

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON TUESDAY 28 FEBRUARY 2017**



PRESENT

Mr Greg Connor (Chair), Ms Kathryn Presser, Ms Emma Hinchey, Councillor Raelene Telfer and Councillor Nick Kerry

In Attendance

Mr Adrian Skull	Chief Executive Officer
Mr Vincent Mifsud	General Manager Corporate Services
Ms Abby Dickson	General Manager City Development
Mr Tony Lines	General Manager Operations
Ms Jaimie Thwaites	Acting Manager Corporate Governance
Mr Ray Barnwell	Manager Finance (items 8.1 – 8.7)
Mr Colin Heath	Manager Contracts and Operational Support (item 7.4)
Ms Sherie Walczak	Acting Unit Manager Governance & Records (items 7.1, 7.5, 8.4 & 8.5)
Ms Deborah Horton	Unit Manager Performance Improvement Team (items 8.1 – 8.7)

1. OPEN MEETING

The meeting commenced at 9.32am. The Chair welcomed all those present to the meeting.

2. KAURNA ACKNOWLEDGEMENT

We begin by acknowledging the Kurna people, the traditional custodians of this land and pay our respects to their elders past and present.

3. MEMBERS DECLARATION OF INTEREST

The Chair asked if any Member wished to disclose an interest in relation to any item being considered at the meeting.

No interests were disclosed.

4. CONFIRMATION OF MINUTES

4.1 Confirmation of Minutes for the Finance and Audit Committee held 15 December 2016

9.33am Moved Councillor Telfer, Seconded Ms Presser that the minutes of the Finance and Audit Committee meeting held on 15 December 2016 are confirmed as a true and correct record of proceedings.

Carried Unanimously

5. BUSINESS ARISING

**5.1 Review of the Business Arising from previous meetings of the Finance and Audit Committee
Report Reference: FAC280217R5.1**

9.34am The statement identifying business arising from the previous meetings of the Committee was reviewed and progress achieved against identified actions was noted. The

Committee was provided with an updated Business Arising statement that noted the following in relation to item 2 of the report:

- A new PMO role is being established to focus on developing a corporate program and project management framework, support for project officers, project governance and reporting. This role will firstly assess the current state of project management and then design and develop a framework over the coming months.
A key tool – Work Area Plan project reporting- has been developed to capture all key business plan, work area and 'CE special' projects. Monthly project updates are being provided by all SLT to ensure delivery of projects is tracked with strong accountability.

ACTION: The Committee requested that the Project Management Report be brought to the August 2017 Committee Meeting

6. ELECTED MEMBER REPORT

6.1 Elected Member's Report Report Reference: FAC280217R6.1

9.36am Councillor Telfer spoke to the report. In speaking to the report Councillor Telfer noted the following:

- Council had held a Planning Day on 21 January 2017 with the Executive Leadership team.
- The budget planning process for 2017/18 has commenced much earlier than previous years
- Council is currently looking at a number of heavy agenda items
- The proceeds from the sale of the former Hallett Cove Library building noted on page 18 of the agenda deserved a particular mention.
- Asset optimisation is a key focus of this current Council even though some assets may be hard to let go.

The Committee noted the report.

7. CONFIDENTIAL ITEMS

7.1 Local Government Association Insurance Schemes Review Reference No: FAC280217F7.1

9.40am Moved Councillor Telfer, Seconded Councillor Kerry that pursuant to Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Chief Executive Officer; Tony Lines, General Manager Operations; Vincent Mifsud, General Manager Corporate Services; Abby Dickson, General Manager City Development; Jaimie Thwaites, Acting Manager Corporate Governance, Sherie Walczak, Acting Unit Manager Governance and Records, Gary Oakley, CEO Public Sector - Jardine Lloyd Thompson Pty Ltd (JLT); Tony Gray, General Manager Local Government Risk Services – JLT and Lyndon Parnell, Managing Director Finrisk Pty be excluded from the meeting as the Council receives and considers information relating to Local Government Association Insurance Schemes Review, upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information the disclosure of which could prejudice the commercial position of Council and would on balance be contrary to the public interest.

Carried Unanimously

9.40am the meeting went into confidence

10.23am Councillor Nick Kerry re-entered the meeting

10.36am Mr Gary Oakley (JLT), Mr Tony Gray (JLT) and Mr Lyndon Parnell (Finrisk Pty) left the meeting

10.36am Ms Presser and Councillor Kerry left the meeting

10.37am Ms Presser re-entered the meeting

10.38am Councillor Kerry re-entered the meeting

Moved Councillor Telfer, Seconded Councillor Kerry that the Finance and Audit Committee in accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, Local Government Association Membership and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b) of the Act, except when required to effect or comply with the Committee's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2017.

