

**FAC201208 - FINANCE AND AUDIT COMMITTEE MEETING**

**Tuesday, 08 December 2020 at 02:00 PM**

**Council Administration Centre, 245 Sturt Road, Sturt**



**PRESENT:**

Mrs Emma Hinchey (Chair), Ms Nicolle Rantanen, Mr David Papa, Councillor Duncan

**In Attendance**

Mr Adrian Skull	Chief Executive Officer
Mr Tony Lines	General Manager City Services
Ms Sorana Dinmore	General Manager Corporate Services
Ms Kate McKenzie	Manager Corporate Governance (via Zoom)
Ms Jaimie Thwaites	Unit Manager Governance and Council Support
Mr Ray Barnwell	Manager Finance
Ms Karen Cocks	Manager Customer Experience (via Zoom)
Mr Jamie Dunnicliff	Manager - Strategic Procurement Services (via Zoom)
Ms Sherie Walczak	Unit Manager Risk (via Zoom)
Ms Victoria Moritz	Governance Officer
Mr Eric Beere	KPMG
Ms Alice Allen	KPMG

**OPEN MEETING**

The Chair opened the meeting at 02:00pm

The Chair welcomed Ms Rantanen and Councillor Duncan to the Committee and thanked Councillors Gard and Crossland for their previous contributions.

**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.

## **CONFIRMATION OF MINUTES**

### **Confirmation of the minutes for the Finance and Audit Committee Meeting held on 13 October 2020**

**Report Reference:** FAC201208R01

#### **Moved Mr Papa, Seconded Mrs Hinchey**

That the minutes arising from the Finance and Audit Committee Meeting held on 13 October 2020 be taken as read and confirmed.

**Carried Unanimously**

## **ORDER OF AGENDA**

The Chair sought and was granted leave of the meeting to consider the confidential item 'Service Review - Public Litter – Report' at the end of the meeting.

## **REPORTS FOR DISCUSSION**

### **Elected Member Report**

**Report Reference:** FAC201208R02

Councillor Duncan introduced the report and highlighted the progress of the SWBMX and Southern Soccer Facilities major project.

The Finance and Audit Committee noted the report.

## **ORDER OF AGENDA**

The Chair sought and was granted leave of the meeting to consider the item 'Finance and Audit Committee Work Program and Meeting Schedule for 2021' next.

### **Finance and Audit Committee Work Program and Meeting Schedule for 2021**

**Report Reference:** FAC201208R06

#### **Moved Ms Rantanen, Seconded Mr Papa**

That the Finance and Audit Committee:

1. Notes the proposed work program for 2021 identified at Attachment 1 to the report, with the inclusion of the External Audit Contract to be scheduled for February or May.

2. Adopts the following schedule of meetings for 2021:

- Tuesday 23 February 2021 (2 - 5 pm)
- Tuesday, 18 May 2021 (2 - 5 pm)
- Tuesday 17 August 2021 (4 pm to 6 pm plus followed by joint workshop with Council from 6.30 pm onwards)
- Tuesday, 12 October 2021 (2 - 5 pm)
- Tuesday, 14 December 2021 (2 - 5 pm)

**Carried Unanimously**

## **Fraud and Corruption Management Policy and Framework**

**Report Reference:** FAC201208R03

The Unit Manager Risk introduced the item. It was highlighted that the 4-year review had been undertaken and a majority of the changes were as a result of the introduction of the Public Interest Disclosure Act.

The Fraud and Corruption Management Policy and Framework was discussed by the Committee and the following points were noted:

- The four-year review cycle is in line with the Council's Policy Framework. Each Policy is reviewed at least once every term of Council. The Committee suggested that this Policy may require more regular view.
- Initial training is provided as part of new employee inductions. The Committee recommended that refresher training is provided to long term employees. The Committee noted that Council currently does not undertake competency-based training and this could be considered as a future improvement.
- Fraud risk areas are reviewed annually by staff and managers, who are required to sign off compliance requirements each year.
- The results of the Integrity Framework Review pilot that the City of Marion took part in have yet to be received, this feedback should be incorporated into the Framework and processes once it has been received.
- A decision-making process is required to be established for assessing the results of police checks that are obtained as part of a recruitment process and which matters should be considered to be outside of risk tolerance.

