

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING  
HELD AT THE ADMINISTRATION CENTRE  
245 STURT ROAD, STURT  
ON 15 AUGUST 2017**



**PRESENT**

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

**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 Kate McKenzie	Manager Corporate Governance
Mr Ray Barnwell	Manager Finance and Contracts
Ms Deborah Horton	Governance Quality Coordinator (items 8.5 – 8.7)
Mr Mat Allen	Manager Engineering and Field Services (item 8.6)
Ms Fiona Harvey	Manager Innovation and Strategy
Mr Brenton Lyons	Team Leader, Asset Systems
Mr Paul Johns	Acting Unit Manager Risk
Jared Lawrence	KPMG

**1. OPEN MEETING**

The meeting commenced at 4.00 pm. The Chair welcomed all those present to the meeting.

**2. KAURNA ACKNOWLEDGEMENT**

We begin by acknowledging the Kaurna 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**

**4.01pm Confirmation of Minutes for the Finance and Audit Committee held 30 May 2017**

**Moved Ms Presser, Seconded Councillor Telfer** that the minutes of the Finance and Audit Committee (the Committee) meeting held on 30 May 2017 are confirmed as a true and correct record of proceedings.

**Carried Unanimously**

## 5. BUSINESS ARISING

### 4.03pm Review of the Business Arising from previous meetings of the Finance and Audit Committee

#### Report Reference: FAC150817R5.1

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

The Committee requested further updates on the following items to be presented to the next Committee meeting in October 2017:

- The progress of the Local Government Association in response to the matters raised in correspondence from the Mayor.
- An update regarding progress of the Auditor General findings.

The Committee noted that a report will be presented to the December 2017 meeting regarding how the new leasing policy is progressing.

## 6. ELECTED MEMBER REPORT

### 4.05pm Elected Members' Report

#### Report Reference: FAC150817R

Councillor Telfer provided an overview of the report and highlighted the following points:

- Council had resolved to contribute \$5m towards the Oaklands Crossing Upgrade. This included \$1m cash within the 2017/18 budget plus in kind support for open space, civil works and rezoning processes. Plans are now progressing quickly with the government's intent to commence the project in the very near future.

The Committee noted that the total cost of the project was \$174m and Council was seeking a holistic/precinct approach for the area rather than just the construction of a new rail corridor.

The Committee queried if this project would need a Section 48 Prudential Report? Management advised that the requirements for a Section 48 Report were still being considered.

#### **ACTION: - Confirm if the Oaklands Crossing Project requires a Section 48 Report?**

- Council adopted a 2.2% rate increase for the 2017/18 financial year which is the lowest rate increase set for a number of years. The budget process was smooth and progressed well.
- Edwardstown Oval is progressing well and the tender process is currently underway. The Committee indicated it was great to see a project come nearly full circle with works about to commence.
- BMX and soccer in the south were raised for projects as the Committee to be aware of. Council was considering some options for land optimization and also the need for Section 48 Prudential Reports on both projects.
- Council is progressing with the Housing Diversity Development Plan Amendment (DPA) which is the largest planning reforms Council has considered for many years. The Minister has indicated very tight timeframes with the DPA to be submitted to the Minister by 1 December 2017. The timeframes create a risk for the DPA as it requires an 8 week legislative public consultation process.

The Committee queried why Council had deferred the risk report? The Manager Corporate Governance advised the Committee that Council had requested that further work occur on the risks and the risk ratings to ensure that the risks had been assessed correctly. This

information would be presented to the Committee in October 2017 and then to the next General Council Meeting.

**ACTION: - that an updated risk report be presented to the Committee at its meeting on 10 October 2017.**

## 7. CONFIDENTIAL ITEMS

Nil

## 8. REPORTS

### Matters for Discussion

#### Service Reviews and Internal Audit

#### **4.11 pm Property Portfolio Internal Audit Recommendations Progress Report Report Reference: FAC150817R 8.1**

The General Manager City Development provided an overview of the report indicating that the Land and Property Team was approximately 90% through a service review which will address recommendation 1 of the internal audit. Advice was provided to the Committee that the Land and Property team is attempting to move from a reactive working environment to a more proactive space. It was noted that there is limited information and reporting regarding the data for asset planning.

