

FAC210518 - FINANCE AND AUDIT COMMITTEE MEETING

Tuesday, 18 May 2021 at 02:00 PM

Council Administration Centre, 245 Sturt Road, Sturt



PRESENT

Emma Hinchey, David Papa, Nicolle Rantanen, Councillor Maggie Duncan

In attendance

Chief Executive Officer – Tony Harrison
General Manager Corporate Services - Sorana Dinmore
General Manager City Development - Ilia Houridis
General Manager City Services - Tony Lines
Manager Corporate Governance – Kate McKenzie
Acting Unit Manager Governance and Council Support – Victoria Moritz
Manager Finance – Ray Barnwell
Strategic Planner – Sheree Tebyanian
Acting Manager Customer Service – Vicky Travers
Unit Manager Risk – Sherie Walczak
KPMG – Eric Beere
KPMG – Heather Martens

OPEN MEETING

The chair declared the meeting open at 2.00pm

KAURNA ACKNOWLEDGEMENT

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

COMMITTEE 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.

The following conflicts of interest were declared:

- Ms Hinchey declared a perceived conflict of interest in any discussions relating to VISY as she is a member on the SRWRA Board
- Ms Rantanen declared a perceived conflict of interest in any discussions relating to VISY as she is the Chair of the CAWRA (Central Adelaide Waste and Recycling Authority) Audit Committee.

CONFIRMATION OF MINUTES

Confirmation of the minutes for the Finance and Audit Committee Meeting held on 23 February 2021 and Special Finance and Audit Committee Meeting held on 13 April 2021
Report Reference: FAC210518R01

Moved Ms Rantanen, Seconded Mr Papa

That the minutes arising from the Finance and Audit Committee Meeting held on 23 February 2021 and Special Finance and Audit Committee Meeting held on 13 April 2021 be taken as read and confirmed.

Carried Unanimously
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BUSINESS ARISING

Business Arising Statement - February 2021

Report Reference: FAC210223R02

The Committee noted the report.

CONFIDENTIAL ITEMS - Nil

REPORTS FOR DISCUSSION

Elected Member Report

Report Reference: FAC210518R03

Moved Mr Papa, Seconded Councillor Duncan,

That pursuant to Section 90(2) 3(g) of the Local Government Act 1999, the Committee orders that all persons present, with the exception of the following persons: Emma Hinchey, Nicole Rantanen, David Papa, Chief Executive Officer, General Manager City Development, General Manager Corporate Services, General Manager City Services, Manager Corporate Governance, Acting Unit Manager Governance and Council Support, be excluded from the meeting as the Council receives and considers information relating to confidential items of General Council Meetings which are subject to a confidentiality clause, upon the basis that the Council 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 as it relates to matters with a current confidentiality clause over them.

Carried Unanimously

2.03pm the meeting went into confidence

The Committee went into confidence to discuss the minutes of the following confidential items listed in the Elected Member Report:

- Unsolicited Proposal
- Urban Renewal Opportunities
- Edwardstown Soldiers Memorial Recreation Ground (ESMRG) 100% Profit Share
- Edwardstown Urban Renewal Project – Prudential Report.

2.19pm the meeting came out of confidence

The Committee noted the report and commented that although the Committee oversees the Annual Business Plan process, it hasn't traditionally reviewed the quarterly budget reviews.

Action:

- **Quarterly Budget Review Report (required under S9 of the Local Government (Financial Management) Regulations 2011 – Statutory Reports to Council) to be presented to the Finance and Audit Committee prior to Council.**
- **Review the Committees Terms of Reference to include the review of the Quarterly Budget Review Report.**

Draft Annual Business Plan 2021-22 and Long Term Financial Plan Update
Report Reference: FAC210518R04

Manager Finance provided an overview and update on the Draft Annual Business Plan and Long Term Financial Plan. It was noted that we are in the final stages of the process with the plan currently out for public consultation. The 2021/22 Annual Business Plan (ABP) is based on a 1% average rate increase with a deficit of \$0.613m currently forecast in 2021/22 following the inclusion of a number of new initiatives and service improvements incorporated into the ABP since the last FAC meeting. All remaining years in the Long Term Financial Plan forecast a surplus position ensuring a financially sustainable position for Council in the long term. The Capital works projects includes several multi-year projects, the most significant of these being Soccer, BMX and Mitchell Park as well as the Digital Transformation Project. Next steps include a report to the General Council meeting on 8th June with the final adoption of the plan on the 22 June. It was also noted we have received more feedback than previous years, mainly in relation to capital works and projects

