



**Minutes of the Finance and Audit Committee
held on Tuesday, 17 August 2021 at 4.00 pm
Council Chamber, Council Administration Centre
245 Sturt Road, Sturt**



PRESENT

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

Staff In Attendance

Chief Executive Officer - Tony Harrison
General Manager City Services - Tony Lines
General Manager Corporate Services - Sorana Dinmore
General Manager City Development - Ilia Houridis
Manager Office of the CEO - Kate McKenzie
Unit Manager Governance and Council Support - Victoria Moritz
Chief Financial Officer - Ray Barnwell
Unit Manager Risk – Sherie Walczak
Manager Customer Experience – Megan Bradman
Mr Eric Beere (KMPG)
Ms Heather Martens (KMPG)

1 Open Meeting

The Chair opened the meeting at 4.00pm.

2 Kurna Acknowledgement

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

3 Elected Member Declaration of Interest (if any)

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

- Nil interests were disclosed.

4 Confirmation of Minutes

4.1 Confirmation of Minutes of the Finance and Audit Committee Meeting held on 18 May 2021

Report Reference FAC210817R4.1

Moved Ms Rantanen

Seconded Mr Papa

That the minutes of the Finance and Audit Committee Meeting held on 18 May 2021 be taken as read and confirmed with the following correction:

- Page 5 of the Minutes (Declaration of Interests) Ms Hinchey is a member on the SRWRA Audit Committee not the SRWRA Board.

Carried Unanimously

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference FAC210817R5.1

The Committee noted the business arising statement, meeting schedule and upcoming items and made the following comments:

- The Committee raised concerns around the timing of the first budget review in October and queried if this was realistic and whether this was enough time to complete this. The FAC meeting schedule for next year has not been set yet and the opportunity exists to adjust the meeting schedule if required to align the timing of reporting requirements.
- It was noted that one credit card remains with a higher limit, however staff confirmed that additional controls have been put in place to review Council's expenditure through the Executive Budget Committee as a standing item. The higher limit is appropriate and controlled.

6 Confidential Items

Nil

Order of Agenda Items

The Chair sought and was granted leave of the meeting to vary the order of the agenda items and consider the items relating to the internal auditors (items 7.8, 7.9, 7.10 and 8.1) next on the agenda.

7 Reports for Decision

7.8 Meeting with the Internal Auditors in Confidence Report Reference FAC210817R7.8

Moved Ms Rantanen

Seconded Mr Papa

That the Finance and Audit Committee:

1. Pursuant to Section 90(2) and (3)(g) of the Local Government Act 1999, orders that all persons present, be excluded from the meeting, with the exception of Eric Beere and Heather Martens from KPMG, as the Finance and Audit Committee meets with Council's Internal Auditors, on 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 relates to commercial information of the Council.

Carried Unanimously

4.07pm the meeting went into confidence

Moved Ms Rantanen

Seconded Mr Papa

That the Finance and Audit Committee:

1. Include the following comments within the minutes:
 - The Finance and Audit Committee met with the Internal Auditors without management present to discuss the following:
 - the level of cooperation and the relationship with the administration.
 - the adequacy and quality of the controls, systems and processes in place.
 - the appropriateness of the internal control environment.
 - the major risks to Council achieving its strategic plan.

Carried Unanimously

4.24pm the meeting came out of confidence

7.9 Internal Audit Program - Progress on 2020/21 and Carryover report Report Reference FAC210817R7.9

The Finance and Audit Committee noted the progress of the Internal Audit Program and provided the following feedback on the Project Carryover Report:

- Clarification was sought in relation to the Project Management Office (PMO) and the senior project officer and whether this was the same person. Staff confirmed that it was. The report highlighted the importance of the project management function acknowledging there is a lot of work to be done in this space.
- Consider looking at other models of project managers for capital works projects, what methodologies are used and consider other options.
- The report indicates there may be an oversight opportunities for projects that aren't IT related in terms of scheduling resources
- The Committee expressed concerns around the resourcing levels for project management across the organisation. They acknowledged the constraints around

keeping FTE positions down, however commented that this will reduce capabilities of management to deliver the projects. They suggested investing in the right places for adequate resources, otherwise this may lead to inefficiencies.

Staff acknowledged the comments made by the committee and provided the following:

- The current re-structure will start to address some of these concerns around resourcing.
- An increase in capital works projects as a result of stimulus grant funding has seen the organisation increase project delivery and the oversight of project management may not have grown at the same rate. Upcoming workshops with the Executive Leadership Team will focus on delivery updates with the aim of providing a more defined structure coping for increasing capacities.
- Different models will be explored to improve the strategy and structure of project management to apply across a 10-year plan.