Carried Unanimously

11.08am the meeting came out of confidence

Meeting adjournment

The Chair sought and was granted leave of the meeting for a 5-minute adjournment.

11.09am Councillor Kerry left the meeting and did not return

11.09am meeting adjourned

11.16am meeting resumed

7.2 Local Government Association Membership Reference No: FAC280217F7.2

11.19am Moved Ms Presser, Seconded Councillor Telfer that pursuant to Section 90(2) and (3)(b) and (h) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Chief Executive Officer; Tony Lines, General Manager Operations; Vincent Mifsud, General Manager Corporate Services; Abby Dickson, General Manager City Development; Jaimie Thwaites, Acting Manager Corporate Governance, Craig Clarke, Unit Manager Communications, be excluded from the meeting as the Council receives and considers information relating to Local Government Association Membership, upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information the disclosure of which could prejudice the commercial position of Council and would on balance be contrary to the public interest and legal advice.

Carried Unanimously

11.19am the meeting went into confidence

Moved Ms Presser, Seconded Councillor Telfer that the Finance and Audit Committee in accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, Local Government Association Membership and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b) and (h) of the Act, except when required to effect or comply with the Committee's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2017.

Carried Unanimously

11.47am the meeting came out of confidence

7.3 Organisational Service Reviews – Libraries Appendix 5 **Reference No: FAC280217F7.3**

11.48am Moved Councillor Telfer, Seconded Ms Hinchey that pursuant to Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Finance & Audit Committee orders that all persons present, with the exception of: Adrian Skull Chief Executive Officer, Vincent Mifsud General Manager Corporate Services, Abby Dickson General Manager City Development, Tony Lines General Manager Operations, Liz Byrne Manager Community & Cultural Services, Jackie Dolling Acting Unit Manager Service Quality Libraries, Jayne Webster Acting Unit Manager Community Connections & Learning, Ola Wleklinski Unit Manager Libraries Collection & Outreach, Ray Barnwell Manager Finance, Jaimie Thwaites Acting Manager Corporate Governance, Deborah Horton Unit Manager Performance & Improvement, Melissa Nottle-Justice Business Improvement Officer be excluded from leaving the meeting as the Committee receives and considers information relating to the City of Marion Libraries Service Review (Appendix 5), upon the basis it is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential on the grounds that the report contains information relating to personnel matters.

Carried Unanimously

11.48am the meeting went into confidence

Moved Councillor Telfer, Seconded Ms Hinchey that the Finance and Audit Committee in accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, City of Marion Libraries Service Review (Appendix 5) and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(d) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2017.

Carried Unanimously

12.15pm the meeting came out of confidence

7.4 Organisational Service Reviews – Public Litter Appendix 6 **Reference No: FAC280217F7.4**

12.16pm Moved Councillor Telfer, Seconded Ms Presser that pursuant to Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Finance & Audit Committee orders that all persons present, with the exception of: Adrian Skull Chief Executive Officer, Vincent Mifsud General Manager Corporate Services, Abby Dickson General Manager City Development, Tony Lines General Manager Operations, Ray Barnwell Manager Finance, Jaimie Thwaites Acting Manager Corporate Governance, Colin Heath Manager Contracts & Operational Support, Deborah Horton

Unit Manager Performance & Improvement, Melissa Nottle-Justice Business Improvement Officer be excluded from leaving the meeting as the Committee receives and considers information relating to the City of Marion Public Litter Service Review (Appendix 6), upon the basis it is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential on the grounds that the report contains information relating to commercial information of a commercial nature (not being a trade secret) the disclosure of which (i) could reasonably be Report Reference: FAC151216F7.4 expected to prejudice the commercial position of a person who supplied the information, or to confer a commercial advantage on a third party; and (ii) would, on balance, be contrary to the public interest

Carried Unanimously

12.16pm the meeting went into confidence

Moved Councillor Telfer, Seconded Ms Presser that the Finance and Audit Committee in accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, City of Marion Public Litter Service Review and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(d) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2017.

Carried Unanimously

12.21pm the meeting came out of confidence

7.5 External Audit Tender Report Reference: FAC280217R7.5

12.21pm Moved Ms Hinchey, Seconded Ms Presser that pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons Adrian Skull (Chief Executive Officer), Vincent Mifsud (General Manager Corporate Services), Abby Dickson (General Manager City Development), Jaimie Thwaites (Acting Manager Corporate Governance), Ray Barnwell (Manager Finance), Sherie Walczak (Unit Manager Risk) be excluded from the meeting as the Committee receives and considers information relating to the tender for the provision of External Audit Services upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information is of a commercial nature.

