

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON 26 February 2019**



PRESENT

Mr. Greg Connor (Chair), Mrs. Emma Hinchey, Ms. Natalie Johnston (from 9.33am) and Councillor Gard

In Attendance

Mr. Tony Lines	Acting Chief Executive Officer
Mr. Vincent Mifsud	General Manager Corporate Services
Ms. Abby Dickson	General Manager City Development
Ms. Kate McKenzie	Manager Corporate Governance
Mr. Ray Barnwell	Manager Finance and Contracts
Ms. Fiona Harvey	Manager Innovation and Strategy
Ms. Karen Cocks	Manager Customer Experience (Item R03)
Ms. Annemarie Mabarrack	Project Management Leader (Item R04)
Ms. Anne Gibbons	Environmental Sustainability Manager (Item R05)
Ms. Cass Gannon	Performance and Innovation Leader (Item R06)
Mr. Brendon Lyons	Team Leader Asset Systems (Item R11)
Mr. Justin Jamison	KPMG (Item R03)
Mr. Eric Beere	KPMG (Item R03)
Mr. James Rivett	KPMG (Item R03)

1. OPEN MEETING

The Chair opened the meeting at 9:30 am.

2. KAURNA ACKNOWLEDGEMENT

We acknowledge the Kaurna people, the traditional custodians of this land and pay our Respects to their elders, past and present.

3. ELECTED MEMBERS DECLARATION (if any)

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

It was noted that Ms. Johnston had notified management that she has an actual conflict of interest regarding the Internal Audit Tender Report as she is currently employed by Ernst and Young who may be a potential tenderer.

4. CONFIRMATION OF MINUTES

9.33 am Ms. Johnston entered the meeting.

Councillor Gard queried the minutes regarding the Treasury Management item on page 11 of the agenda regarding the comments on borrowings and rates. It was agreed that the minutes were an accurate reflection of the discussion held at the previous meeting. The Committee

did agree that it may be helpful to create a formal definition of what ‘inter-generational’ equity means.

ACTION: that the Treasury Management Policy include a definition of ‘inter-generational’ equity

Moved Ms. Hinchey, Seconded Councillor Gard

That the minutes arising from the Finance and Audit Committee Meeting held on 11 December 2018 be taken as read and confirmed.

Carried Unanimously

5. BUSINESS ARISING

9.40 am Business Arising Statement

Report Reference: FAC190226R01

The Committee noted the Business Arising Statement and the progress report therein. The Committee noted the WHS hazard reporting. The Committee cautioned management that the hazard reporting doesn’t occur purely to meet the KPI of 20% increase in reporting. The Manager Corporate Governance advised that the hazard reporting is used to manage workplace risks and hazards and staff are encouraged to report to ensure that the data, actions and response are managed in a timely and efficient manner. Although the KPI is a target, the driver is a safe work environment.

6. REPORTS FOR DISCUSSION

9.43am Elected Members Report

Report Reference: FAC190226R02

Councillor Gard provided an overview of the report making the following points:

- The item regarding the Westfield Redevelopment was based on Council making a submission to the State Assessment Commission (SAC) as Council is an adjoining land owner. Council raised issues such as the reduced car parking and the impact on surrounding streets (Council infrastructure). Council has yet to be informed on the outcome.
- Issues were identified with the Cove Sports and Community Centre Committee which resulted in Council terminating their license. Council has now directly employed the club manager which is a similar style to the Edwardstown Memorial Sports and Community Club model. This position was agreed to via Council resolution. The Committee queried if this position was accounted for in the existing budget and management confirmed it is.
- Council agreed that the preferred site for the BMX project is Majors Road, subject to DPTI agreeing to fix the traffic management issues at the intersection with Adams Road. Council is currently working through this with DPTI. The City of Onkaparinga has also agreed to this site.

The Committee queried if there had been any analysis on return on investment and it was noted that this will be included as part of the revised Prudential Management Section 48

Report.

- Council has agreed to provide up to \$10m of funding for the Mitchell Park Sports and Community Centre. Council is looking for a broad solution and not necessarily basketball focus, however it is still in the mix. The Committee queried if Council had completed the analysis over the numbers/participation for each sport. The Committee was informed that this work had been completed however further analysis will be included as part of the updated Prudential Management Section 48 Report.

