



**Minutes of the Finance, Risk and Audit Committee  
held on Thursday, 9 November 2023 at 9.00 am  
Council Chamber, Council Administration Centre  
245 Sturt Road, Sturt**

**PRESENT**

Ms Emma Hinchey (Chair)  
Mr Josh Hubbard  
Councillor Jason Veliskou  
Councillor Jayne Hoffmann

**In Attendance**

Chief Executive Officer - Tony Harrison  
General Manager City Services - Ben Keen  
General Manager Corporate Services - Angela Allison  
Manager Office of the CEO - Kate McKenzie  
Unit Manager Governance and Council Support - Victoria Moritz  
Chief Financial Officer - Ray Barnwell  
Manager People & Culture - Sarah Vinall  
Chief Information Officer – Marcel Althoff  
Unit Manager Positive Ageing & Inclusion – Rima Sallis  
Mr Eric Beere – KPMG  
Mr Haden Love – KPMG  
Mr Tim Muhlhausler - Galpins

**1 Open Meeting**

The Chair opened the meeting at 9.06am.

**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 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**

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**4.1 Confirmation of Minutes of the Finance, Risk and Audit Committee Meeting held on 15 August 2023****Report Reference**                      FRAC231109R4.1**Moved Councillor Veliskou****Seconded Mr Hubbard**

That the minutes of the Finance, Risk and Audit Committee Meeting held on 15 August 2023 be taken as read and confirmed.

**Carried Unanimously****5 Business Arising****5.1 Business Arising Statement - Action Items****Report Reference**                      FRAC231109R5.1**Moved Mr Hubbard****Seconded Councillor Veliskou**

That the Finance, Risk and Audit Committee:

1. Notes the business arising statement, meeting schedule and upcoming items.

**Carried Unanimously****6 Confidential Items****6.1 Fraud Risk update 2022-2023****Report Reference**                      FRAC231109F6.1**Moved Councillor Veliskou****Seconded Mr Hubbard**

That pursuant to Section 90(2) and (3)(e) of the Local Government Act 1999, the Committee orders that all persons present, with the exception of the following persons: Chief Executive Officer, Chief Financial Officer, General Manager City Development, General Manager City Services, General Manager Corporate Services, Manager Office of the Chief Executive, Unit Manager Governance and Council Support, Unit Manager Strategy and Risk, Risk Business Partner, be excluded from the meeting as the Committee receives and considers information relating to Fraud Risk update 2022-2023 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 given the information relates to matters affecting the security of the council.

**Carried Unanimously**

9.07am the meeting went into confidence

**Moved Councillor Veliskou****Seconded Mr Hubbard**

In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Committee orders that this report, Fraud Risk update 2022-2023, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(e) 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 2023.

**Carried Unanimously**

9.14am the meeting came out of confidence

## **7 Reports for Discussion**

### **7.1 Internal Audit Plan 2023-2025**

**Report Reference** FRAC231109R7.1

Mr Eric Beere and Mr Haden Love from KPMG were present for the item. Mr Beere introduced the item noting and introduced Mr Love who was the subject matter expert for the items and part of the national contracts and compliance team. Mr Love also was also involved in the Contractor Management review a few years ago.

Mr Love provided a summary and overview of the Contract Value for Money Report and Community Safety Report. Mr Love provided the following comments:

- The Contract Value for Money audit was completed as a collaborative audit with CCS and PAE. KPMG made three joint findings across the three Councils. One was a medium risk, one was a low risk and there was one performance improvement opportunity. The City of Marion had one low risk finding identified which was specific to Marion.
- There were several positive observations noted during the stakeholder consultation.
- The overall objectives were to review governance effectiveness and operating effectiveness with a financial focus.
- It was noted that building services contract were quite effective.
- The cleaning services contract was insightful, differing between councils, some demonstrating better practice than others.
- Improvements include building on previous work in relation to the contract framework, and a stronger focus on governance with oversight over monitoring operationalising the guide and framework and implementing the contract value risk profiling to understand the two categories.
- It was noted the contract register was not in place yet.
- The nominated contract reviewed appreciated value for money not just risk. There were some limitations in the data with some elements showing better practice.

### **Contract – Value for Money Report**

The Committee discussed the following:

- The Committee further discussed what value for money means noting that some pockets were doing well. Mr Love commented this was the nature of the report lacking value for money data to look at it from a portfolio perspective. A performance regime should be in place to challenge the processes, highlighting the importance of this, although not a mandatory requirement from a policy perspective. It is key in an organisation such as this who are spending on community services and to ensure the community are receiving the benefits.

