

FAC200519 - FINANCE AND AUDIT COMMITTEE MEETING

Tuesday, 19 May 2020 at 02:00 PM

Held in Virtual Meeting Room - Zoom



PRESENT (via electronic means)

Mrs Emma Hinchey (Chair), Ms Natalie Johnston, Mr David Papa and Councillor Tim Gard

In Attendance (via electronic means)

Mr Adrian Skull	Chief Executive Officer
Ms Sorana Dinmore	General Manager Corporate Services
Ms Illa Houridis	General Manager City Development
Mr Tony Lines	General Manager City Services
Mr Ray Barnwell	Manager Finance
Ms Kate McKenzie	Manager Corporate Governance
Mr Brendon Lyons	Unit Manager Asset Solutions
Mr Mathew Allen	Manager Engineering, Assets and Environment
Mr Colin Heath	Senior Procurement Specialist
Ms Sherie Walzcak	Unit Manager Risk
Mr Steven Williams	Risk Coordinator
Ms Cass Gannon	Performance and Innovation Leader
Ms Karen Cocks	Manager Customer Experience
Ms Liz Byrne	Manager Community Connections
Ms Jaimie Thwaites	Unit Manager Governance & Council Support
Mr Eric Beere	KPMG
Ms Heather Martens	KPMG
Mr Lee Girolamo	Deloitte
Mr Richard Wong	Deloitte

OPEN MEETING

The Chair opened the meeting at 02:00 PM

KAURNA ACKNOWLEDGEMENT

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

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.

Nil declarations were made.

COVID-19 Update

The Chief Executive Officer provided an update on the organisation's response to COVID-19. The update outlined the steps taken to date and plan going forward.

The Committee noted the following points in relation to the COVID-19 Update:

- Council has enacted its Business Continuity Plan at a Level 3 incident and the Incident Management Team (IMT) has been operational for a number of weeks. The IMT was meeting daily at the beginning and the frequency has now reduced.
- The IMT has been managing the response including the closure of various Council facilities and services. These have now started to re-commence with the reopening of a number of facilities in the last week.
- Staff are encouraged to work from home where possible. Some more isolated workers have returned to the workplace for their wellbeing. Access to the Employee Assistance Program (a confidential service available to staff and their families) has had a small increase.
- Council has been monitoring daily the number of applications for rates hardship. Approximately three times more people have applied for rates hardship compared to this time last year. This number may increase more before the final due date. It is made up of a mix of commercial, industrial and residential rate payers.
- There has been a reduction in revenue (e.g. from parking fines, usage charges and hire fees. This has largely been offset by a reduction in expenditure (e.g. travel, catering etc.).
- Community and staff wellbeing are a big concern and various actions have been put in place to address.
- Councils are regularly meeting to discuss issues and possible solutions.

CONFIRMATION OF MINUTES

Confirmation of the minutes for the Finance and Audit Committee Meeting held on 25 February 2020

Report Reference: FAC200519R01

Moved Ms Johnston, Seconded Councillor Gard

That:

1. the minutes arising from the Finance and Audit Committee Meeting held on 25 February 2020 be taken as read and confirmed.

Carried Unanimously

BUSINESS ARISING

Business Arising Statement

Report Reference: FAC200519R02

The Committee noted the report and confirmed that the 'Secondment Management Roles and Responsibilities' document was circulated out of session.

The Committee suggested that where appropriate, items distributed out of session to be included in the next agenda so the public has access to them.

CONFIDENTIAL ITEMS - Nil

REPORTS FOR DISCUSSION

Elected Member Report

Report Reference: FAC200519R03

Councillor Gard highlighted that the Confidential items relating to the 'Disclosure Incident' were of significance. As these items are subject to confidentiality orders the Committee noted it would discuss them in other business at the end of the meeting if time permitted.

Councillor Gard also highlighted the two Majors Road projects (BMX facility and Soccer). It was noted that the aim is to run projects to the same time so economies of scale are achieved by running them together.

The Committee noted the report.

External Audit Engagement for the Year Ending 30 June 2020

Report Reference: FAC200519R04

2.30pm Mr Lee Girolamo and Mr Richard Wong from Deloitte joined the meeting

Mr Girolamo gave an overview of the Deloitte Audit Service Plan for the 30 June 2020 Audit.

The following points were highlighted by the Committee in relation to the External Audit Engagement for the Year Ending 30 June 2020:

- Three new accounting standards impacting on (Rates and Statutory Charges, Grant Revenue and Leases) were discussed, noting that these will be implemented this year for the first time
- The impact of COVID-19 will be a new consideration this year and what impact it has had on the end of year financial statements (e.g. internal controls that have been impacted by

working from home arrangements).

- The impact of the leasing standards is not likely to have a major impact but changes to standards in relation to tied grant funding may have more of an impact. .
- The asset valuations have not been used for materiality which is based on revenue. This is the same approach used in prior years.
- Deloitte's noted that, as external auditors, they cannot rely on internal audit reports, but they can review them to identify risks.

