
- Legislative (e.g. Traffic Signage)
- Certification / Accreditation – (e.g. WHS)
- Service Agreements – (e.g. Aged Care / Disability)
- Internal Service Reviews / Continuous Improvement initiatives
- Ad hoc requests (e.g. CEO, Directors, Managers, Committee or Council requests).

Attachment 2 provides a summary of other audits and reviews undertaken within Council and separate from the Internal Audit Plan. There are two listings provided within the attachment. The first section includes those audits and reviews that are conducted on a regular basis and the second section of the attachment includes those that were conducted as a one-time only audit or review (ad hoc). The rows highlighted in blue are those that are being undertaken in February and March 2018 (between this Committee meeting and the next Committee meeting).

## Attachments

1. 3 Year Internal Audit Plan for Financial Years Ending 2017 - 2019 .....97
2. Other Audits and Reviews Register - Audi~ projects undertaken for inclusion on the work plan internal audit plan - table\_1.XLSX ..... 103

**Report Authorisers**

James Brydson Internal Auditor	8397 7353
Tanya Hook Team Leader Governance & Policy	8397 7397
Andrea Sargent Manager Governance and Policy	8397 7310
John Moyle Chief Executive Officer	8397 7201

**City of Tea Tree Gully  
Internal Audit Plan for the  
Financial Years Ending  
2017-2019**





## Assurance

### Introduction

The Internal Audit function is an independent, objective, assurance and consulting function which, examines and evaluate the activities of the City of Tea Tree Gully (CTTG), adds value, and provides a systematic approach to improving the efficiency & effectiveness of governance, risk management and internal controls of the organisation.

### Development of the Three Year Internal Audit Plan for the Financial Years Ending 2017 - 2019

The Internal Audit Plan has been developed using the following process:

- Discussion / Consultation with the Council CEO and Executive Leadership Team
- Discussion / Consultation with the CTTG Audit Committee Independent Members
- Discussion / Consultation with the Manager Governance and Policy
- Discussion Assessment with Council's Management Leadership Team
- Consideration of relevant City of Tea Tree Gully Risk Registers and Assessment
- Consideration of previous external and internal audit findings.

### Internal Audit Plan

The CTTG Internal Audit Plan provides detail of the Internal Audit focus and proposed planned activities for the financial years 2017 – 2019.

The Plan is based on a financial year calendar to align with the funding to support the Plan.

It is anticipated that the plan that will be regularly reviewed and updated to reflect current status and projected activities each year (normally in March / May) and will be submitted to the Audit Committee for its consideration and feedback as key changes are made.

From time to time, it is envisaged that the Internal Audit function will also respond to emerging issues arising from Senior Management directives and Audit Committee feedback. Unannounced audits may be conducted as directed by the CEO.

However, resource and change to priorities will need to be considered (relevant to the Plan) if these audit engagements are to be undertaken.

The Internal Audit Plan encompasses Projects, Strategic, Operational, Compliance, Internal Control and Risk based engagements.

A high level scope will be developed closer to the review timeframe for each audit engagement

individual

### Resources

The CTTG Internal Auditor is responsible for the development, implementation and management of the 3 Year Internal Audit Plan.

D16/59049

## Internal Audit Plan Summary

The following provides a summary of stand - alone review in addition to proposed ongoing reviews over core functional processes.

Audit Engagement	Link to Strategic Risk Register		Financial Year Ending			Risk Rating
	Ref. No.	Risk Name / Title	2017	2018	2019	
Stand-alone / Strategic Reviews						
Review of Major Projects	5	Inability to deliver on strategic projects	✓	✓	✓	High
Compliance Process – Environmental Health	6	Non-compliance with legislation	✓			High
Recruitment	12	Inability to sustain a skilled and capable workforce with appropriate resources	✓			Med
*Information Security	4	Breach of information security			✓	High
Information Management	12	Inability to sustain a skilled and capable workforce with appropriate resources to deliver the agreed levels of service and meet the needs and objectives of the organisation.			✓	Med
Strategic Planning	5	Inability to deliver on strategic projects		✓		High
Children and Vulnerable Persons Safe Environment	6	Non - compliance with legislation		✓		High
Rates	5	Inability to deliver on strategic projects		✓		High

Audit Engagement	Link to Strategic Risk Register		Financial Year Ending			Risk Rating
	Ref. No.	Risk Name / Title	2017	2018	2019	
Stand-alone / Strategic Reviews						
Business Continuity Plans	9	Failure and/or inability to sustain or recover operations in the event of a major disaster/ disruptive event			✓	High
Water Management (including Community Wastewater Management Scheme(CWMS))	11	Inability to plan and deliver required services to the City in a sustainable way			✓	High
Universal design audit – DDA / Disability Legislation / Standards	6	Non-compliance with legislation			✓	High
Strategic Asset Management Plans – Asset Management Standard	8	Inability to maintain inherited or Council owned infrastructure /			✓	High

\* Changed by Audit Committee on 26 July 2017, resolution no.76, from year ending 2017 to year ending 2019.

Audit Engagement	Link to Strategic Risk Register		Financial Year Ending			Risk Rating
	Ref. No.	Risk Name / Title	2017	2018	2019	
Core Functional Reviews						
Credit Card Controls and Operation	13	There is a risk of systemic fraud and corruption	✓	✓	✓	Med
VicRoads	-	Mandatory Compliance Requirement	✓	✓	✓	Med
Cash Handling	13	There is a risk of systemic fraud and corruption	✓		✓	Med
Procurement Practices	8	Inability to maintain inherited or Council owned infrastructure	✓	✓	✓	High

#### Legend



Internal Audits proposed to be conducted by External body.



Audit subjects for consideration / inclusion into the Internal Audit Plan going forward from 2019.	
Audit Engagements	
Stand-alone / Strategic Reviews	Core Functional Reviews
Volunteering Management – Appraisal to National Standard	Complaints Handling
Strategic Asset Management Plans – Plant and Equipment	Accounts Payable
Emergency Management	Delegations
Insurances	