Carried Unanimously

12.21pm the meeting went into confidence

Moved Councillor Telfer, Seconded Ms Hinchey that the Finance and Audit Committee in accordance with Section 91(7) and (9) of the Local Government Act 1999 the Committee orders that this report, the minutes arising from this report and any other information distributed at the meeting having been considered in confidence under Section 90(2) and (3)(d) of the Act be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council meeting in December 2017.

Carried Unanimously

12.25pm the meeting came out of confidence

12.26pm Internal Audit Program Status Report
Report Reference: FAC280217R8.7

12.26pm Mr Justin Jamieson, Engagement Partner - KPMG and Jared Lawrence, Engagement Director – KPMG joined the meeting

Mr Jamieson (KPMG) and Mr Lawrence (KPMG) spoke to each of the attached Internal Audit reports.

The Committee provided feedback on each of the scope documents as listed below:

- Accounts Receivable report (Attachment 1) - The Committee noted that the benchmarking data is from interstate councils. It was recommended that the Local Government Financial Managers Group or the Grants Commission could be approached for South Australian comparison data.
- Purchase Cards report (Attachment 2) - The Committee noted that there are a very low number of purchase cards in the organisation. This is perhaps due to the organisational culture however, consideration should be given to increasing the number of cards where appropriate to gain efficiencies.
- ICT – Cyber Security Maturity report (Attachment 3) - Compared to other organisations (Local Government and others) the City of Marion is situated appropriately in relation to cyber security. Historically the two biggest potential risks were financial and protection of customer data. Infrastructure risks has grown in focus more recently. It was recommended that the management of cyber security needs to be an ongoing priority. The Policy needs to be formally implemented and strong and specific training needs to be rolled out to ensure compliance. The Manager ICT confirmed for the Committee that penetration tests are regularly performed by CQR and the organisations ability to recover if an issue was to occur is part of the Business Continuity Planning.
- Policy Framework Scoping Document (Attachment 4) - The review will need to link to the Draft Policy Framework (Report Reference: FAC280217R8.2). The Acting Manager Corporate Governance confirmed that part of the review by KPMG will be to provide comment on the Draft Policy Framework particularly once the assessment of the policies has been undertaken and the ideal suite of policies has been drafted.
- Property Portfolio Management Scoping Document (Attachment 5) – noted the report.

12.56pm Mr Justin Jamieson, Engagement Partner - KPMG and Jared Lawrence, Engagement Director – KPMG left the meeting

8. Reports

Matters for Discussion

Corporate & Financial Management

12.57pm Financial Management Policies
Report Reference: FAC280217R8.1

The Manager Finance gave an overview of the Budget, Treasury Management and Reserve Funds Policies.

The Committee provided feedback on each of the financial management policies as listed below:

- Budget Policy
 - Noted that the Policy has been updated to reflect the current new processes.
 - Point 6 in the Policy should be amended to reflect that Management do not “approve” budgets as that is Council’s role.
 - Under the heading ‘Budget Reviews’ (page 29 of the agenda) the Policy should include identifying unexpected expenses and overruns in addition to the savings opportunities mentioned.
- Treasury Management Policy
 - Under the Investments heading in the policy (page 33 of the agenda) the Committee suggested removing the words “without approval from Council” to give greater clarity around the investment criteria.
 - The sentence “Investment of surplus funds outside of the above investment choices must be reported to Council for approval” should also be removed from under the same heading.
 - Consideration should be given to the rating of specific instruments not just the rating of the financial institutions.
 - The policy notes (page 34 of agenda) that quotations are obtained to ensure competitive rates for investments are achieved, it would be useful to specify the minimum number of quotations required.
 - A definition of surplus funds should also be included.
- Reserve Funds Policy
 - under the heading Grants/Carry Forward Projects Reserve (page 38 of the agenda) it would be useful to expand the section “Use of Fund” to clearly distinguish funds held for grants not fully expended and funds held for capital works carried over from the previous year. It was noted during the discussion that future budgets are adjusted to embed savings of a recurrent nature identified during the year. It was suggested that the additional wording on page 40 ‘Council will contribute up to 50% of the funds’ should be changed to ‘Council may contribute up to about 50% of the funds’ in order to have a degree of flexibility around Council’s contribution to co-funded projects.

The Committee noted that the Policies be recommended to Council with the suggested amendments incorporated.