7.10 Internal Audit 2021/22 - Plan and scope (Fraud and Corruption) Report Reference FAC210817R7.10

The Committee provided the following comments in relation to the Internal Audit 2021/22 – Plan and Scope:

- The Committee queried if further assurance on the DTP is required due to the significant size of the project with individual components that lends itself as a large risk to council with competing priorities.
- It was noted there are four big deliveries in the next 9 months and the timing was best suited to quarter 1 2022/23 after implementation. The Committee queried the risks of not delivering on time and if the organization has the resourcing and skills required
- It was suggested that this be brought forward with an interim health check however management suggested that an interim report be presented to the next meeting to provide an update first and then seek guidance on the timing of the audit Staff advised that EI Consulting have already undertaken a similar task and will bring the outcomes of this as part of the report.
- KPMG confirmed there were various options they could look at part of the audit including a holistic approach, breaking it down into phases and an up front governance program to ensure success and all elements are in place. They confirmed their flexibility to schedule the audits if required.
- The Committee confirmed that the Project Management audit should be completed early in 2021/22 due to the significant risk involved.

Action: an update be brought to the next FAC meeting on the status of the Digital Transformation Program and the independent assurance provided to date.

Moved Mr Papa

Seconded Ms Rantanen

That the Finance and Audit Committee:

1. Endorse the Internal Audit Plan for 2021/22-2022/23 noting that the timing of the DTP audit may change depending on outcomes of the report to be presented in October 2021
2. Endorse the Fraud Framework Review scope.

Carried Unanimously**8 Reports for Noting****8.1 Internal Audit Program - Implementation of Recommendations****Report Reference** FAC210817R8.1

The Committee noted the status of the Internal Audit Program. The Committee suggested developing a process to apply to the implementation of actions that outline the ownership of due dates and parameters around approvals for granting extensions and completing items. This would help to alleviate some of their concerns around consistency and accuracy when reporting on the implementation of recommendations.

The Committee queried the PIO relating to the IMT commander and whether automatically appointing the CEO as commander in the first instance was best practice. Staff advised that the CEO has the discretion to delegate this and the current practice has worked well for the City of Marion. . KMPG were comfortable with this given the low risk rating.

Action: The Committee requested that PIO1.1 relating to the Asset Inspection Schedule Audit (p133) be re-opened as the data has not yet been transferred from the GIS to AMIS.

7.1 Elected Member Report**Report Reference** FAC210817R7.1

The Committee provided feedback that the Budget Review for Quarter three was presented on 8 June 2021, and should be presented by 31 May in each year to meet the legislative requirements. The Committee suggested being mindful of timeframes when setting the workplan and schedule of upcoming items.

Staff Confirmed the 3rd Budget Review was completed and presented to Council within the legislated timeframe. The report was presented at the 25 May General Council Meeting, however, was not considered at this meeting as the meeting concluded before the item was presented. It was subsequently held over to the General Council meeting on 8 June.

Moved Mr Papa**Seconded Ms Rantanen**

That the Finance and Audit Committee:

1. Notes this report.

Carried Unanimously**7.2 Service Review Program and Recommendations - Progress Update****Report Reference** FAC210817R7.2

The Committee notes the implementation progress of the Service Review Program recommendations and recognised the importance of the Service Review Program and the potential for improved opportunities and benefits as a result. They acknowledged the good work being achieved in this space and the improvements being seen.

The Committee provided the following comments and feedback on the future approach to the Service Review Program:

- Queried the utilities optimization report and how we are achieving this. Staff advised that

that the goal following the service review and once the actions had been implemented was this team will be able to pay for their salaries through the savings. This was achieved across the three councils.

- The Committee had concerns around the outstanding action items and timeframe extensions that were applied and whether we were opening ourselves to risk through the extensions. Staff commented that the extensions were sought to allow the three councils to work together in their cross council collaboration to achieve the outcomes.
- The Committee suggested that as a result of focusing on the collaborative approach we may be missing an opportunity to be better and more efficient, and it would be helpful to quantify the potential benefits of each of the elements. It was noted that this is a balancing act, the benefits are more valuable when working collaboratively, however the projects may take longer to complete.
- It is important to implement all of the recommendations thoroughly so that we are not missing out on the full benefits.
- The Committee suggested focusing on non-data elements, however overall the program is delivering big benefits which is good to see.

Management advised they are in the process of working through the best model to deliver and capitalise on the opportunities. They are looking at opportunities to benchmark against other councils, looking at best practice and whether it is applicable. This is an opportunity to apply the learnings from what has and hasn't worked.

7.3 Corporate Risk Review Report Q4 2020/21 Report Reference FAC210817R7.3

The Committee noted the report and provided the following feedback on the review outcomes:

- Clarification and further information were sought on the change in rating for the Inability to deliver community projects and key strategic outcomes, due to two recent issues with grant acquittals. Staff clarified this was in relation to the Local Roads and Community Infrastructure grants and the two projects for which an extension has been sought. The risk was increased to medium as the grant is a reimbursement and if the projects aren't completed by the end of the calendar year, and the extension is not granted, we will not receive the reimbursement. Continual discussions are occurring with the General Managers to ensure the completion of these projects.
- The Committee discussed the North / South Corridor and land acquisitions associated with this. There are 74 properties that will be impacted which is likely to have an impact in 2022/23 of negative growth, this will be a re-distribution and not a loss to Council. The risks to any capital works projects were discussed. Staff advised there was the potential for this to impact one project at Glandore Oval, however DIT have confirmed there will be no direct impact, any very minor impact will potentially not be for another 3-years away. Staff advised Council is liaising with the State Government regarding regenerating works around these areas with representatives on all three of the Committees that have been established.
- The controls and review dates within the high risk on a page it appears as though some are future and past. The Committee requested this be reviewed and clarified. Staff confirmed they are still working on finessing these, and more work and maturity is still required.
- The Committee expressed their concerns with the implementation of the IT systems and allocated timeframes and deadlines for these and noted that any learnings from the implementation of the payroll system should be captured now and applied to the other projects.
- The PMO should be considered a control not a cause

- Emergency Management Risk should reflect an additional risk of the failure to recognise identify potential risks (i.e COVID-19 was generally not predicted).
- Requested that the control dates be reviewed as some of these are out of date as well as the review of some administrative errors.