Other Audits and Reviews Register - Regular and ongoing  
July 2017

Title	Category (use pull down menu to select)	Scope / Description (Why is the audit undertaken / what is the audit about)	Frequency of review	Review dates or dates for completion (please include years unless undertaken annually)	Department	Who to contact for any questions at CTTG?	Audit undertaken internally (I) or externally (E)	Comments or other information	Reporting Mechanism (who are the findings reported to)
Acquittal reconciliation between funding agreements and finances	Contract or funding compliance	Funding agreement compliance. Timeframes dependent on funding agreement	Ongoing based on contract requirements	Ongoing based on contract requirements	Finance & Rating Operations	Pam Cummings	I		Grants register updated
Review accounts of Modbury Football Club	Contract or funding compliance	Funding agreement compliance	Monthly	Every month	Finance & Rating Operations	Pam Cummings	I	Reviewed by Pam Cummings	Manager Finance and Rating Operations
Policy Review	Service Standard	Ensure all policies are reviewed every 3 years unless stated otherwise by legislation	GPC and Audit Committee meets every 2 months	varies	Governance & Policy	Tanya Hook	I	Policies go to Audit Committee, Governance and Policy Committee or Council for review.	Audit Committee and/or Governance and Policy Committee and/or Council
Procedure Register review	Service Standard	Quarterly reports are provided to the Executive Leadership Team of overdue procedures on behalf of the whole organisation.	Quarterly	varies	Governance & Policy	Kelli Strugnell	I		Executive Leadership Team
Play space inspections	Other	Safety compliance	3 months – wear and tear of equipment Civic Park, Balmoral and Goldenfields are checked daily Visual check every week, e.g. broken glass Regional ones every 6 weeks	Rolling program	Parks	Andrew Sellars	I	By specially trained inspectors for play equipment (internal)	Internal
Tree Maintenance Program	Service Standard	A regular inspection / maintenance programme is followed to ensure that all street trees in the City are inspected and maintained on a regular cycle. (Council looks after approx. 100,000 street trees). The frequency of this programme is not less than one inspection per every five years	Every 5 years 3 years for Golden Grove due to pears.	Rolling program	Parks	Andrew Sellars / Andrew Nichols	I		Internal
Compliance Register	Compliance - legislative	The CTTG Compliance Register is a register of all WHS actions that Council is legally obliged to undertake in a timely manner.	varies	varies	Organisational Development	Julie Short	I	audited by the WHS Team and a report sent to Managers and the ELT	Findings presented to ELT and Strategic WHS Committee
Audit of Parking Signs at Shopping Centres for private parking	Other	Council audits all shopping centres where it has private parking agreements with shopping centres to undertake private parking	Annual	Ongoing	Community Safety	Craig Hickman	E	Undertaken by legal services provider	Internal
Review of confidential orders	Compliance - legislative	Compliance review	6 monthly	December and July	Governance & Policy	Deana Taglierini	I		Council

Other Audits and Reviews Register - Regular and ongoing  
July 2017

Title	Category (use pull down menu to select)	Scope / Description (Why is the audit undertaken / what is the audit about)	Frequency of review	Review dates or dates for completion (please include years unless undertaken annually)	Department	Who to contact for any questions at CTTG?	Audit undertaken internally (I) or externally (E)	Comments or other information	Reporting Mechanism (who are the findings reported to)
Internal Control Assessments (via Control Track)	Compliance - legislative	Legislative compliance	6 monthly	June and December	Finance & Rating Operations	Jonathan Crook	I		Results reported to Audit Committee in July and January
WHS Systems Elements	Continuous improvement	Review of WHS System Elements Compliance (Risk Based)	6 monthly	August and November 2018	Organisational Development WHS Team	Cheryl Garner/Janet Halls	I	Refer to WHS Audit Schedule D17/72707	Director Organisation Service Excellence Manager Organisational Development Strategic WHS Committee
Fringe Benefits Review	Compliance - legislative	Review of transactions to determine compliance with FBT requirements	Annual	April	Finance & Rating Operations	Pam Cummings	I		Manager Finance and Rating Operations and Director Organisational Services and Excellence
LGA Mutual Liability Scheme Risk Profile Review	Continuous improvement	Part of insurance renewal process (impacts on insurance premium calculation for civil liability insurance) – part of LGA MLS membership rules	Annual	March and April	Governance & Policy	Anna Athanasiou and risk consultant	I		Audit Committee
Asbestos audits	Compliance - legislative	Condition Inspection of asbestos materials identified in Asbestos registers	Annual	May	Building, Assets & Environment	Raelene Azzopardi	E	Undertaken by contractor	Reported in the compliance register
Insurance renewal review	Assurance, internal control and internal audit	Review of relevant insurance schedules to ascertain accuracy and ensure appropriate insurance coverage of Council assets	Annual	April/May	Governance & Policy	Anna Athanasiou and scheme fund manager	I		Audit Committee
Food Safety Audits (Child Care Centres and Aged Care Facilities)	Compliance - legislative	Each facility is audited on an annual basis	Annual	July	Community Safety	Craig Hickman	I		Department of Health
Food Act Report	Compliance - legislative	Activities undertaken under the Food Act	Annual	July	Community Safety	Craig Hickman	I		Department of Health
Annual Report	Compliance - legislative	Annual Report compliance with legislative requirements	Annual	August	Governance & Policy	Ilona Cooper	I		Council
Australian Government's Roads to Recovery Program	Acquittal		Annual	September	Civil Assets	Gabby D'Aloia Nick Bennett	I		Grants Commission
Public Health Act Report	Other	Activities undertaken under the Public Health Act Act	Annual	September	Community Safety	Craig Hickman	I		Department of Health

**Other Audits and Reviews Register - Regular and ongoing  
July 2017**

<b>Title</b>	<b>Category</b> (use pull down menu to select)	<b>Scope / Description</b> (Why is the audit undertaken / what is the audit about)	<b>Frequency of review</b>	<b>Review dates or dates for completion</b> (please include years unless undertaken annually)	<b>Department</b>	<b>Who to contact for any questions at CTTG?</b>	<b>Audit undertaken internally (I) or externally (E)</b>	<b>Comments or other information</b>	<b>Reporting Mechanism</b> (who are the findings reported to)
Public Library Service – annual return (statistics & financial)	Contract or funding compliance	Mandatory as part of the Public Library Grant received	Annual	September - October	Library Services Arts & Culture	Helen Kwaka	I	Financial data is checked by Finance Department.	State Library Public Library Services
Local Government Association Workers Compensation Scheme Key Performance Indicators Audit	Compliance - legislative	Compliance audit against the Performance Standards for Self Insurers	2 yearly	Nov-2017 Nov-2019	Organisational Development (WHS)	Janet Halls	E	Undertaken November 2017	CEO, Audit Committee and Strategic WHS Committee
Managing Assets Through Capability and Knowledge (MACK) / Assets	Other	Progress report	Annual	November	Strategic Assets	Andrew Craig	I		To be reported annually to Council. Adhoc reports also go to Audit Committee as required.
Fire Prevention Officers Annual Report On Fire Prevention Officer activities	Service Standard	Fire related activities undertaken for the year	Annual	March?	Community Safety	Craig Hickman	I		Country Fire Service (CFS)
Australian Guidelines for Recycled Water (AGWR) (Department of Health SA): Treated Water Quality	Compliance - legislative	CTTG must operate in accordance to the AGWR. SA Health is the regulator for health based water quality targets. Monthly reports are issued to SA Health. SA Health is the auditor	Annual	Ongoing	Civil and Water Operations	Jonathan Foong	E	Commencing 2018	SA Health
Asset management of water assets (Office of Technical Regulator (OTR)): Safety Reliability Maintenance Technical Management Plan (SRMTMP)	Compliance - legislative	CTTG must operate and maintain assets in accordance to the SRMTMP. SRMTMP is reviewed annually and approved by the OTR. OTR is the auditor of the SRMTMP.	Annual	January	Civil and Water Operations	Jonathan Foong	E	SRMTMP submitted to OTR Jan 2017 and waiting for approval	OTR
Essential Services Commission of South Australia (ESCOSA) financials	Compliance - legislative	The ESC Act provides that the statutory functions of the Commission include: • monitoring and enforcement of compliance with, and promotion of improvement in, standards and conditions of service and supply under relevant industry regulation Acts; and • as necessary, conducting prosecutions for contraventions of the Essential Services Commission Act or relevant industry regulation Acts.	Annual	November	Finance & Rating Operations, Civil and Water Operations	Ryan McMahaon	E		Compliance documentation sent to ESCOSA in November each year signed off by CEO
Financial	Financial	External Audit of Council's financial statements	Annual - Interim and Final	Interim – April Final - August	Finance & Rating Operations	Gareth James	E		Results reported to Audit Committee
Building inspections: Asset and Maintenance	Continuous improvement	1/ To reduce risk 2/ To ensure that council building assets are being maintained. 3/ Council's Lease and Licence Policy	Annual inspections for council controlled buildings and 6 monthly for leased buildings	June and December	Building, Assets & Environment	Steve Power	I		Internal