The Land and Property Team is working in conjunction with the Finance Team for opportunities to improve processes and systems. It was noted that current processes are manual meaning that there is an increased risk of human error.

There is still an on-going challenge for Council regarding receiving documentation from sporting groups which is created from the clubs being community based clubs rather than commercial arrangements. The Committee noted that all clubs are required to have a constitution and are bound by these legal obligations. Council has been working (via two City of Marion staff members) with the clubs to build their governance capabilities and capacity. This is not an isolated issue for City of Marion and occurs across the local government sector.

The Committee noted the feedback and the service review will set timelines for further actions. The Committee noted the report and requested a further update be provided at the October 2017 meeting

**ACTION – an update on the Property Portfolio Internal Audit Recommendations be provided through the business arising at the October 2017 Committee Meeting.**

#### **4.22 pm Internal Audit (IA) Program 2015 to 2017 and Policy Framework Review Report Reference: FAC150817R8.2**

Mr Jared Lawrence from KPMG entered the meeting.

Mr Lawrence provided an overview of the current two year IA Program noting that it is close to conclusion with only one review outstanding, being the Corporate Reporting Review. This report is in draft and will be presented to the Committee in October 2017. The Committee noted that the IA Program had been delivered within scope and budget. The Committee noted the number of outstanding recommendations from the two year IA Program and suggested that these should be finalised as soon as possible before the new IA program

commences. The Committee requested that management provide a focus to these before the next Committee meeting.

The Committee also queried why the People, Leadership and Culture review did not progress. The Committee was advised that at the time a new Human Resources Manager had been appointed and was in the initiation stage of many projects including the organisations values and leadership programs. In addition to this, it was considered that KPMG may not have the right skills set for this type of review.

#### Policy Framework Review

Mr Lawrence summarised the findings from the Policy Framework Review noting that there were seven (7) low risk, interrelated findings. The Committee noted that the cumulative effect of seven findings rated as low risk may make the overall risk higher.

Management highlighted that the timeframes to complete the audit findings was within six (6) months to ensure the findings were addressed. It was noted that there is a large body of work to be completed across the organisation which will be managed by the Governance Quality Coordinator. Once complete, the policy suite will be much more easily managed. This work is currently being rolled out across the organisation in consultation with the Senior Leadership Team.

The Committee noted the management responses, emphasised the importance of having an up to date, ongoing iterative Policy Register and requested an update at the next Committee Meeting through the business arising statement.

**ACTION – an update on the Policy Framework Review Recommendations be provided through the business arising at the October 2017 Committee Meeting.**

#### **4.37pm Draft Internal Audit 2017/18 Report Reference: FAC150817R8.3**

Mr Lawrence provided an overview of the report indicating that the draft Internal Audit (IA) Plan for 2017/18 was not a traditional IA Plan and the focus was on data systems and process for the City of Marion. Three reviews had been identified being:

- Data Asset Management/Information Systems
- Contracts and Procurement
- Complaint Management.

The Data Asset Management Review was to focus on the quality of data across the organisation, including information systems, data movement, data management and integrity and reporting. The purpose is to assist managers get the right information to manage the business better.

The Chief Executive Officer (CEO) indicated that the combinations of systems, process and people needed review and improvement.

The Committee queried if this review was the role of the Internal Auditor or if it would be better placed with a systems analyst? The Committee also queried if the IA Plan covered the key organizational risks?

The CEO indicated that the proposed review has strong merit as data management across the organisation is a key risk. The quality and integrity of data is mixed across the organisation and is critical for improved business outcomes.

The Committee noted that the risk is not listed on the Corporate Risk Register and it was highlighted that the risks are currently being reviewed and will be reported to the October 2017 Committee meeting.

The Committee also raised concerns that other high risks of the organisation were not addressed within the IA Plan which is what would be expected. The Committee indicated that further work needed to occur on the scope of the Data Asset Management Review before they could sign off. The Committee also indicated that further work needed to occur on the risks. The Committee advised that the purpose of an IA program is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.