Moved Mr Papa, Seconded Ms Johnson

That the Finance and Audit Committee:

1. Considers the outline of Deloitte's Audit Plan for the financial year ending 30 June 2020.
2. Notes the scope of the audit to be carried out by Deloitte for the year ending 30 June 2020.
3. Notes that the Chief Executive Officer will execute the acknowledgement of engagement letters.

Carried Unanimously

Draft Annual Business Plan 2020-21 and LTFP Update Report Reference FAC200519R05

The Manager Finance introduced the item, highlighting that Council has been pleased to be able to support the community in these difficult times with a 0% rate increase, proposed in the Annual Business Plan, currently out for public consultation. The Draft ABP also includes new initiatives and projects to stimulate the economy noted in the report on page 43.

The Committee noted the following comments in relation to the Draft Annual Business Plan 2020-21 and LTFP Update:

- The written document has significantly improved and is well presented. It is written at the required community level (simple to understand and very clear).
- The funding allocation to the Community Facilities Partnership Program and the Road Reseal Program have been assessed and reduced to allow for the 0% rate increase in 2020-21.
- The document may benefit for some additional explanation about the impacts of COVID-19, however noting that Councils full program is continuing.
- That \$2m of borrowings in 2020-21 has been accounted for regarding the Mitchell Park Redevelopment. This should be revisited when its due and if Council has adequate cash flow to cover these borrowings.
- The full impact of unpaid rates is still unknown but continually being assessed on a daily basis.
- The provision for doubtful debts has not been increased.
- Carryovers are much better managed and there is a better understanding about what is

acceptable.

- It should be highlighted that due to Council's robust financial position, a 0% rate rise is possible.
- Council may wish to further challenge the targets within the Key Performance Indicators (KPI) for its Capital Works Program and Asset Management. It was noted that the Capital Works Program is a stretch program and the KPI reflects this.

Action: the Committee requested to see estimates of Council's cash position in future iterations of the LTFP and worst case scenario across the life of the Long Term Financial Plan.

Moved Mr Papa, Seconded Ms Johnston

That the Finance and Audit Committee:

1. Note the change in the key assumption regarding the proposed rate increase from 1.6% to a proposed zero rate increase for 2020-21 year since the 25 February 2020 FAC meeting
2. Provide feedback on the Draft ABP 2020-21 and Draft LTFP (Attachment 2)
3. Note the new initiatives and capital works included in the Draft ABP and LTFP (Attachment 1)
4. Note the revision of the Corporate KPI's relating to the delivery of Council's capital works program and total employee costs
5. Note the proposed addition of a Corporate KPI related to Carbon Neutrality

Carried Unanimously

Asset Management

Report Reference: FAC200519R06

Unit Manager Asset Solutions introduced the item. The City of Marion has developed eight Asset Management Plans and the Asset Solutions team has been working with teams across the organisation to develop and imbed the plans. The following points were highlighted:

- Seven out of the 11 areas of assessment in the maturity assessment have been obtained. The remaining areas should be achieved by the middle of next year.
- The goal is to obtain a level three for all areas and cement it as business as usual.
- Aiming for above level three can be costly and doesn't provide reasonable return on investment.

The Committee noted the report and provided the following feedback in relation to the Asset Management report:

- The significant improvement over the last few years was acknowledged.
- Page 94 of the agenda / 3 of the Plan – under Risk Management, the sentence "Fleet unavailability is low with controls "to" manage aging fleet or technical obsolescence" was

missing the word “to”.

- Page 97 / page 6 – in boxes, explain what “Testing and Detecting” is, perhaps as a footnote.
- Page 98 / page 7 – clarify that the primary driver is utilization and the secondary factor is age.
- Page 110 / page 19 – in the last paragraph, clarify the definition of a critical asset, is it necessary to maintain public safety, are there dual dependencies?
- There is a blending of asset management planning with renewable energy aspirations. Business cases are assessed on individual merits (e.g. the business case for electric vehicles currently doesn't stack up as the cost outweighs the benefit).
- Cross council collaboration which includes single specification for utes is an example of achieving economies of scale. In addition there are long-term arrangements with Mitsubishi and Australian Motors in place for light fleet (leveraging State Government pricing, rebates and discounts).
- If a carbon neutrality Key Performance Indicator is added to the Annual Business Plan, it should be demonstrated across the business how this will be achieved.

Annual Business Continuity Management Program

Report Reference: FAC200519R07

Unit Manager Risk gave an overview of the item. It was highlighted that all Incident Management Team (IMT) Commander and the three proxies for this role (Chief Executive Officer and the three General Managers), the IMT Council/Organisational Governance (Manager Corporate Governance) and the IMT Coordinator (Unit Manager Risk) have all undertaken Incident Management 3 training. In addition, the IMT Council/Organisational Governance (Manager Corporate Governance) and the IMT Coordinator (Unit Manager Risk) have undertaken Local Government Liaison Officer training which enables the City of Marion to support formal requests of support from the Local Government Functional Support Group to other councils and/or State agencies during declared emergencies.

Due to the maturity of the Business Continuity Management Program the IMT was well prepared and able to hit the ground running in relation to the Covid-19 incident. A full review of the current response will commence once business as usual has been re-established.