D17/15615

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Other Audits and Reviews Register - Regular and ongoing  
July 2017

Title	Category (use pull down menu to select)	Scope / Description (Why is the audit undertaken / what is the audit about)	Frequency of review	Review dates or dates for completion (please include years unless undertaken annually)	Department	Who to contact for any questions at CTTG?	Audit undertaken internally (I) or externally (E)	Comments or other information	Reporting Mechanism (who are the findings reported to)
Greenhouse Gas / Carbon Emissions	Compliance - legislative	Sector Reporting	Annual – part of the General Information Return (GIR) Separate reporting required for Environmental Protection Authority (EPA) and Green Industries SA (GISA)	End of financial year	Building, Assets & Environment	Jon Herd	I	LGA – for the GIR Requested by EPA and GISA via LGA Circulars	EPA
Waste Tonnes – recycle and landfill	Compliance - legislative	Sector Reporting	Annual – part of the GIR (General Information Return) Separate reporting required for EPA and Green Industries SA (GISA)	End of financial year	Building, Assets & Environment	Jon Herd	I		EPA



Other Audits and Reviews Register - Regular and ongoing  
July 2017

Title	Category (use pull down menu to select)	Scope / Description (Why is the audit undertaken / what is the audit about)	Frequency of review	Review dates or dates for completion (please include years unless undertaken annually)	Department	Who to contact for any questions at CTTG?	Audit undertaken internally (I) or externally (E)	Comments or other information	Reporting Mechanism (who are the findings reported to)
Supported Residential Facility Licencing	Contract or funding compliance	Council issues the licence for these facilities and as part of the process audits to facility prior to renewing the licence	Every two years	June and December	Community Safety	Craig Hickman	I		Internal
Dog and Cat Management Board Audit	Compliance - legislative	The Dog and Cat Management Board audit each Council on a 3 yearly Rotation to check compliance with the Act, financial returns etc.	Every 3 years	Will be undertaken in 2017, dates to be confirmed	Community Safety	Craig Hickman	E	Undertaken externally by Dog & Cat Managmeent Board	
Dry Creek Rehabilitation Plan	Contract or funding compliance	Work carried out	In final year of 5 year funding agreement. Annual reporting	At end of financial year	Building, Assets & Environment	Andrew Moylan	I		Reports to Natural Resource Management Board
Australian Service Excellence Standard.	Contract or funding compliance	It is a funding requirement to be ASES accredited for Community Centres. For rollover of contract from 1/7/18, we are required to be accredited for "whole of organisation" by 31 January 2018.	3 yearly	Jan-18	Community Development & Engagement	Anna Barton	E	Assessment being undertaken by Arcadia Quality Systems	Department for Community and Social Inclusion
Volunteer Standards	Service Standard	Best practice review against Volunteer Standards	3 years	Dec-17	Community Development & Engagement	Carla Leversedge	I		Internal
Active Ageing - Commonwealth Home Support Program	Contract or funding compliance	Active Ageing - Commonwealth Home Support Program common care standards as per our service agreement State Funded Home and Community Care standards are governed by the above, National disability Strategy and our service agreement.	Once within each Grant cycle - usually once per three years	TBA	Community Development & Engagement	Kim Ritter / James Walker	E		Quality Review Team - Aged Care

Reviews being considered/completed between February and March 2018 (between Audit Committee Meetings)

**Other Audits and Reviews Register - Adhoc  
July 2017**

<b>Title</b>	<b>Category</b> (use pull down menu to select)	<b>Scope / Description</b> (Why is the audit undertaken / what is the audit about)	<b>Frequency of review</b>	<b>Review dates or dates for completion</b> (please include years unless undertaken annually)	<b>Department</b>	<b>Audit undertaken internally (I) or externally (E)</b>	<b>Comments or other information</b>	<b>Reporting Mechanism</b> (who are the findings reported to)
Strategic documents review	Continuous improvement	Review of corporate strategic documents and mapping against Strategic Plan and Organisation Plan	Once off	Dec-17	City Strategy	I	Undertaken internally. Proposed approach presented at CEO Workshop on 15 August. Progressing.	Internal
Playground procurement review	Assurance, internal control and internal audit	Compliance review	Once off	March to July 2017	Organisational Services & Excellence	I		Internal
Community Land Management Plans	Continuous improvement	Best practice review for CLMP template as well as opportunities to align updates with ASSETIC data	Once off	Jun-17	City Strategy	I	Completed. With CEO for consideration	CEO
Information Management function review	Continuous improvement	Service review	Once off	Implement recommendations by July 2017	IT Solutions	I	Undertaken internally	Director OS&E, and summarised in CI Information Report
Gallery 1855 Review	Continuous improvement	Review all of function in relation to operational processes and direction	Once off	Due to end July 2017	Library Services Arts & Culture	I		Council
External Grants Funding Management Model	Continuous improvement	Best practice model	Once off	Jul-17	City Strategy	I	Recommendations to ELT in September.	CEO
Service centre	Other	Staffing	Once off	Jul-17	Office of the Chief Executive	I		Workshop being presented to Elected Members 18 July 2017
Connected Community Places	Other	Develop a framework and audit tool which supports libraries to undertake a benchmarking audit of their library spaces against the 'People Places' blueprint and other key indicators and to support libraries by providing Library Managers with the knowledge, skills and tools necessary in the assessment of their current library buildings.	Once off. Audit occurring with all public libraries across South Australia	October 2016 review, and waiting for final report to be distributed July 2017.	Library Services Arts & Culture	E	Audit complete. Received final report on the audit 27 October 2017.	External - Public Libraries Board ; Internally: Manager, Library Services Arts & Culture, and Director Community & Cultural Development
Audit of Building Approvals and Audit of Council Building & Construction Work Capital Works - 2014-2015 - Construction Industry Training Board (CITB)	Compliance - legislative	Compliance with section 24 (3, 4 & 5) of the Construction Industry Training Fund Act 1993 ; and that building and construction work undertaken by or on behalf of a council has had an appropriate levy paid (GST inclusive costs)	Once off	2016	Building, Assets & Environment	E	Undertaken externally. Pitcher Partners SA Pty Ltd - engaged by the Construction Industry Training Board to perform audits on the building and construction industry for the purposes of the Construction Industry Training Fund Act 1993.	Audit Findings were reported to Audit Committee & Executive Leadership Team