- It was noted this is the next part of the journey to include not just spending, but how this is dispersed. Currently good practices are left up to the contractor to manage rather than a portfolio.
- Management commented on the history of outsourcing contract management where multiple levels of contract management were established with little accountability. It was acknowledged that there is a place for outsourcing contract management, however there is balance in transitioning to the right hybrid model for accountability and service standards.
- Mr Love commented on allowing the right scrutiny in the sourcing strategy. There was a fundamental absence of capturing key contract portfolios and data to determine key indicators across the contract lifecycle process. Key data was critical to determine the portfolio and overlaid with the framework will provide financial and non-financial aspects.
- It was noted there was a gap in continuous improvement when reacting to complaints rather than being proactive.
- It was noted that when outsourcing a contract, you don't outsource the risk, however, need greater governance.
- The Committee discussed the initiation and tender process, querying the weighting of elements in comparison to financial elements.
- The Committee commented there was previously a larger emphasis on governance, however more emphasis was now placed on the collaborative effort. Management commented that the CEO's and key managers from the three councils would be coming together to discuss the approach moving forward.
- The Committee queried whether staff were comfortable with the findings commenting that some of them seemed unrealistic. Management noted there was a lot of discussion and negotiation around some of the findings and was considered a business priority. Management was comfortable with the findings overall as presented, noting they were keen to explore them in more detail. Management will also consider these in conjunction with the next audit on Tendering and how the findings from both can be considered holistically.
- The audit provided a good understanding of where the organisation sits and focus areas for the next 6 months including education around understanding contract managers.
- The Committee discussed the payment terms and period payments especially for the cleaning contract. It was noted that although it was not standard practice to have pre-payments in place, on occasions, this was required, acknowledging that in the cleaning industry this was not uncommon. The Committee suggested this needs a considered approach with rules in place and robust evidence to ensure any risk was managed. It was also noted that this was a low risk as the exposure in this particular instance was only for 1 month.
- The Committee queried the structure of the contract to ensure compliance between the contractor and its workers with management commenting they would explore the original evaluation tender to ensure compliance.

**Action – Management to explore the original cleaning contract evaluation tender to ensure compliance between the contractor and its workers.**

### **Community Safety Scope**

The Committee discussed the scope and approach elements of the audit to ensure it includes community expectations. Mr Beere acknowledged that would consider and discuss this with the appropriate staff.

**Moved Mr Hubbard**

**Seconded Councillor Veliskou**

That the Finance, Risk and Audit Committee:

1. Considers and provides feedback on the:
  - a. Contract Value for Money Audit Report (Attachment 1)
  - b. Community Safety Scope (Attachment 2)

**Carried Unanimously**

## 7.2 Internal Audit Program – Implementation of Recommendations

Report Reference                      FRAC231109R7.2

The Committee discussed the status of the implementation of recommendations from the internal audit program and provided the following comments:

- The Committee expressed some concerns over the timeframes and time taken to complete and close out some of the items, referencing some of the recommendation in project carryovers and in relation to the CAMMS project management system.
- Management acknowledged that some areas had not progressed remedial action at the rate it should have. However, it was also noted that some of the recommendations have been superseded or are out of date. In relation to CAMMS the EMPO identified this was not fit for purpose and there was hesitation to complete the item it was no longer relevant. The organisation is currently working through identifying baseline requirements to progress this business need.
- Looking at the bigger picture, there had been improvement across the organisation in responding to internal audit action and the development of realistic and timely recommendations.
- The Committee queried the progress of the property management system. Management commented this was included in the IS Strategy, noting that it had been delayed to prioritise critical functions including financial force, sales force and Assetic. Elements relating to property management are still being appropriately monitored and reported on acknowledging the system would allow efficiencies.
- Management commented the highly comprehensive IT Strategy provides better opportunity to systematically roll out these programs and will look holistically over a 10-year period.
- The Committee commented there may be a potential risk with several timeframes pushed out to 30 June 2024 creating a time crescendo. Management will consider this feedback.
- The Committee suggested reviewing the relevance of outstanding recommendations and development a structured approach to close out items which are no longer relevant. It also suggested to priorities the recommendations based on underlying risk with many items running longer than the indicators set out in the report.
- Management agreed with the approach acknowledging there was a balance between closing out items and having the data in place to close out confidently, however will review these against the original intent and finding of the recommendation.

**Moved Mr Hubbard**

**Seconded Councillor Hoffmann**

That the Finance, Risk and Audit Committee:

1. Reviews and provides feedback on the Internal Audit Program (Attachment 1).

**Carried Unanimously**

The Chair sought and was granted leave of the meeting to vary the order of the agenda and consider the following items next in the meeting:

- 7.5 Independence of Council's Auditors
- 7.6 Annual Financial Statements for the year ended 30 June 2023
- 7.7 Meeting with the External Auditors in Confidence

### 7.5 Independence of Council's Auditors

**Report Reference**                      FRAC221011R7.5

**Moved Mr Hubbard Josh**

**Seconded Councillor Veliskou**

That the Finance Risk and Audit Committee:

1. Notes the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2022-23 financial year (Attachment 2).
2. Notes that the CEO will be signing a statement that Council's external auditor Galpins maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2022-23 financial year.
3. Endorses the Chairperson signing a statement that Council's external auditor Galpins maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2022-23 financial year.