The Committee commented:

- The plans were very well presented and provided great clarity for the ratepayers.
- The capital works program for a council of this size seemed quite conservative. Council's risk appetite for pursuing opportunities is high and the Committee questioned what the maximum capacity of Council is?
- The Committee queried if there is a disconnect between the risk appetite and Council's expectations to largely fund projects with grant funding, as opposed to going into significant debt which requires the capacity to pay back which may require a rate rise to supplement this.
- Re-alignment of the risk appetite of council may be required if more investment is not being considered.
- The City of Marion in comparison to other councils has conservative debt levels although having ample resources to take on debt.
- That the City of Marion could consider more innovative projects and present these opportunities to Council to progress.
- That the additional KPI regarding asset utilisation of venues needs to ensure that the numbers have been analysed and it can be measured accurately, more work may be required in this space.
- It was difficult to assess the KPI's without the opportunity to compare to the current KPI's levels and how these are tracking.
- Expressed concern around dropping the KPI relating to Long Term Injury Frequency Rate however it noted that Council still receives a monthly WHS performance report.
- Financial outcomes are very sustainable but possibly too conservative.

Action: In future, the actual/forecasted KPI performance for the current year to be presented alongside the budget figures, in the same way that the financial results for the current year are presented alongside the budget figures.

Annual Business Continuity Management Program
Report Reference: FAC210518R05

The Unit Manager Risk introduced the item and provided a summary of the Program noting:

- This year's report was a different to the usual program which didn't eventuate as planned due to COVID-19.
- The report details the City of Marion's response to COVID-19 and predominantly the next steps incorporating the findings from the KPMG report in response to COVID-19.
- An exercise is planned for early next year and usual activities within the program will resume
- One of the benefits of COVID-19 was the IMT was well prepared and had protocols built in through the BCP.
- There are some hangover items still in place primarily cleaning regimes, levels of expenditure around cleaning and the capacity of restrictions which are still in place. The capacity limits are in accordance with COVID-19 Safe Plans and will remain in place until the State Directions are amended.

- The COVID-19 leave policy remains in place and will do so until it is formally reversed when appropriate.

The Committee noted the report and requested management check that any changes to policies and delegations as a result of COVID-19 have been returned to normal and controls are back in place. The Committee sought clarity from management regarding the use of credit cards and if expenditure levels which required an increase during COVID had returned to normal levels. The Committee also sought clarification regarding if the Council was compliant with the Credit Card Policy and Procedure.

Management confirmed that credit card expenditure had reverted back to normal levels with the two cards remaining at a higher \$20k limit to be reviewed. Management advised that it will review its credit card policy and limits and respond separately to this question.

The Committee also requested that in future reporting, can any risk ratings for findings and/or performance opportunities be included. It was noted that the KPMG Audit recommended that within the purchasing policy, staff should have the ability to purchase and procure within emergency situations.

Action:

- **Confirm that any changes to policies and delegations as a result of COVID-19 have been returned to normal requirements and controls are back in place.**
- **Check that all credit cards expenditure limits have returned to pre-COVID status.**
- **Provide the committee with assurance that the Council is operating within its Credit Card Policy.**
- **Confirm the Credit Card Policy has maximum limits specified.**

Corporate Risk Quarterly Report

Report Reference: FAC210518R06

The Unit Manager Risk summarised the report and noted this was a standing quarterly report outlining the risk movement and management of high risks, new risks and any risk issues. There was one new risk, the high risks stayed the same and three risks were rated down from medium to low. The main issues with ongoing risks are the monitoring of COVID-19 and the issues this brings to the community. Emerging risks have been identified as a result of the recent fire at the VISY recovery facility, Digital Transformation Project, EB negotiations and funding opportunities.