Other Audits and Reviews Register - Adhoc  
July 2017

Sports Programming Review Review of basketball programming structure for Recreation Centres	Service Standard	Program review	Once off	2016	Recreation & Leisure Services	I		Findings of report provided to ELT and discussed with Elected Members at a Council dinner on 9 August 2016.
Chlorine Gas Audit	Compliance - legislative	Waterworld Aquatic Centre - Independent review of chlorine systems/management	Once off / Adhoc	2015	Recreation & Leisure Services	E		Report provided to ELT by OD, with recommendations and actions entered into Risk Track and reported as part of this process.
Chemical Storage Audit	Compliance - legislative	Review Chemical storage and practices at Centres – Waterworld and Recreation Centres	Once off / Adhoc	February / March 2014	Recreation & Leisure Services	E	Organised by Organisational Development	Reports provided to ELT by OD, with recommendations and actions entered into Risk Track and reported as part of this process.
Recruitment Audit	Continuous improvement	Review of Recruitment procedures and practises	Once off / Adhoc	Aug/Sep 2017	Organisational Development	E	Undertaken by KPMG	Audit findings reported to Audit Committee Meeting on 27 Sep 2017.
		Reviews being considered/completed between December 2017 and January 2018 (between Audit Committee Meetings)						

# **INFORMATION REPORT**

## **AUDIT COMMITTEE MEETING**

**31 January 2018**

### **Office of the Chief Executive Officer**

#### **Audit Committee Work Program 2017-2018 Financial Year - January 2018 update (D18/1203)**

The Audit Committee Work Program is a document used by the Audit Committee (Committee) and Council staff as a guide to the planned activities of the Audit Committee throughout the financial year. This is used to ensure key activities are reported, reviewed and actioned by the specific target dates.

A review of the Committee's Work Program is undertaken by Governance staff for presentation at every Committee meeting, including the priorities for the relevant meeting. This provides a line of communication between staff and the Committee Members to address any items that need to be rescheduled and the reasoning behind the change.

The Committee's Work Program for the 2017-2018 Financial Year (provided as Attachment 1) was initially endorsed by the Committee at its May 2017 meeting and was subsequently revised by the Committee at its July 2017 meeting as a result of the review of the Committee's Terms of Reference. The Committee's Work Program (and relevant progress notes) for the January 2018 meeting is highlighted with green.

The changes made to the Committee's Work Program since November 2017 includes:

- The removal of the Review of Audit Committee's Performance (self-evaluation) as this assessment is completed annually, and will be undertaken in line with the end of the financial year. The item will be presented in the Work Program in the next financial year (July 2018)
- Review of the Internal Audit Plan which will include the addition of audits planned for the 2019 – 2020 FY – this has been deferred to March 2018 to enable further internal consultation with relevant stakeholders.
- Monitor outstanding Internal Audit Agreed Actions from previous Internal Audit reviews (all risk ratings) – this has been deferred to March as the breadth of the report is being extended to incorporate actions addressing low and medium risk audit findings not only those findings that were considered high or extreme. It is anticipated that the report will cover actions arising from audits undertaken during the Committee's current term.

**Attachments**

1. Audit Committee Work Program 2017- 2018 Financial Year.....113

**Report Authorisers**

Kelli Strugnell Governance Administration Officer	8397 7270
Tanya Hook Team Leader Governance & Policy	8397 7397
Andrea Sargent Manager Governance and Policy	8397 7310
John Moyle Chief Executive Officer	8397 7201



## City of Tea Tree Gully

### Audit Committee Work Program 2017 – 2018 Financial Year

Audit Committee Meeting Date	Activity	Audit Committee Terms of Reference Function	Audit Committee Terms of Reference Number	Activity Status / Comments
July 2017	Review Long Term Financial Plan to incorporate any changes following adoption of Council's Annual Business Plan	Financial and Business Reporting	4.1.2.3 & 4.1.3	A report will be presented to the Audit Committee in July 2017
	Review status report of Internal Controls – Control Track (Half Yearly Report)	Internal Controls and Risk Management System	4.2.1	A report will be presented to the Audit Committee in July 2017
	Monitor status of Internal Audits undertaken in accordance with Internal Audit Plan (and other audit/reviews undertaken across organisation)	Internal Audit	4.2.1, 4.3.1 & 4.3.4	A report will be presented to the Audit Committee in July 2017
	Overview of Insurance Renewal Program for 2017-2018	Internal Controls and Risk Management Systems	4.2.4	A report will be presented to the Audit Committee in July 2017
	Review any completed Internal Audit Reports and Action Plan (as per engagement)	Internal Audit	4.3.4	At the time of this review no Internal Audit Reports and Action Plan will be presented to the Audit Committee at the July 2017 meeting
	Monitor outstanding Internal Audit Agreed Actions (associated with High and Extreme risks)	Internal Audit	4.3.5	At the time of this review all High and Extreme risks have been effectively addressed, therefore no report is required
	Review status of Outstanding Actions from External Auditor Management Letters	External Financial Audit	4.4.4 & 4.4.5	A report will be presented to the Audit Committee in July 2017
	Review Committee Terms of Reference	Reporting	9.1	A report will be presented to the Audit Committee in July 2017
	The Presiding Member is to provide a verbal update to a Council meeting summarising the Committees activities since the last report	Reporting	9.2	A report will be presented to the Audit Committee in July 2017
	Monitor planned activities for each meeting as outlined in the Audit Committee Work Program for that meeting	Reporting	9.1	A report will be presented to the Audit Committee in July 2017

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**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

<b>Audit Committee Meeting Date</b>	<b>Activity</b>	<b>Audit Committee Terms of Reference Function</b>	<b>Audit Committee Terms of Reference Number</b>	<b>Activity Status / Comments</b>
September 2017	Review 'Draft' Annual Report	Financial and Business Reporting	4.1.1	Refer report for September 2017 Audit Committee Meeting
	Review Annual Financial Statements	Financial and Business Reporting	4.1.1 & 4.1.2	Refer report for September 2017 Audit Committee Meeting
	Review Long Term Financial Plan to incorporate any changes following adoption of Council's Annual Business Plan	Financial and Business Reporting	4.1.2.3 & 4.1.3	Refer report for September 2017 Audit Committee Meeting
	Monitor status of Internal Audits undertaken in accordance with Internal Audit Plan (and other audit/reviews undertaken across organisation)	Internal Audit	4.2.1, 4.3.1 & 4.3.4	Information Report pertaining to the status of the Internal Audits undertaken in accordance with Internal Audit Plan to be presented to the Audit Committee at the September 2017 meeting
	Review new and existing Policies <ul style="list-style-type: none"> <li>• Risk Management Policy – March 2018</li> <li>• Debt Recovery Policy – April 2018*</li> </ul>	Internal Controls and Risk Management System	4.2.2	Risk Management Policy presented  *Debt Recovery Policy moved to November 2017 meeting
	Receive information on Local Government Association Mutual Liability Scheme Risk Profile Review results (and associated action plan if relevant)	Internal Controls and Risk Management Systems	4.2.3	Risk profile review process and structure change – Will be known as the 'Risk Evaluation' undertaken biennially. Documentation outlining the structure, content and format to be released end of September 2017 with the review expected to commence October/November 2017. Further clarification required re the reporting timeframes.