9.57 am Internal Audit Program 2018/19 scoping documents Report Reference: FAC180226R03

Mr. Jamison, Mr. Beere and Mr. Rivett from KPMG entered the meeting.

Customer Experience Report

Mr. Beere introduced the report on Customer Experience highlighting that it was important to note the journey that Council has commenced over the past two (2) years. It was noted that the Council is moving from a customer service approach to a customer experience approach where there is a better understanding of the touch points with customers. Mr. Beere highlighted the positive observations across the organisation including training, implementation / focus on first time resolution and the 'closing the loop' project.

The Committee noted that Ms. Toni Jones (Partner, KPMG Melbourne, Local Government Lead) came and spoke with the executive team regarding the trends with technology and customer experience. It was noted that the City of Port Phillip had undergone major review and was very much in a transformational stage.

It was noted that there were five (5) recommendations within the report, three (3) moderate and two (2) low. The key recommendations were around KPI's, data and closing out events and an incomplete picture of understanding the customer.

The Committee raised the metrics for customer service and cautioned staff that although metrics will help drive outcomes, it is important that the service quality isn't compromised by the need to meet the KPI.

The Manager Customer Experience highlighted that they are looking to introduced service levels for complaint management which would be based on days taken to complete the complaint and what is an acceptable time. It was noted that further skills development was required in this space.

The following points were noted:

- The difference between a query and a complaint is that a query is defined as a request for service rather than a customer being dissatisfied with something Council has done or with a decision that has been made.
- On page 33 of the agenda, the Communications team were highlighted. This was because they hadn't closed out the action within the customer event system but the action had been completed.
- That during the testing phase of the audit, data was missing and there was no indication as to why. It was noted that further investigation is occurring regarding Customer

Relationship Management (CRM) software, however the implementation of such a system is a two (2) year process due to the integration required with the other systems.

The Committee noted the performance improvement recommendations and that management need to continue to progress with cross divisional opportunities and on-going training at a base level. The Committee also noted that it would be good to discuss with the Elected Members the options of customer experience training for them as they are often dealing with residents at the frontline.

ACTION: Consider Customer Experience Training as part of the Elected Member Training and Development Plan.

Cyber Security Scope

The Committee noted the scope document provided and that this audit is a follow on from a previous review in 2016. The maturity assessment in the previous audit was positive and the organisation was well placed in comparison to other Councils. The Committee noted the risks around cyber security are moving quickly and this audit will validate that the Council is on the right track.

A large element of cyber security is human risk and a focus should be placed on staff training and education.

The Committee queried if 60 hours was too long for an audit of this nature. KPMG indicated that the Framework, Plans and testing are often lengthy and complex. It will take some time to go through the documentation.

10.28 am Project Management Framework Report Reference: FAC190226R04

The Project Management Leader entered the meeting and provided a presentation on the Project Management Framework including a demonstration of the project management software.

The Committee noted the report / demonstration and queried the following:

- What are the tangible outcomes?

The project management software will provide better data on the progress on the capital works programs, carryovers, escalation of issues, managing expectations and capacity to deliver. It will also provide better information for the scheduling of works across Council.

- How is this the software being used across the Council?

To ensure consistency, General Managers and Managers are tracking the progress monthly to monitor what is on track, at risk and off track. It is also being used for status reporting at various meetings (both at a Council and management level).

It was highlighted that the change management processes had been critical for the success of the system and it was still a work in progress. The software had yet to be integrated with the finance systems and hence the budget information was still missing. The next phase of the project was the implementation of Council dashboards.

The Committee acknowledged the hard work to date and requested a further one page update report in six months' time. The Committee also indicated that the Framework still required further work as it reads like a manual to the software. The Project Management Framework should be the 'rules' and/or 'instructions' regarding how projects are managed across the organisation. The Committee also requested that the revised Framework be presented with the update report.

ACTION – An update report and a revised Framework be presented to the Finance and Audit Committee at the August 2019 meeting.

11.02 am CONFIDENTIAL ITEMS

S48 Prudential Management Review - Waste Services Report Reference: FAC100226F01

Moved Councillor Gard, Seconded Mrs. Hinchey

That pursuant to Section 90(2) and (3)(b)(i)(ii) and (d)(i)(ii) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Vincent Mifsud, Abby Dickson, Tony Lines, Kate McKenzie, Ray Barnwell, and Geoff Whitbread (via Phone), be excluded from the meeting as the Finance and Audit Committee receives and considers information relating to the Waste Services Tender, upon the basis that the Finance and Audit 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 contains commercial information that would on balance, be contrary to the public interest.