The Committee noted the report and provided the following feedback in relation to the item:

- Congratulated management on its response to Covid-19.
- The next planned exercise for May will be replaced by the real life incident (Covid-19).
- Covid-19 has driven home the critical need for these plans and proved to be a very valuable learning exercise.
- 10 State hazards have been identified and are tested against the plan in order of their risk rating, ensure even the most unlikely is tested.
- The Business Impact Assessment is useful however recovery will differ depending on the scenario.

Annual Corporate Risk Report

Report Reference: FAC200519R08

Unit Manager Risk Management introduced the item. It was highlighted that movements in some ratings were primarily due to movement in risk ratings as a result of Covid-19. The next steps include improved risk linkage to all corporate governance strategies.

The Committee noted the report and provided the following feedback in relation to the item:

- Although the CEO Survey data is useful, the City of Marion is good at-risk management and therefore results will vary from other Councils. Council shouldn't spend too much time comparing with other Councils.
- Deadline management appeared to be a concern with some actions past the due date (noting that causes for the delays are largely due to manual processes). These are being monitored by the Risk Working Group with concerted effort being put into overdue actions. It was recognised that the deadline management could be improved.
- Some terminology/language could be reviewed. For example could "forecast" be replaced with "target"?
- There are some disconnects within the report. The report could benefit from a thorough review to ensure current and forecast ratings are accurate. There seems to be a large jump between these ratings and the further actions may not reconcile with the forecasted rating.
- Some further actions appear to be simple but have a number of recommendations rolled-up. For example the KPI Action Plan has 5-6 actions that aren't defined in detail.
- The reporting would benefit from a heat map to demonstrate what risks are outside of tolerance.
- Concerns with the number of items outside of the risk appetite and the risks that are taking a long time to address.

Neighbourhood and Community Centres Service Review - Progress update and discussion

Report Reference: FAC200519R09

Manager Community Connections introduced the item. It was noted that as a result of Covid-19 the final report had been delayed. The report was to provide an update to the Committee.

The Committee noted the Neighbourhood and Community Centres' Service Review – Progress update and discussion.

The Committee suggested if possible consult with rate payers about what they want to happen in the centres now (as a result of the Covid-19 situation). It was acknowledged that it has been possible to experiment during this time and it is a good opportunity to ask the public what ideas they have.

Proposed Biennial Service Review Program FY2020/21 and 2021/22

Report Reference: FAC200519R10

Manager Customer Experience introduced the item. It was noted that the Program is presented to the Finance and Audit Committee for feedback before being presented to Council for endorsement.

The Committee highlighted the importance of the program being able to survive a change in Chief Executive Officers at any of the involved Councils.

Moved Councillor Gard, Seconded Mr Papa

That the Finance and Audit Committee:

1. Notes and provides comment on the following:
 - 1.1 The proposal of a Biennial Service Review Program of cross council reviews
 - 1.2 Appendix 1 - draft Service Review Program (FY2020/21)
2. Recommends the Proposed Biennial Service Review Program FY2020/21 and 2021/22 to Council for their consideration

Carried Unanimously

REPORTS FOR NOTING

Service Review Program and Recommendations - Progress Update

Report Reference: FAC200519R11

The Finance and Audit Committee noted the report.

Meeting Extension

The Chair sought and was granted leave of the meeting to extend the meeting until 5.10pm

4.55pm meeting extended

4.55pm Mr Beere and Ms Martens from KPMG joined the meeting

Internal Audit Program 2020/21

Report Reference FAC200519R12

Manager Corporate Governance introduced the item. It was explained that two Internal Audits were delayed by approximately 4 weeks due to a management decision to focus resources on adjusting the business as a result of Covid-19.

Mr Beere and Ms Martens from KPMG spoke to item.

The Committee noted the following comments in relation to the Internal Audit Plan for 2020/21:

- The Committee would like to see an assurance map that identifies the controls currently in place and rates each control based on Council's reliance upon it to reduce identified risks. The assurance map should also identify when each control was last audited, what level of reliance can be placed upon it. i.e. effective vs ineffective, etc., any actions recommended to improve it's effectiveness and when it is scheduled to be reviewed again.
- The Committee would like to replace the financial health check with the creation of an assurance map to provide Council with a clear direction and appropriate schedule for the completion of internal audits.
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- Be mindful of duplicating service reviews. Watch the timing of the Covid-19 internal audit and include cyber-attack as part of this review.

Meeting Extension

The Chair sought and was granted leave of the meeting to extend the meeting until 5.20pm.

5.10pm meeting extended

Internal Audit Program - Implementation of Recommendations Report Reference FAC200519R13

Moved Councillor, Seconded Councillor

The Committee noted the Internal Audit Program – Implementation of Recommendations report and requested that it is ensured all items closed off are not closed off because of a future action that yet to happened.

ACTION: the Committee requested internal audit Program - Implementation of Recommendations be listed at the top of the agenda for the meeting in August.

WORKSHOP / PRESENTATION ITEMS - Nil

OTHER BUSINESS - Nil

MEETING CLOSURE - Meeting Declared Closed at 05:19 PM

CONFIRMED THIS 10th DAY OF JULY 2020

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CHAIRPERSON