## **Moved Councillor Duncan, Seconded Mr Papa**

That the Finance and Audit Committee:

1. Reviews and provides feedback on the Fraud and Corruption Management Policy and Framework.
2. Recommends to Council that the Fraud and Corruption Management Policy (Attachment 1 and 2) be adopted with the following inclusions:
  - Internal controls (e.g. excessive leave policy, etc.) to be linked
  - Description of 'adequate' detection systems to be strengthened
  - Description and process determined for exception reporting

- Reference to Finance and Audit Committee Members should be changed to refer to all independent members
- How the 'reporter' will be supported (in conjunction with the requirements of the Public Interest Disclosure Act)
- The Public Interest Disclosure Act and Policy to be included in the references.

**Carried Unanimously**

### **Internal Audit Program 2020/21**

**Report Reference:** FAC201208R04

2.43pm Mr Eric Beere (KPMG) and Ms Alice Allan (KPMG) joined the meeting

Mr Beere spoke to the item noting that the internal audit program is well underway and currently on budget. The program has had some slight delays due to COVID but they are confident that the program will be completed by the end of the financial year.

The Committee stated that the Assurance Mapping needs to be completed by the February 2021 meeting to inform the internal audit program for next year.

The Committee noted the progress of the Internal Audit Program and the following feedback was noted:

#### Stores

- This is the 3<sup>rd</sup> collaborative audit undertaken
- Has built relationships across councils
- The audit was timely from a fraud perspective (it has been reported that fraud figures have increased by 60% as a result of COVID)
- The report highlights a number of positive outcomes
- The loaning of Council equipment has been identified for review. A risk based assessment needs to occur to assess risk exposure and insurance needs.
- The security and access of Stores is being assessed to ensure that only those staff who should have access to the stores have an access card and that all access cards are attributed to a specific person
- Access during exception times should be monitored and investigated
- Improve slow moving stock monitoring
- Digital transformation needed for manual processes (stock take and distribution)
- Consider if the frequency of spot checks should be reduced from the currently weekly requirement
- Controls are referred to but not listed on Page 68, include the controls to lower the risk

#### Project Carryovers

- Ensure 'Validate the reported carryover KPI and confirm the percentage of carryovers for the last five years, including the total capital works budgets versus what was completed, and the amount carried over.' is not a duplication of work already conducted by the external auditors.

3.28pm Mr Eric Beere (KPMG) and Ms Alice Allan (KPMG) left the meeting

## Framework and Key Assumptions for the Preparation of the 2021/22 ABP and LTFP

**Report Reference:** FAC201208R05

Manager Finance introduced the item and highlighted the following:

- The Annual business planning process has commenced with an Elected Members Forum on 17 November 2020.
- The report outlines the framework for the Annual Business Plan (ABP) and Long-Term Financial Plan (LTFP) and the key assumptions supporting these documents (page 79 to 82)
- The Committee's feedback on the framework and assumptions will inform the development of a high-level budget which will be presented to the members at January planning day (30 January)
- Some of the risks and challenges:
  - Coming off a zero% increase in 2020-21 to support the community in COVID times and the desire to minimise the impact of rate increases on our community (the challenge is to balance the real cost of service provision and service demand from the community with their capacity to pay).
  - Minimise the rate impact on the community but maintain a balanced or better cash position over the LTFP to ensure long term financial sustainability
  - Pulling all the levers at once can be a risk
    - Lower rates
    - Delivery of 3 Major projects at the same time BMX, Soccer & Mitchell Park redevelopment
    - Government stimulus funding – ensuring Federal & State funding opportunities are maximised.
    - Resources and the capacity to deliver must be assessed
    - Use of Borrowings – where required and not just because we can
- Employee costs are 42% of the operating costs, mindful of KPI and Core target 3% increase on prior year actuals and stretch target 2% increase.
  - EB agreements
    - Indoor (2% with CPI safety net)
    - Outdoor 2.5% + CPI safety net (expires 30.6.21)
  - The Scheduled Superannuation increase is built into the LTFP, but this may change and is under discussion at the moment