**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

<b>Audit Committee Meeting Date</b>	<b>Activity</b>	<b>Audit Committee Terms of Reference Function</b>	<b>Audit Committee Terms of Reference Number</b>	<b>Activity Status / Comments</b>
	Review any completed Internal Audit Reports and Action Plan (as per engagement)	Internal Audit	4.3.4	The following Internal Audits presented to the Audit Committee at the September 2017 meeting: <ul style="list-style-type: none"> <li>• VicRoads</li> <li>• Environmental Health</li> <li>• Recruitment</li> </ul>
	Monitor outstanding Internal Audit Agreed Actions (associated with High and Extreme risks)	Internal Audit	4.3.5	At the time of this review all High and Extreme risks have been effectively addressed, therefore no report is required
	Review status of Outstanding Actions from External Auditor Management Letters	External Financial Audit	4.4.4 & 4.4.5	Not provided
	Meet with Council's External Auditor: <ul style="list-style-type: none"> <li>• External Auditor Report (on Council's end of year financial statements)</li> <li>• External Audit Program</li> <li>• Audit Matters</li> </ul>	External Financial Audit	4.4.1, 4.4.2, 4.4.3, 4.4.7 & 4.4.8	Covered at the September meeting
	Monitor planned activities for each meeting as outlined in the Audit Committee Work Program for that meeting	Reporting	9.1	Refer Information report for September 2017 Audit Committee Meeting

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**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

<b>Audit Committee Meeting Date</b>	<b>Activity</b>	<b>Audit Committee Terms of Reference Function</b>	<b>Audit Committee Terms of Reference Number</b>	<b>Activity Status / Comments</b>
November 2017	Review Council's Financial Budget Review	Financial and Business Reporting	4.1.2.3 & 4.1.3	Information report for November 2017 Meeting
	Review Council's Strategic Risk Register	Internal Controls and Risk Management System	4.2.1 & 4.2.3	Information report for November 2017 Meeting
	Review new and existing Policies <ul style="list-style-type: none"> <li>Prudential Management Policy – August 2018</li> <li>Debt Recovery Policy – April 2018</li> </ul>	Internal Controls and Risk Management System	4.2.2	Both Prudential Management and Debt Recovery Policy being presented at November 2017 meeting
	Overview of Internal Audit approach going forward (post January 2019)	Internal Audit	4.3.1	Refer Information report for November 2017 Audit Committee Meeting
	Review completed Internal Audit Report and Action Plan (as per engagement)	Internal Audit	4.3.4	Not applicable. At the time of this review no Internal Audit Reports or Action Plans will be presented to the Audit Committee at the November 2017 meeting.
	Monitor outstanding Internal Audit Agreed Actions (associated with High and Extreme risks)	Internal Audit	4.3.5	Not applicable. At the time of this review all high and extreme risks have been effectively addressed, therefore, no report is required.
	Monitor status of Internal Audits undertaken in accordance with Internal Audit Plan (and other audit/reviews undertaken across organisation)	Internal Audit	4.2.1, 4.3.1 & 4.3.4	Refer Information report for November 2017 Audit Committee Meeting
	Review status of Outstanding Actions from External Auditor Management Letters	External Financial Audit	4.4.4 & 4.4.5	TBA
	Monitor planned activities for each meeting as outlined in the Audit Committee Work Program for that meeting	Reporting	9.1	Refer Information report for November 2017 Audit Committee Meeting

**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

<b>Audit Committee Meeting Date</b>	<b>Activity</b>	<b>Audit Committee Terms of Reference Function</b>	<b>Audit Committee Terms of Reference Number</b>	<b>Activity Status / Comments</b>
	**Receive information on Local Government Association Mutual Liability Scheme Risk Profile Review results (and associated action plan if relevant)			**Moved to March 2018 as evaluation date has been changed and only commenced late November. This will provide time for the LGA MLS to provide reporting and a report to the Committee to be prepared.

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**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

Audit Committee Meeting Date	Activity	Audit Committee Terms of Reference Function	Audit Committee Terms of Reference Number	Activity Status / Comments
January 2018	Review status report of Internal Controls – Control Track (Half Yearly Report)	Internal Controls and Risk Management System	4.2.1	Information Report for January 2018 Meeting
	**Review Internal Audit Plan	Internal Audit	4.3.1, 4.3.2 & 4.3.3	**The 3 Year Internal Audit Plan for 2018-2020 Financial Years will be presented to the Audit Committee at the March 2018 meeting, enabling further consultation.
	Review completed Internal Audit Report and Action Plan (as per audit engagement)	Internal Audit	4.3.4	No reports presented at this meeting.
	**Monitor outstanding Internal Audit Agreed Actions from previous Internal Audit reviews (all risk ratings)	Internal Audit	4.3.5	There are no high or extreme risk rated actions that need reporting to the Audit Committee at this time.  **A review is being undertaken of all (ie including low and medium rated) Internal Audit Agreed Actions since the term commenced, that will be presented to the March 2018 Audit Committee meeting. Due to the holiday period there were a high number of staff unavailable to provide an update in time for the January meeting.
	Review status of Outstanding Actions from External Auditor Management Letters	External Financial Audit	4.4.4 & 4.4.5	TBA

**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

<b>Audit Committee Meeting Date</b>	<b>Activity</b>	<b>Audit Committee Terms of Reference Function</b>	<b>Audit Committee Terms of Reference Number</b>	<b>Activity Status / Comments</b>
January 2018 cont.	Monitor status of Internal Audits undertaken in accordance with Internal Audit Plan (and other audit/reviews undertaken across the organisation)	Internal Audit	4.2.1, 4.3.1 & 4.3.4	Information Report for January 2018 Audit Committee Meeting
	Monitor planned activities for each meeting as outlined in the Audit Committee Work Program for that meeting	Reporting	9.1	Information Report for January 2018 Meeting
	**Review Audit Committee's Performance (self-evaluation)	Reporting	9.1	**This is assessed annually at the end of the financial year (reported in the new financial year) and has been moved to May.

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**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

<b>Audit Committee Meeting Date</b>	<b>Activity</b>	<b>Audit Committee Terms of Reference Function</b>	<b>Audit Committee Terms of Reference Number</b>	<b>Activity Status / Comments</b>
March 2018	Review Council's Financial Budget Review	Financial and Business Reporting	4.1.2.3 & 4.1.3	
	Review Council's Budget Process	Financial and Business Reporting	4.1.2.3 & 4.1.3	
	Review completed Internal Audit Report and Action Plan (as per engagement)	Internal Audit	4.3.4	The Internal Audit Report for Procurement Practices – Quotations will be presented to the Audit Committee at the March 2018 meeting
	**Monitor outstanding Internal Audit Agreed Actions from previous Internal Audit reviews (all risk ratings)	Internal Audit	4.3.5	**A review is being undertaken of all (ie including low and medium rated) Internal Audit Agreed Actions since the term commenced, that will be presented to the March 2018 Audit Committee meeting. Due to the holiday period there were a high number of staff unavailable to provide an update in time for the January meeting.
	Monitor status of Internal Audits undertaken in accordance with Internal Audit Plan (and other audit/reviews undertaken across organisation)	Internal Audit	4.2.1, 4.3.1 & 4.3.4	
	Review status of Outstanding Actions from External Auditor Management Letters	External Financial Audit	4.4.4 & 4.4.5	
	Review planned activities for each meeting as outlined in the Audit Committee Work Program	Reporting	9.1	

**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

<b>Audit Committee Meeting Date</b>	<b>Activity</b>	<b>Audit Committee Terms of Reference Function</b>	<b>Audit Committee Terms of Reference Number</b>	<b>Activity Status / Comments</b>
March 2018 cont...	**Receive information on Local Government Association Mutual Liability Scheme Risk Profile Review results (and associated action plan if relevant)	Internal Controls and Risk Management Systems	4.2.3	**Moved to March 2018 from December 2017 as evaluation date has been changed and only commenced late November. This will provide time for the LGA MLS to provide reporting and a report to the Committee to be prepared.
	**Review Internal Audit Plan	Internal Audit	4.3.1, 4.3.2 & 4.3.3	**The 3 Year Internal Audit Plan for 2018-2020 Financial Years will be presented to the Audit Committee at the March 2018 meeting.