1.13pm Policy Framework **Report Reference: FAC280217R8.2**

The Committee provided the following feedback on Draft Policy Framework:

- A “Policy” should be high level
- A “Procedure” should deliver an outcome.
- The procedure template is quite short, ensure there is enough scope within the template to provide detail as required.
- EMG reference should be replaced by ELT (Executive Leadership Team)
- Remove the last bullet point on page 5 “Able to be implemented within Council resources”, as this is not necessary.

1.15pm Ms Presser left the meeting and did not return

1.15pm Annual Business Plan 2017/18 and Long Term Financial Plan Report Reference: FAC280217R8.3

The Committee questioned the 2% Assumption relating to employee costs, in particular noting the planned 0.5% increase each year for 5 years of the Super Guarantee from 2021/22. This is concerning given under the staff Enterprise Bargaining Agreement there are no forced redundancies and Council's position is that there will be no reduction in service standards therefore will this assumption of a flat 2% each year per be achieved? Is it realistic?

It was suggested that the details of what makes up the 2% Assumption be provided in the document.

The Committee noted the accounting Reserves are currently fully cash backed and noted that there are considerable cash reserves. Whilst it is good to have a war chest Council will need to consider how big this should be and what is the best use of those funds.

The Committee suggested the following amendments be considered in relation to the Corporate KPIs:

- As Council's budget is based on a balanced cash position then a positive cash indicator may be more useful as a KPI instead of the current +/-5% of Operating Budgeting
- staff net numbers be changed to a suitable indicator relating to total employee costs (a reduction in the number of staff does not necessarily translate to a reduction in employee costs)
- Requested that the key staff mentioned in the retention KPI be identified so that appropriate measurement could occur.

The Committee advised that in relation to the Environmental Scan it is difficult to know what we don't know particularly about changes in technology. For example, what impact would driverless cars have on taxi drivers, train drivers etc? It was also suggested that the item relating to technology change and enhancements should reference to the increased risk of cyber security threats.

The Committee noted the report.

Risk Management

1.33pm Corporate Risk Profile Report Reference: FAC280217R8.4

The Committee acknowledged that the report is a summary of a detailed register of some 200 plus risks. They noted however, that they would have liked to see the detail behind the summary.

It was acknowledged that it is positive that there are no extreme risks however it is a concern that some risks remain unchanged as high. The Acting Unit Manager Governance & Risk noted that there are some risk ratings that will not decrease unless there is investment in systems and resources. The Committee noted that the extra resources required to mitigate these risks sooner should be considered a priority, as it was not good practice that for three years running the risk ratings of high had remained unchanged.

The Committee recommended that all risks that exceed Council's risk appetite (e.g. above medium) should be reported to Council on a quarterly basis.

The Committee noted the report.

1.42pm WHS Rebate Calculations
Report Reference: FAC280217R8.5

The Committee noted the report.

Service Reviews and Internal Audit

1.43pm Organisational Service Reviews 16/17 Update
Report Reference: FAC280217R8.6

The Unit Manager Performance and Improvement provided an overview of the report. The Committee provided feedback on each of the financial management policies as listed below:

- Maintenance of Council facilities (Appendix 1) - noted
- Asset Systems (Appendix 2) – ambit of the review has been reduced. In response to the question if the depreciation of assets was considered best practice it was noted that comprehensive independent valuations are regularly carried out and interim desktop reviews are undertaken annually.
- Roads (Appendix 3) – include consideration of whether other opportunities may be available (e.g. utilising other companies)
- Marion Celebrates (Appendix 4) – review focusses on current practice, not opportunities to develop.
- Library (Appendix 5) – note separate confidential item above
- Public Litter (Appendix 6) - note separate confidential item above

The Committee agreed with the reasoning in the report to delay the items ‘Commonwealth Home Support Service’ and ‘Records Management’

The Committee raised concern that some of the reviews are taking up more of administrations time than was initially anticipated. A balance in effort is critical and consideration should be given to “best practical practice”. A review should be undertaken on the whole service review program and focus should be on the value add or cost versus benefit analysis of the service reviews.

ACTION: A report be bought to the May Finance and Audit Committee meeting regarding a review of the Service Review Program by the Performance Improvement Team, including learnings from the current process.

9. ANY OTHER BUSINESS

Nil

10. MEETING CLOSURE

The meeting was declared closed at 2.00pm.

11. NEXT MEETING

The next meeting of the Finance and Audit Committee is scheduled to be held on:

General Meeting of the Finance and Audit Committee

Time: 9.30am – 12.30pm

Date: 30 May 2017

Venue: Chamber, Administration Building

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CHAIRPERSON

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