The Committee provided the following feedback:

- A few risks did not have determined due dates or were overdue. The Committee requested that these be addressed. It was noted these are primarily due to the timing of the report and that these are new documents. This is being worked through with Management and the respective teams.
- Ensure risk from major interruption from a supplier is covered within the risk register, with satisfactory controls in place. It was noted that major suppliers are asked to provide a business continuity plan.
- Management be requested to review all critical suppliers and determine if the risk is appropriately controlled. If not, this need to be included within the risk review process.
- The Committee noted that the KPMG Audit was not considered a treatment of risk, however acknowledged the staff comments that the findings within the report will form part of the treatment.
- The focus of the risk assessment was good, however the Committee raised concerns there was not enough information provided (table 3 – risks currently rated as high or above). The Committee requested that all high risks be presented to the Committee with further information.
- The Committee raised concerns about the implementation of CAMMS by the project management with this not being used consistently across the organisation. Management advised that they have

been working with staff to improve the application of CAMMS to assist the organisation improve reporting and maximising the functionality of the program.

- The Committee recommended reviewing the risk description and statement for each risk on a page to ensure alignment and to provide consistency.

The Committee noted the report and provided feedback on the outcomes of the risk review undertaken.

Action: That all high risks are reported to the Committee on a Risk on a page with more detail regarding how the assessment has occurred.

Strategic Risk Review

Report Reference: FAC210518R07

The Unit Manager of Risk provided an overview and explained the Strategic Risk Review was a result of the KPMG Assurance Mapping Internal Audit and a recommendation to implement a strategic risk register. The draft has been prepared and presented to the committee with next steps to include working with key stakeholders as to what the library will look like.

The Committee noted this was a good piece of work. The Committee suggested some instances could be duplication and there was potential for collapsing some of these to focus on six to eight major risks that align to the strategy.

The Committee noted the report.

Internal Audit Plan 2021-2023

Report Reference: FAC210518R08

Mr Eric Beere and Ms Heather Martens from KPMG entered the meeting.

Manager Corporate Governance introduced the item. It was noted that over the last few months management have worked with the outcomes of the assurance map, risk registers and other industry trends to inform the draft plan. KMPG met with the Executive Leadership Team and City of Charles Sturt to look for collaborative opportunities.

KMPG concurred with the previous comments and confirmed that:

- The first cut of the internal audit plan included stakeholder consultation, the pulse of the leadership team and what other councils are facing including emerging issues. In some instances there is a strong link to the assurance map whilst others are based on consultation with leadership.
- Within the assurance maps some areas of risk and controls lend themselves quite easily to audit.
- Stakeholder consultation output identified that some elements are already in train. This has been discussed in depth with management.

General comments from the Committee included:

- The expectation of the Committee was that the areas identified in the KMPG Assurance Map as being Low, would have been prioritised in the internal audit plan for next year. Consideration be given to auditing the high-risk areas identified as having low levels of assurance as a priority.
- Concerns were raised that there doesn't appear to be anything in the audits around data risk for example. It was noted that the timing of this review is more appropriately timed for a third year of the internal audit plan due to impending changes in systems.
- The Committee suggested that the Internal Audit Plan be presented as a 3 or 5-year plan, clearly showing how, over the period of the plan, it addresses the assurance requirements noted in the assurance map.
- Suggested the Risk Assurance Map is updated every few years to include updates to the risk

environment.

In regard to year 1 of the Internal Audit Plan, the committee noted that:

- **Fraud Framework Review** – Assurance Map shows as green, however from ongoing internal audit and experience within the sector demonstrates this is still worthy of project being considered.
- **Collaborative Project(s) Health Check** - Independent assurance would be beneficial. Greater scope is needed incorporating Strategic third party management.
- **Staff Attraction / Recruitment** – Concerns there is a danger this is falling into consultative work and may not be best use of internal audit.
- **Project Management** – Agree this should be included in the year 1 projects.
- **Contractor Management** – Focus on Post Contract Management (as per the Low assurance rating in the Assurance Map). Concerns were raised that there may be a gap in relation to the audit of Contract Management that should be covered by the scope.

Action: The committee requested that the plan be re-presented at the next meeting which includes a comprehensive 3 or 5-year internal audit plan, referencing the assurance mapping as a guide to timing and appropriateness of the audit plan.

Action: The committee requested scoping to progress on Project Management, Collaborative Health Check and Contractor Management.

Internal Audit Program 2020/21 - Asset Inspection Report - Project Carryovers Report - Report Reference: FAC210518R09

Mr Eric Beere and Ms Heather Martens were present for the item.