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**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

<b>Audit Committee Meeting Date</b>	<b>Activity</b>	<b>Audit Committee Terms of Reference Function</b>	<b>Audit Committee Terms of Reference Number</b>	<b>Activity Status / Comments</b>
May 2018	Review proposed Long Term Financial Plan	Financial and Business Reporting	4.1.2.3 & 4.1.3	
	Review Council's Financial Budget Review	Financial and Business Reporting	4.1.2.3 & 4.1.3	
	Review and provide comment in relation to Council's draft Annual Business Plan	Financial and Business Reporting	4.1.2.3 & 4.1.3	
	Review 'Draft' Annual Business Plan	Financial and Business Reporting	4.1.3	
	Review Council's Strategic Risk Register	Internal Controls and Risk Management System	4.2.1, 4.2.3 & 4.2.4	
	Review Council's Business Continuity Plan	Internal Controls and Risk Management System	4.2.3	
	Review completed Internal Audit Report and Action Plan (as per engagement)	Internal Audit	4.3.4	
	Monitor outstanding Internal Audit Agreed Actions (associated with High and Extreme risks)	Internal Audit	4.3.5	
	Monitor status of Internal Audits undertaken in accordance with Internal Audit Plan (and other audit/reviews undertaken across organisation)	Internal Audit	4.2.1, 4.3.1 & 4.3.4	
	Review status of Outstanding Actions from External Auditor Management Letters	External Financial Audit	4.4.4 & 4.4.5	
	Review Audit Committee Work Program for the forthcoming financial year (Annual Review)	Reporting	9.1	



**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

<b>Audit Committee Meeting Date</b>	<b>Activity</b>	<b>Audit Committee Terms of Reference Function</b>	<b>Audit Committee Terms of Reference Number</b>	<b>Activity Status / Comments</b>
May 2018 cont.	Review planned activities for each meeting as outlined in the Audit Committee Work Program	Reporting	9.1	
	**Audit Committee Performance Evaluation Self-Assessment Survey Results	Reporting	9.1	**The Audit Committee Performance Evaluation Self-Assessment Survey Results are assessed annually at the end of the financial year (reported in the new financial year) and has been moved to May.

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**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

Additional Scheduled Activities to be undertaken by the Audit Committee Note: These activities to be inserted into the respective monthly Audit Committee Work Program as required or as they become available	Audit Committee Terms of Reference Function	Audit Committee Terms of Reference Number	Activity Status / Comments
<p>Strategic Management Plans</p> <ul style="list-style-type: none"> <li>• Infrastructure and Asset Management Plans <ul style="list-style-type: none"> <li>○ Roads</li> <li>○ Footpaths</li> <li>○ Lighting</li> <li>○ Building</li> <li>○ Stormwater</li> <li>○ CWMS</li> <li>○ Waterworld Asset Management Plan</li> </ul> </li> <li>• Development Plan</li> <li>• Community Land Management Plans</li> </ul>	Financial and Business Reporting	4.1.3	<p>In accordance with S122 (4)(b)Local Government Act 1999 Infrastructure and Asset Management Plans, ‘....undertake a comprehensive review of its strategic management plans within 2 years after each general election of the council.’- Due November 2020.</p> <p>Infrastructure and Asset Management Plans (IAMP) – last occurred September 2016</p> <p>Development Plan Note: Section 30 review proposed by City Strategy</p> <p>Community Land Management Plan(CLMP)</p> <p>Note: All CLMP’s reviewed in 2015. Next Full review 2019</p>
Propose ‘other investigations’ in accordance with S130ALocal Government Act 1999	Financial and Business Reporting	4.1.4	

**City of Tea Tree Gully**  
**Audit Committee Work Program 2017 – 2018 Financial Year**

<b>Additional Scheduled Activities to be undertaken by the Audit Committee</b> <b>Note: These activities to be inserted into the respective monthly Audit Committee Work Program as required or as they become available</b>	<b>Audit Committee Terms of Reference Function</b>	<b>Audit Committee Terms of Reference Number</b>	<b>Activity Status / Comments</b>
Informed of Risk and Finance related Policies (as per Policy review timeframes) <ul style="list-style-type: none"> <li>• Asset Capitalisation Policy</li> <li>• Asset Management Policy</li> <li>• Asset Revaluation Policy</li> <li>• Debt Recovery Policy</li> <li>• Financial Sustainability Policy</li> <li>• Fraud and Corruption Policy</li> <li>• Prudential Management Policy</li> <li>• Risk Management Policy</li> <li>• Land and Assets Policy (previously Sale or Disposal of Assets and Land Policy)</li> <li>• Treasury Policy</li> <li>• Whistle Blowers Protection Policy (Policy also reviewed by GPC)</li> </ul>	Internal Controls and Risk Management System	4.2.2	August 2018 June 2018 August 2018 November 2020 March 2020 February 2020 November 2020 March 2018 February 2020 March 2020 June 2020
Compliance with Regulation 22(1) of Local Government (Financial Management) Regulations 2011	External Financial Audit	4.4.7.2	

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# INFORMATION REPORT

## AUDIT COMMITTEE MEETING

31 January 2018

### Organisational Services & Excellence

#### Internal Control Assessment December 2017 (D18/4153)

Section 125 of the *Local Government Act 1999*, states that:

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

Section 129 of the *Local Government Act 1999*, states that:

- “(1) The auditor of a council must undertake an audit of—
- (a) the council's financial statements within a reasonable time after the statements are referred to the auditor for the audit (and, in any event, unless there is good reason for a longer period, within 2 months after the referral); and
  - (b) the controls exercised by the council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.
- (2) An audit must be carried out in accordance with standards prescribed by the regulations.
- (3) The auditor must provide to the council—
- (a) an audit opinion with respect to the financial statements; and
  - (b) an audit opinion as to whether the controls audited under subsection (1)(b) are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law.”

Since the Financial Year Ending June 2014, Council's auditors, Bentleys and Partners have been required to provide an audit opinion which gives due consideration to Council's policies, practices and procedures of internal controls in accordance with Section 125 and 129 of the *Local Government Act 1999*.

Bentleys and Partners invested time in identifying how key controls are implemented, monitored and updated to maintain an effective control environment. Their approach considered the control environment at Council.

Internal controls testing was part of the standard audit process, and they linked the tests and independently identified findings to the controls identified by management in Control Track (Council's internal control tool).

Approximately 85% of the controls planned for testing this year have been assessed as at the end of our interim visit with the remaining 15% to be addressed at our final visit.

Bentleys & Partners found that the implementation of controls for Council is strong.