Carried Unanimously

11.02 am The meeting moved into confidence

Moved Ms. Johnston, Seconded Councillor Gard that the Finance and Audit Committee:

In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Finance and Audit Committee orders that this report, S48 Prudential Management Review – Waste Services, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b) and (d) of the Act, except when required to effect or comply with the Finance and Audit 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 2019.

Carried Unanimously

11.25 am the meeting came out of confidence

Adjournment

The chair adjourned the meeting for five (5) minutes

11.25 am Meeting adjourned

11.30 am Meeting resumed

11.30 am Climate Risks for Councils

Report Reference: FAC190226R05

The Environmental Sustainability Manager provided an overview of the report highlighting that the City of Marion has been working with its neighbouring Councils via the Resilient South Project. This includes the Cities of Holdfast Bay, Mitcham and Onkaparinga. The risk of climate change has grown in recent months with the banking and insurance sectors undertaking an interest on the impact of natural disasters.

It was noted that 10 Councils took part in a briefing and workshop to review a number of short and longer terms strategies to manage climate change. As a result of this workshop, a number of climate change risks have been reviewed and included within the Corporate Risk Register.

It was noted that a gap analysis and benchmarking with other Councils was taking place and Council had implemented a number of strategies to ensure climate change risks are adequately managed. It was highlighted that the organisation needs to further embed climate change risks into the culture of the organisation.

The Committee noted that climate change had not been seen as an immediate high priority by the Local Government Association or the insurance schemes. Regardless of this, it recommended that it is integrated through a number of the Councils Policies and Procedures, particularly in the Emergency Management space.

The Committee noted the report and recommended that there should be 'real' actions and measures in place to ensure progress and it is not just lip service.

11.49 Service Review Program and Recommendations - Progress Update

Report Reference: FAC190226R06

The Performance and Innovation Leader entered the meeting noting that the Hard Waste review is now complete and Marion Celebrates was held on the weekend, meaning that this will also be closed out shortly.

The Committee queried what had occurred with the Hard Waste Tender. It was noted that the industry had changed and although Council had received a few approaches only one tender was received which wasn't to the required standard. The service is still being delivered internally.

The Committee noted that the ICT Service Review was being completed with the Cities of Charles Sturt and Port Adelaide however, this would not impact on timeframes and the intent is to still present a final report to the May Committee meeting.

The Committee noted that the City of Marion is working more collaboratively with other Councils which is a great outcome for the sector.

11.57 am The Collection of Long Outstanding Rates Debt

Report Reference: FAC190226R07

The Manager Finance provided an overview of the report highlighting that the long outstanding rate debts had nearly doubled over the past four years.

The Committee noted the report and provided the following points:

- Council needs to agree to a set of criteria for when an exemption would or would not be applied when seeking to initiate section 184 to sell a property to recover long outstanding rates. This should be set prior to any matter progressing to ensure probity.
- Be clear regarding which matters will have a high likelihood of success for debt recovery as this will guide the criteria.
- Ensure that Council is content to have media coverage on the matters that are pursued as it is likely they will be reported publically.

Moved Ms. Johnston, Seconded Councillor Gard that the Finance and Audit Committee recommends to Council that:

- 1. A set of criteria be created and agreed to apply across all land use codes before initiating Section 184 for the recovery of long outstanding rate debts, and detail where specific exemptions would apply.**
- 2. Once the criteria are set, the process for initiating and recovering rate debts pursuant to Section 184 includes issuing a pre-S184 letter first, before pursuing S184 action.**
- 3. That the Chief Executive Officer is provided delegated authority to enact section 184 of the Local Government Act in accordance with the set criteria.**
- 4. That Council is informed before any properties are sold.**

Carried Unanimously

ACTION – A report be brought to the 28 May 2019 meeting for the FAC to note the set of criteria endorsed by Council.

**12.12 pm Draft Annual Business Plan 2019/20 and Long Term Financial Plan
Report Reference: FAC190226R08**

The Manager Finance provided an overview of the report noting that Council met informally in December 2018 and January 2019 to commence the draft Annual Business Plan (ABP) process. The draft budget had been prepared with a balanced Cash position for 2019/20 and the first 4 years of the Long Term Financial Plan (LTFP).