The Manager Corporate Governance confirmed that the review of the risk registers was currently in progress and once this was completed, the risks would be further considered as part of the IA Plan for 2017/18.

#### **ACTION**

**The Committee requested that the following occur:**

- **Complete the review of the risk registers and report back to the Committee**
- **Included better connections of the key risks within the Internal Audit Plan (IAP)**
- **Include inherent and residual risks and some risks with high inherent risk ratings may be considered as part of the plan.**
- **Further scope the Data Asset Management Review with hours and costs**
- **Circulate a further draft IAP out of session (before the next Committee meeting)**

**5.05 pm Meeting with the Internal Auditors in Confidence (without management present)**

**Reference No: FAC150817R8.4(F01)**

**Moved Ms Presser, Seconded Councillor Telfer that**

Pursuant to Section 90(2) and (3)(g) of the Local Government Act 1999, the Committee orders that all persons present with the exception of Mr Jared Lawrence from KPMG be excluded from the meeting as the Committee meets with the Council's Internal Auditors, in order to ensure that the Council does not breach any law, order or direction of a court or tribunal by law, any duty of confidence or other legal obligation or duty

**Carried Unanimously**

**5.06 pm the meeting went into confidence and staff present left the meeting.**

The Internal Auditor reported in response to questions from those present that they had received good cooperation from Management and Staff during the conduct of their Audits.

They were concerned that on occasion it had been difficult to obtain information/data required due to the inability of systems to capture it and sometimes the inability of Staff to be able to interrogate these systems to obtain same.

They also commented positively on the resolve of the CEO for continuous improvement, and his desire to improve systems and the quality of reporting."

**5.21 pm the meeting came out of confidence and staff returned to the meeting.**

**5.22pm Organisational Service Review Program 2016/17**

**Report Reference: FAC150817R8.5**

The Committee took the report as read and queried if the organisation was seeing value for the time, effort and resources being applied to the service review program?

The CEO indicated that some service reviews had delivered great outcomes whilst others didn't necessarily deliver substantial improvements. He indicated that the organisation had taken the learnings from the past 12 months of service reviews and improved the program for 2017/18. He indicated that he was confident the right reviews have been programed for 2017/18.

The Committee noted that:

- The reports have been fulsome but often the report author is the manager responsible for the area meaning that the views are not always as objective as they could be.
- The revised program will have the Performance and Innovation Team independently write the reports but seek assistance from Management on technical matters.
- There are a number of recommendations from previous reviews that still need to be implemented. Management need to ensure that the organisation is resourced to deliver the improvements.

The Committee suggested it would be useful to assess what has changed and improved as a result of the service review program and report back to the Committee.

**ACTION – A short report be presented to the October 2017 Committee Meeting demonstrating any improvements that have been delivered as a result of the Service Review Program.**

#### Roads Service Review

The Committee noted the report and thanked management. The Committee indicated that the report was very fulsome but when reviewing the recommendations there was nothing revolutionary. The Committee queried if the report had critically analysed the data to search for improvement opportunities?

The Manager Engineering and Field Services indicated that the Roads Service Review had been selected due to the high financial spend. In general, the road network has been maintained to a good level and Marion was operating below the average of the industry.

The Committee queried if Marion could deliver more with the same amount and if contractor rates had been compared with internal resources. The Manager Engineering and Field Services indicated that this had been looked at and as a comparative advised that local government in New Zealand had outsourced road maintenance completely. There are benefits to this but also a number of risks as the Council can lose control of its road assets.

The Committee indicated that the benchmarking data was useful and that the level of funding within the Long Term Financial Plan seemed adequate. The Committee also noted that the maintenance costs are half the amount of other Councils and this demonstrated that the roads are in good condition.

The Committee noted that the budget is always underspent and queried if this presents a risk to Council? The Committee was advised that last year Council received additional funding from the Roads to Recovery Program which impacted on the budget. Council has also made significant improvement in the management of carryovers.

The Committee also recommended that further consideration be given to the timing of the recommendations as they all fall due at 30 June 2018.