Council's internal controls are monitored in many ways including but not limited to the following:

- Audit Committee;
- Comprehensive policy and procedure framework;
- Risk register which is reviewed by Council staff regularly and presented to the audit committee every six months;
- Governance and Policy committee which is responsible for the review of Council's policies;
- A comprehensive process in place to review procedures and policies including internal financial control procedures every two years.

Council has ensured that internal controls are monitored as per the legislation and has put in place the following:

- Staff training to complete assessments of internal financial controls using the Control Track software system;
- Assessed controls using the Control Track software system prior to commencement of the new legislation;
- Developed action plans of internal financial control improvements from the assessment of controls using the Control Track software system;
- Engaged UHY Haines Norton, Chartered Accountants to undertake an Independent Review of internal financial controls using the Better Practice Model;
- An assessment of the internal controls twice per year using the Control Track software system.

The Better Practice Model – Financial Internal Controls is supported by the Control Track software which assists our Council to review our controls. The tool requires that staff members review the effectiveness of our controls. This initial assessment is then reviewed by another staff member. Any items whereby a control is assessed as being partially effective requires an action plan to be developed to improve the control by mitigating risk.

In 2017 a review of The Better Practice Model – Financial Internal Controls was conducted by a workgroup of the South Australian Local Government Financial Management Group. Jonathan Crook, Accountant from The City of Tea Tree Gully was an integral part of this workgroup. This has now been approved by the Minister and will form the basis of future Control Track reviews.

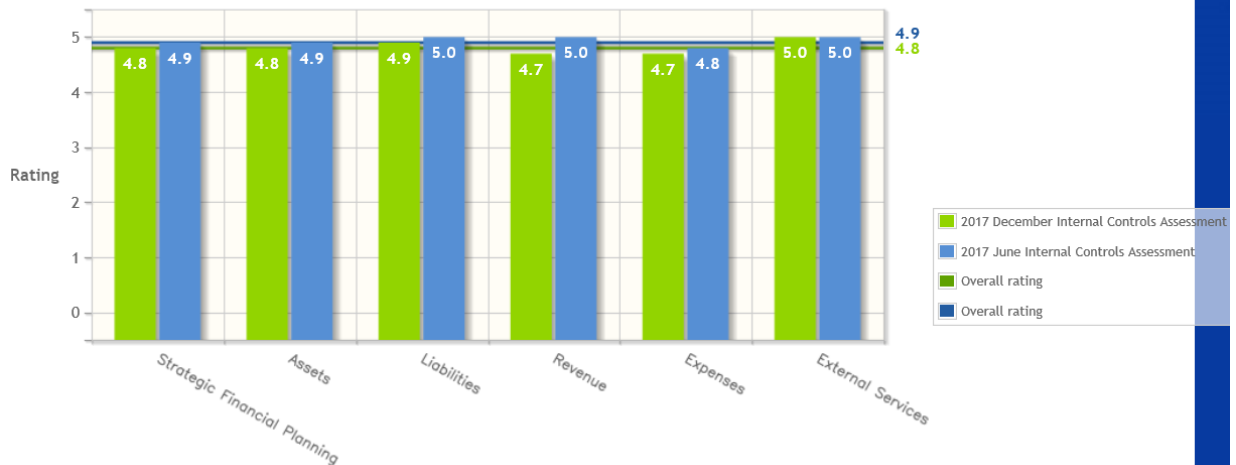
An assessment and review process was completed in June using the following rating scale:

1. Ineffective
2. Requires Significant Improvement
3. Partially Effective
4. Majority Effective
5. Effective

The effectiveness of internal controls at Council has been assessed at 4.8 from a possible score of 5 using the Control Track tool. This compares to a result of 4.9 in the internal controls assessment held 6 months prior. This result verifies that Council's internal controls are being maintained at a high level. This is outlined in the attachment.



**Control effectiveness for City of Tea Tree Gully:**  
Review period ending 31/12/2017  
Comparison with review period ending 30/06/2017



Attachment 1 provides a summary of the assessments for each category.

## Attachments

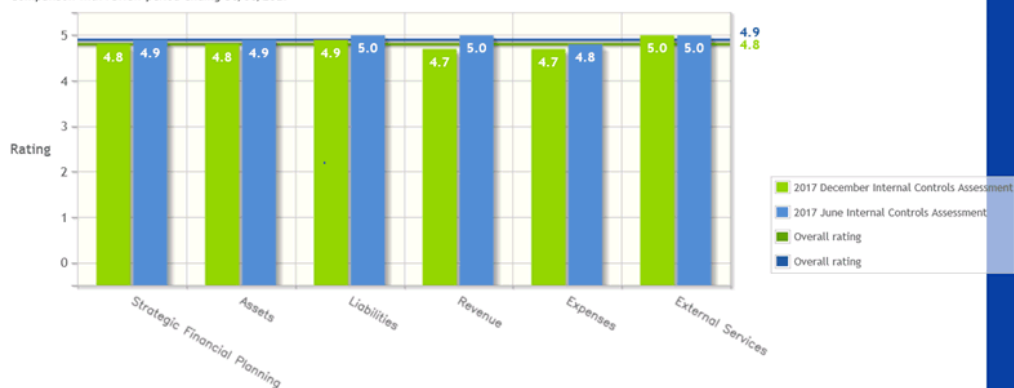
1. Overall Report for Control Track to December 31 2017 ..... 130

## Report Authorisers

Emma Lundberg	
Accountant	8397 7257
Gareth James	
Acting Manager Finance and Rating Operations	8397 7319
Ryan McMahon	
Director Organisational Services & Excellence	8397 7297

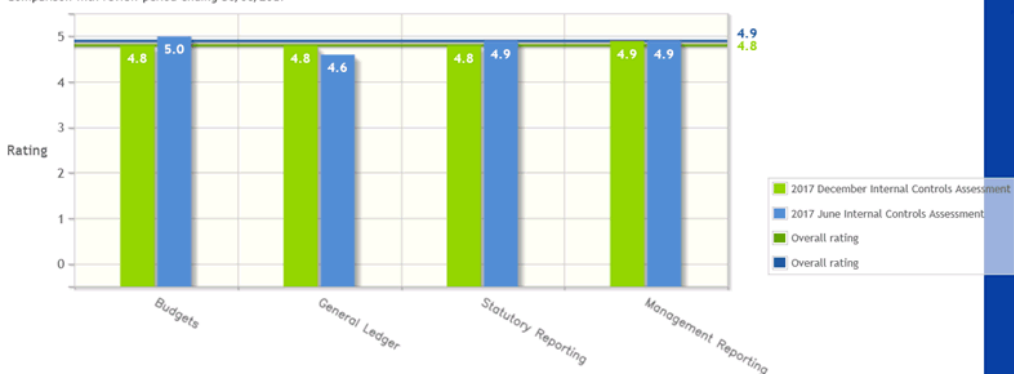
## Overall Report for Control Track to December 31 2017

Control effectiveness for City of Tea Tree Gully:  
Review period ending 31/12/2017  
Comparison with review period ending 30/06/2017