The Committee noted a total of \$14.4m in cash reserves however, \$5.9m was allocated to be spent in 2019/20. It was also noted that Council had allocated up to \$10m for the Mitchell Park redevelopment which would be included in next year's budget funded through borrowings.

The Committee suggested that the key assumption with regard to service delivery levels staying static should be reviewed. The Committee queried if this assumption was realistic as generally Council is wanting to do a little bit more for its community. The Committee cautioned Council to have discipline around its spending.

The Committee noted the key assumptions including employee costs at 2.3% over the LTFP and noted that negotiations had recently commenced for the ASU Employee Agreement which is due to expire 30 June 2019.

It was also noted that the rate increase within the ABP was 1.8% and to ensure a balanced budget the contribution to the CFPP has been reduced to \$272k instead of \$500k. It was also noted that a number of large projects had been funded via Council resolutions which included:

- Morphettville Park Sports and Community Redevelopment
- Marion Outdoor Pool Upgrade
- BMX Facilities
- Marion Golf Park Clubrooms.

The Committee noted that the cashflow budget was designed to demonstrate a balanced cash budget.

The Committee discussed a number of the financial ratios and Councils low debt. It was noted that Council had strategically decided to build up its cash reserves over the course of the last few years however, there is plans for this money to be spent. It is important that the ratios are read together and there is a sound understanding of what they mean.

12.30pm Extension of time

Moved Councillor Gard, Seconded Mrs. Hinchey that the meeting be extended by 30 minutes to conclude all items on the agenda.

Carried Unanimously

12.37pm Corporate Reporting Framework - Progress Update

Report Reference: FAC100226R09

Manager Corporate Governance provided an overview of the report noting a draft had been reviewed by the Executive Leadership Team (ELT) who had agreed to the key elements of the Framework. Work is progressing on identifying the current gaps and the reporting governance structures across the Council. It was noted that the draft Framework will be presented to the Committee in May for comment and feedback.

12.40pm Internal Audit Tender

Report Reference: FAC190226R10

12.40 pm Ms. Natalie Johnston left the meeting due to a conflict of interest regarding her employment with Ernst and Young.

The Manager Corporate Governance provided an overview of the report highlighting that both the City of Marion and City of Charles Sturt manage their internal audit programs via the same model (outsourced consultant/contractor). Both Councils' internal audit programs had been in operation for more than 10 years indicating a level of maturity and the current contracts were due to expire in June 2019. The Councils' have decided to conduct a joint tender process for Internal Audit services.

The Committee commended management on the approach and suggested there may be some good benefits of working together, including potential costs savings. The Committee noted the timeframes and the approach being taken.

12.45 pm Ms. Natalie Johnston re-entered the meeting.

7. REPORTS FOR NOTING

12.45 pm Improved Asset Valuation Process

Report Reference: FAC190226R11

The Committee noted the report. The Team Leader Asset Systems indicated that the reviewed process for the asset valuation had been considered with input from both the Finance and Risk departments with opportunities for effectiveness and cost savings.

The Committee commented that the Assets represent a large portion of the Council's balance sheet and the process should be sound to ensure they are adequately valued. The accuracy of data is more important than cost saving.

The Committee noted that Infrastructure Assets will continue to be reviewed via a desk top valuation each year however Non-Infrastructure Assets will move from 3 to 5 years.

The external auditors will continue to carry out comprehensive work reviews of the asset valuations as part of their annual audit and this will be included within the scope of works.

It was noted that a comprehensive review and physical inspection will occur every 5 years in line with industry best practice.

The Committee endorsed the proposed revised annual asset valuations process.

12.52 Internal Audit Program - Implementation of Recommendations

Report Reference: FAC190226R12

The Committee noted the revised format of the report and agreed it was easier to read. The Committee noted the progress made on the implementation of the internal audit recommendations.

8. WORKSHOP / PRESENTATION ITEMS

Nil

9. OTHER BUSINESS

ACTION – the Chair requested that an update report be brought to the next meeting regarding the revised leasing accounting standards outlining the known impact to Council.

10. MEETING CLOSURE

MEETING CLOSURE - Meeting Declared Closed at 12:57 PM

Next meeting:

9.30 am Tuesday 28th May 2019