The Committee discussed the report, and the following was noted:

- Be mindful of the workforce profile and the potential cost of ageing workforce and replacing them
- Council needs to consider if the KPI on employee costs is limiting the ability of management to deliver the range of desired projects, as the additional workload of major projects can drive a requirement for additional human resources. Management noted that certain positions are excluded from the KPI via Council resolution if additional resources are added to meet Council objectives however this creates significant additional workload when reporting.
- Indexation beyond 2021/22 is based on Reserve bank Inflation target of between 2 – 3%, note with inflation currently low, the early years of the LTFP may need adjustment
- The adopted LTFP is based on a 1.8% increase for next 3 years then 1.4% for 3 year dropping to 1.3% thereafter. Modelling will be prepared for Council showing the effect of rate increases between 0% to 1.8% to aid their decision-making.

- The Committee noted that the adopted LTFP increases result in surpluses in some years and suggested that the percentage increase in those years should be revised to bring the surplus closer to zero.
- Council is in a good position to optimise opportunities from Federal and State stimulus funding
- The funding requirements outlined in the recently adopted Asset Management Plans needs to be replicated in the LTFP
- The environmental scan highlights 'social' as an opportunity to make a real difference to the community. This could be referred to one of the Council Committee's to flesh out.
- Mortgage stress for the community may be underestimated.

## **REPORTS FOR NOTING**

### **Internal Audit Program - Implementation of Recommendations**

**Report Reference:** FAC201208R07

Manager Corporate Governance introduced the item and it was noted that several of the outstanding items are dependent on the Digital Transformation project.

**ACTION: Follow up the recommendations with the Stores Internal Audit that suggests there are still outstanding actions from 2017 and if they should be on this report, therefore incorrectly closed out.**

### **Service Review Program and Recommendations - Progress Update**

**Report Reference:** FAC201208R08

Manager Customer Experience introduced the item.  
The Committee noted the item and recommended a focus on the overdue items.

### **Annual Ombudsman Report 2019/20**

**Report Reference:** FAC201208R09

The Governance Officer introduced the item.

The Committee discussed the report, and the following was noted:

- A slight increase from previous years
- A number of the complaints were declined
- Under the Section 270 complaints process, recommendations will be tracked and implemented
- No Section 25 investigations by the Ombudsman have been undertaken in the last 2 years.

## **CONFIDENTIAL ITEMS**

### **Service Review - Public Litter - Report**

**Report Reference:** FAC201208F01

### **Moved Mr Papa, Seconded Ms Rantanen**

That pursuant to Section 90(2) and (3)(a) and (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 City Services, Sorana Dinmore - General Manager Corporate Services, Ilia Houridis - General Manager City Development, Ray Barnwell - Manager Finance, Jamie Dunncliff - Manager Strategic Procurement Services, Karen Cocks - Manager Customer Experience, Kate McKenzie - Manager Corporate Governance, Vicky Travers - Performance and Innovation Lead, Mel Nottle-Justice - Business Improvement Officer and Jaimie Thwaites - Unit Manager Governance and Council Support be excluded from the meeting as the Committee receives and considers information relating to the *Service Review – Public Litter – Report*, 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 personnel matters and commercial information of a confidential nature.

**Carried Unanimously**

4.15pm the meeting went into confidence

### **Moved Mr Papa Seconded Councillor Duncan**

In accordance with Section 91(7) and (9) of the *Local Government Act 1999*, orders that this report, the attachments and any minutes arising from this report having been considered in confidence under Section 90 (2) and (3)(a) and (d)(i) and (ii) 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 2021.

**Carried Unanimously**

4.22pm the meeting came out of confidence

## **WORKSHOP / PRESENTATION ITEMS - Nil**

## **OTHER BUSINESS - Nil**

**MEETING CLOSURE**

**MEETING CLOSURE** - Meeting Declared Closed at 4.22 PM

**CONFIRMED THIS 23<sup>RD</sup> DAY OF FEBRUARY 2021**

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**CHAIRPERSON**