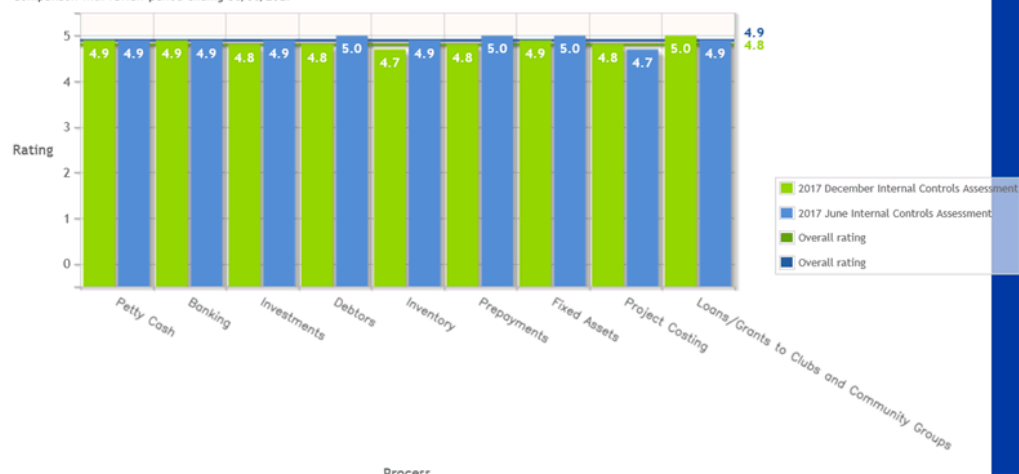
## Strategic Financial Planning

Control effectiveness for City of Tea Tree Gully:  
Review period ending 31/12/2017  
Comparison with review period ending 30/06/2017

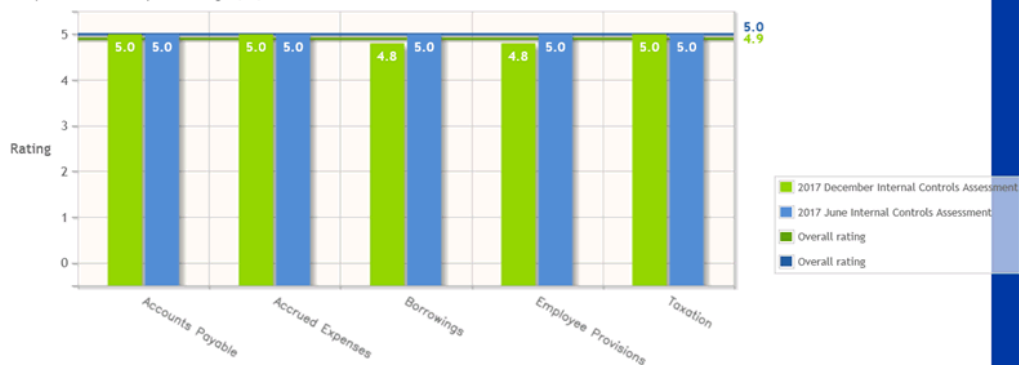


**Assets:**

Control effectiveness for City of Tea Tree Gully:  
Review period ending 31/12/2017  
Comparison with review period ending 30/06/2017

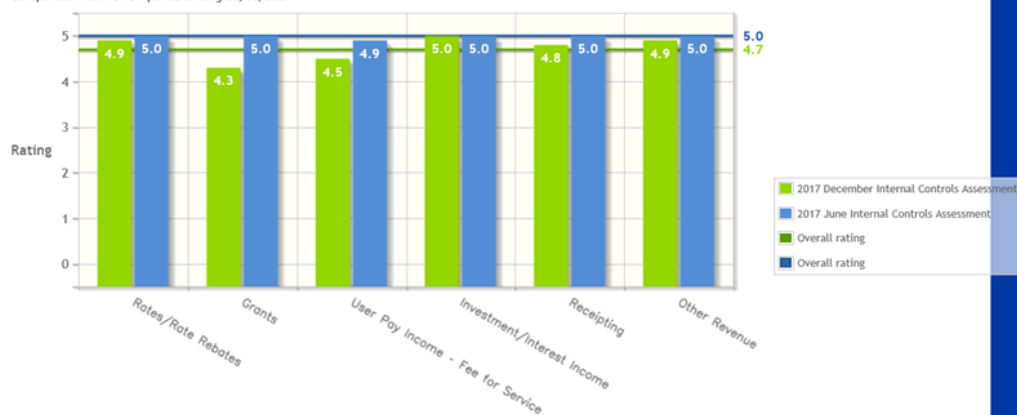
**Liabilities:**

Control effectiveness for City of Tea Tree Gully:  
Review period ending 31/12/2017  
Comparison with review period ending 30/06/2017



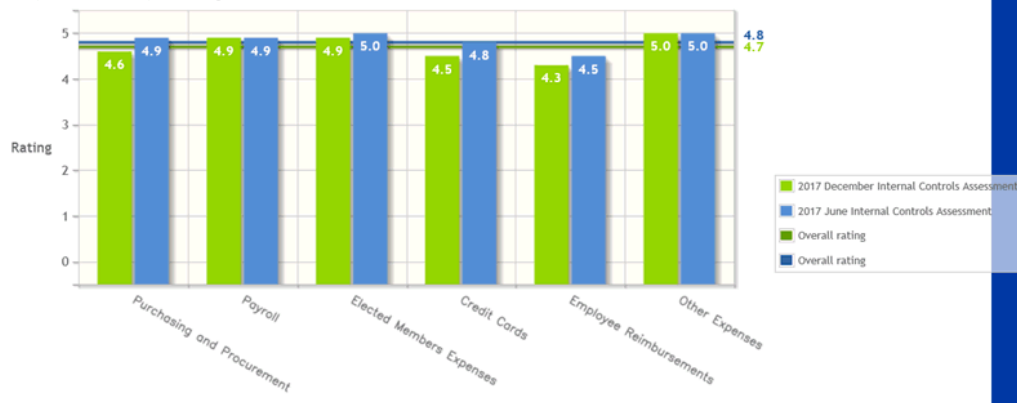
### Revenue:

Control effectiveness for City of Tea Tree Gully:  
Review period ending 31/12/2017  
Comparison with review period ending 30/06/2017



### Expenses:

Control effectiveness for City of Tea Tree Gully:  
Review period ending 31/12/2017  
Comparison with review period ending 30/06/2017



**External Services:**

Control effectiveness for City of Tea Tree Gully:

Review period ending 31/12/2017

Comparison with review period ending 30/06/2017





## Status Report on Committee Resolutions 31 JANUARY 2018

*Note: This report is provided as information only. Actions relating to confidential minutes have been removed from the Status Report.*

### Pending Actions

Nil

### Completed Actions

Minute No.	Meeting Date	Officer	Subject	Completed
91	29 November 2017	Kelli Strugnell	Debt Recovery Policy	19/12/2017
D17/76208 19 Dec 2017 - 11:26 AM - Kelli Strugnell Action completed by: Kelli Strugnell Policy adopted at Council on 12 December 2017 as reviewed by Audit Committee 29 November 2017. Updated on Council's website.				
Minute No.	Meeting Date	Officer	Subject	Completed
92	29 November 2017	Kelli Strugnell	Prudential Management Policy	19/12/2017
D17/76209 19 Dec 2017 - 11:36 AM - Kelli Strugnell Action completed by: Kelli Strugnell Policy adopted by Council 12 December 2017 subject to the due diligence section being updated to include other risks in addition to financial. Policy updated accordingly and loaded onto Council's website.				