Asset Inspection Report

Mr Beere provided an overview and highlighted key recommendations and observations. The good work of the strategic asset management planning was noted. Overall, there was five moderate findings and one performance opportunity.

There were concerns raised around the lack of documentation sitting behind the systems and processes, noting that there were pockets (for example Open Space) where this was done very well. The organisation should ensure easy mechanisms are in place to complete documented inspections and that there is a fit for purpose asset management system in place. KPMG also acknowledged a key-person risk.

The Committee provided the following feedback:

- Surprised that all findings were moderate considering the language used. KPMG's comments were noted that the majority of findings were related to Level 1 inspections and that there was appropriate rigour in place around the Level 3 inspections which are of higher importance and therefore higher risk. Noted that level 3 inspections are managed well
- Concerns around the chosen expected completed date of December 2021 when this involved the implementation of a new system and that the change won't occur until June 2022.
- There were concerns that KPMG had factored in the future implementation of an Asset Management System in their assessment of current findings. The Committee suggested amending the wording of the recommendation to reflect this.
- Raised concerns around council forms and documentation not being completed properly and whether staff are trained appropriately. There needs to be more rigor around completing reports / paperwork across the organisation.
- Some areas performed very well in the audit, everyone could benefit from the sharing of knowledge and skills across council.

Action: review due dates prior to finalising the report and ensure they are achievable

Community facilities management models Scope

Mr Beere from KMPG noted this as read and indicated the scope includes a desktop review of policies.

The Committee commented:

- The pricing seems excessive for the scope and in comparison with the scope of the asset inspections audit.
- There were concerns that the hours quoted for the groundwork doesn't align with the work identified in the scope.
- The Committee requested more elaboration on the approach or a reduction of hours.

Action: that the scope is revised and circulated to the Committee out of session.

REPORTS FOR NOTING

Service Review Program and Recommendations - Progress Update Report Reference: FAC210518R10

Acting Manager Customer Service introduced the item and noted the significant focus and attention that had been placed on completing service review actions through the strong support of the Executive Leadership Team.

Management noted the impact of external resources and the recent organisational structure change. In reviewing the outstanding actions there has been a push towards accountability of actions and completion of these. It was also noted the internal resources had been pushed towards other projects, creating a gap. Management advised that changes in external consultants had delayed progress on some of the reviews and advised that tenders have now been issued to address the program delays.

The Committee provided the following feedback:

- Concerns around the progress of the service reviews and the history of changing and extending timeframes along the way, therefore impacting the timelines of the reviews.
- The Service Reviews are a major council directive and recommend management review the capacity of the teams to deliver these.
- Noted that the number of service reviews was reduced by Council a few years ago to enable management to complete the recommendations from previous reviews.
- Sought clarity on the priorities of council and noted that if there is an inability to deliver due to resourcing implications, this needs to be reported through to Council.
- The committee acknowledged Management are aware of these issues and acknowledged these.

Action: A report be brought back to the Finance and Audit Committee in August with a status updated including a program detailing expectations and commitments for this year and next.

The CEO committed to having discussions around accountability of actions and closing out outstanding actions.

Internal Audit Program - Implementation of Recommendations

Report Reference: FAC210518R11

The item was taken as read.

The Committee made the following comments:

- Raised concerns around the Procure to Pay and ITT Governance recommendations and the outstanding items.
- Sought clarity on how Performance Improvement Opportunities were being treated.
- Suggested to be more realistic with target dates and look at past performance to help gauge this. Noted this required discussion with management to find the right balance between achievable timeframes and dedicated timeframes depending on risk ratings.
- Noted managements comments suggesting as we move to a new audit plan working with KPMG on how we are structuring the agreed management actions as well as how we structure our reporting internally.
- If the dates are adjusted, ensure these are transparent to the committee and that this process is consistent with the Service Review process. The Committee requested specific and detailed comments to be included with any change of date.

The Committee noted the status of the Internal Audit Program.

WORKSHOP/PRESENTATION ITEMS - Nil

OTHER BUSINESS

Manager Corporate Governance advised the committee that the IMT had been nominated for the Annual LGA awards and would keep them informed of the outcome.

MEETING CLOSURE - Meeting Declared Closed at 4.36PM

CONFIRMED THIS 17TH DAY OF AUGUST 2021

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CHAIRPERSON