7.4 HSE Program Annual Report Report Reference FAC210817R7.4

The Unit Manager Risk introduced the item and noted the organisation will be actively progressing with the LGA WHS audit action plan. The recent re-structure allows a dedicated team to have resources to support the organisation with working collaboratively to implement the actions. It was recognised that we may have been a little ambitious with the targets, with not enough resources dedicated in the past.

It was noted the Lost time injuries reported were generally a result of everyday tasks, not necessarily a result of hazardous conditions or a result of staff working under different circumstances due to Covid-19. The General Managers work with those who are injured to support the analysis of injury and identifying opportunities to keep them gainfully employed.

The Committee noted the report and statistical data and provided the following general comments:

- Queries whether we are analysing the data for potential trends in departments to determine a root cause analysis.
- The injuries could be as a result of the distractions from the past year resulting in anxiety and elements outside our control
- These were very simple incidents, consider exploring the effects of Covid-19 and perhaps look at the wellbeing program
- Is there an opportunity to improve the training and development and verification of competencies of staff.
- Highlighted the importance of the verification of competencies and ensuring there is a strong culture around this.
- Acknowledged the role of the new business partner and the hands on support and dedication to this role will be invaluable.
- They recognised pressure from council to manage employee numbers but highlighted the importance of resources that are justifiable, and the benefits are invaluable.

Staff commented in response that they are looking at proactively and reactively addressing these matters. All of the points have been considered in the planning for 2021/22 and safety in the workplace continues to be a high priority for management.

7.5 Annual Insurance and Claims Report Report Reference FAC210817R7.5

The Committee noted the report and commented on the overall increase in claims during the Covid-19 environment and queried the number of claims relating to vandalism.

They were comfortable with the overview of the annual insurance renewal for 2021/22 and an evaluation of the public liability and asset incidents and claims for 2020/21.

7.6 Finance and Audit Committee Annual Report to Council

Report Reference FAC210817R7.6

The Committee suggested that the items they would like to cover in the Annual Report to Council include:

- Digital Transformation Program
- Assurance mapping and work with the internal auditors
- Work with external auditors
- Review of risk management
- Follow up of service reviews
- Asset management plans
- Annual Business Plan and budget process
- Utilisation of resources
- Prudential reporting

7.7 Finance and Audit Committee Effectiveness Survey

Report Reference FAC210817R7.7

The Committee were comfortable with the Performance and Effectiveness Survey as provided and requested that the results be de-identifiable before being released.

Staff confirmed this would be the case and that the survey would be forwarded to Member through Survey Monkey.

8.2 Australian Service Excellence Standards - Audit Outcome

Report Reference FAC210817R8.2

The Committee commended staff on achieving a great result. They acknowledged this is the second time we have achieved a certificate level and challenged staff to consider the Award level as a stretch target.

The implementation of recommendations and performance improvement was discussed, and the Committee queried how staff plan to track these.

Action: Investigate the options for tracking the recommendations and provide a report back to the Committee in August 2022 with an update on the implementation of actions.

9 Workshop / Presentation Items

9.1 CoM Security Position vs Western Australia Auditor General

Report Reference FAC210817R9.1

The Committee noted the report and information contained within the presentation.

The Unit Manager IT Operations delivered the presentation and summarised the following key points focusing on the security status for City of Marion:

- The City of Marion is going well, however there is room to improve

- There is a lack of policy frameworks around cyber governance
- There is a shortfall in some areas which will be addressed in the next step is to document these.
- When looking at the benchmark for information security, City of Marion is currently sitting around “Defined and Repeatable”, however we are aiming for “Managed and Measurable” and optimized to be achieved in 12-24 months. This is to be achieved through capability and vulnerability assessments.
- The focus will be on improving what we currently have, bringing people along and not moving too quickly to keep them on the journey
- It was acknowledged that we may be the subject of such a report and audit and although we are on the right track, this is an ongoing area of development and improvement, particularly around IT Operations and management of risks.

Management indicated that it will:

1. Continue external security audits and vulnerability assessments
2. Maintain a security focus for all new system implementations
3. Continue the rollout of COM1 Digital literacy and cybersecurity awareness project to train our staff on security issues and test their learnings.

10 Other Business

Nil

11 Meeting Closure

The meeting was declared closed at 5.58 pm

CONFIRMED THIS 12th DAY OF OCTOBER 2021

CHAIRPERSON