#### Asset Systems Service Review

The Committee noted the report. The Manager Innovation and Strategy highlighted that the review was comprehensive of all asset management systems. Two consultants were used for the review with the focus being data, people and process. The review identified that the City of Marion is failing to meet a number of core asset management competencies and the

information systems were a barrier to progressing with improvements in other areas. The review has recommended a road map forward that focuses on people, data, process and systems. The Committee noted that recruitment is occurring to fill vacant positions within the team, which will assist the delivery of identified improvements.

The Committee noted there is no 'single point of truth' and data exists in various locations and is often duplicated.

The Committee noted the timeframes and the large body of work required over the next 12 months.

#### Corporate & Financial Management

#### **5.40pm Project Management Framework Report Reference: FAC150817R8.6**

The Committee indicated that the report did not present a Project Management Framework. The Manager Innovation and Strategy confirmed that this was correct and the Project Management Framework will be developed as one of the first priorities of the new position, Project Manager Officer. The purpose of this report was to demonstrate how management was being brought together across the organisation.

The Committee noted that the Prudential Management Policy required updating. The Committee requested a further progress report on the Project Management Framework to be presented to the next Committee Meeting.

**ACTION – an update on the Project Management Framework be provided through the business arising at the October 2017 Committee Meeting.**

#### **5.47pm Draft ICT Digital Transformation Plan Report Reference: FAC150817R8.7**

The Manager ICT indicated that the ICT Digital Transformation Plan provides a road map outlining the vision, strategies, principles and potential technology advancements for the next 1 - 5 years. He stated that it is important that it is used for ICT planning to ensure the organisation can deliver good technology outcomes into the future. It was noted that the first column indicates what we are currently doing and have budgeted for within the next 12 months. The second column represents the next 2 – 5 year but funds have yet to be committed. It is important that these are considered as part of the planning process to ensure that ICT initiatives continue to progress.

The Committee noted the following:

- That the City of Marion has improved significantly in this space over the past few year and is now moving into a more modern era.
- A steering group is guiding and approving what systems are being purchased and implemented across the organisation.
- The importance of ensuring available funding is appropriately included in Council's Long Term Financial Plan (LTFP) for future ICT initiatives.

The Committee recommended that Council considered allocating an on-going investment amount for ICT within the LTFP to ensure the on-going improvement and development of technology solutions in the organisation.

#### **Meeting Extension**

**Moved Ms Hinchey, Seconded Councillor Telfer** that the meeting be extended for 5 minutes to allow for the remainder of the agenda items to be considered.

**Carried Unanimously**

**6.00pm meeting extended**

**6.01 pm Asset Valuation Process and Outcomes for 2016/17  
Report Reference: FAC150817R8.8**

The Committee took the report as read and noted the 16/17 asset valuations for all infrastructure and non-infrastructure assets.

**6.02 pm Discussion – An Appropriate Level of Debt  
Report Reference: FAC150817R8.9**

The Committee took the report as read and that further discussion will occur during the joint workshop with the Council.

Risk Management

**6.02pm Insurance Claims Management Activity Report  
Report Reference: FAC150817R8.10**

The Committee noted the report and the high number of incidents relating to motor vehicles and the high number of 'at fault' claims. It was highlighted to the Committee that these include any damage incurred by all registered vehicles (including plant such as mowers, diggers, backhoes, etc.). The Committee suggested that further clarity regarding this would have been beneficial within the report.

The Committee also queried if there were repeat offenders. It was noted that the Executive Leadership Team had recently reviewed this and yes, there were some repeat offenders. The Committee suggested that a formal process be established for repeat offenders which could include a ban for a certain period. This needed to then be weighed up against the risk of them not reporting incidents.

It was also noted that all incidents are reported and investigated. Claims costs are low as many claims are minor. SAPOL driver awareness training for staff had recently occurred.

**9. ANY OTHER BUSINESS**

Nil

**10. MEETING CLOSURE**

The meeting was declared closed at 6.05 pm.

**11. NEXT MEETING**

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

**Time: 9.30 am**

**Date: Tuesday, 10 October 2017**

**Venue: Council Chamber, Administration Building**

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**CHAIRPERSON**

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