**Carried Unanimously**

### 7.6 Annual Financial Statements for the year ended 30 June 2023

**Report Reference**                      FRAC231107R7.6

Mr Tim Muhlhausler from Galpins was present for the item.

Chief Finance Officer introduced the item and provided an overview of the Annual Financial Statements for the year ended 30 June 2023.

The following comments were made:



- During the financial year, there was a large project completed to move the management of assets to a centralized data base with the implementation of a new asset management system Assetic.
- The Committee in noting the debt servicing ratio sought to understand what extra borrowing has been committed to and what is the extra capacity for funds if we were to look at 5%. Management confirmed the forecast for 2023-2024 was to borrow \$18m noting that this will be deferred if it is not needed. The provision is for major projects with the borrowings plan stretched out across the Long-Term Financial Plan and will be assessed year on year. This model considered intergenerational borrowings to help balance the budget.
- Management confirmed that if emergency funds were needed Council has a borrowing facility in place with an \$11m capacity.
- The Committee queried what the benefit of SRWRA was to the organisation and whether this is quantified. Management commented that although a dividend is not received every year, the increase in equity is incorporated into the annual financial statements and for 2022-23 this was \$645,000. The contract with SRWRA also provides benefits through improved competitive rates on services for waste management.
- The Committee discussed the change in methodology on depreciation of assets. Management confirmed this was based on considered advice and will provide a uniform depreciation for all asset classes going forward..
- The Committee queried the movement in grant funding year on year. Management commented the movements are impacted by the timing of the when State and Federal grant funds are received and we often ends up receiving grant funds in advance which doesn't always align with how they are budgeted for.
- Home and Community Care grants dropped by 20% as a result of once off covid funding in the order of \$600,000 received in the prior year.
- The Committee discussed the increase in the value of infrastructure with Management commenting there was a comprehensive valuation performed on the majority of assets this year and a small portion remaining for next year. The movement in assets was also impacted by the change in depreciation methodology.
- The Committee suggested looking at the functions note and reviewing it going forward. Management confirmed the overall numbers were correct and a review of the mapping will be undertaken. Mr Muhlhausler agreed and was satisfied that there was no material impact to users.

Mr Muhlhausler confirmed he will be providing a clean unmodified opinion noting that it was a good quality audit. There was a slight delay in completing the audit compared to prior years, however this was negotiated prior and was a result from the migration of asset data to the new asset management system Assetic. The following comments were also made:

- The key financial ratios provided a good first point of call when looking at audit risk.
- The results show strong financial indicators. The operating surplus on average was a break-even / slightly above position which was optimal.
- There was a minor operating deficit this year resulting primarily from the impact of higher depreciation.
- The net financial liabilities ratio indicates Council is in a strong financial position.
- The result showed a good financial capacity and strong wholistic treasury management practices.
- The asset renewal funding ratio was slightly lower, however, not a concerning level given there were some reasonable reasons including supply chain issues impacting this ratio. It is expected that this would be on the incline over the next few years.
- There was a change in depreciation methodology to straight line rather than conditional based depreciation. This methodology change considers the impact over time on all rates payers over the period. Discussing the change in this methodology with the auditors at the beginning



of the year demonstrates a good culture towards finance reporting, and the auditors were pleased to support this.

- The Committee discussed the findings in the management letter observing the previous disparate asset management data and noted the opportunity to manage this better with the centralized approach following the implementation of Assetic. The auditors were excited to see the improvements made and the maturity of the asset management, with the opportunity to down grade this risk over the next year or two.
- The Committee queried the finding in relation to excessive leave, with Management confirming this is monitored on a quarterly basis and there are plans in place to actively reduce this figure.

10.45am Mr Hubbard left the meeting

10.45am Formal meeting procedures were suspended for lack of quorum

10.46am Mr Hubbard re-entered the meeting

10.46am formal meeting procedures resumed

**Moved Councillor Veliskou**

**Seconded Councillor Hoffmann**

That the Finance, Risk and Audit Committee:

1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2023, as included at Attachments 3-4, be adopted.
2. Notes Galpins Audit Completion Report, as included at Attachment 5.
3. Notes the comparative analysis to prior year audited Annual Financial Statements and original adopted 2022-23 budget (Analytical Review), as included at Attachment 2.

**Carried Unanimously**

## 7.7 Meeting with the External Auditors in Confidence

**Report Reference**                      FRAC231109R7.7

**Moved Mr Hubbard**

**Seconded Councillor Veliskou**

That 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 Tim Muhlhausler and Juliano Freitas from Galpins, as the Finance, Risk and Audit Committee meets with Council's External 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**

10.48am the meeting went into confidence

10.56am the meeting came out of confidence

**Moved Mr Hubbard**

**Seconded Councillor Veliskou**

1. Include the following comments within the minutes:
  - The Auditors noted there was a good relationship and collaboration between the Auditors and Management.
  - There was a potential risk noted in relation to unrecorded overtime and managing the risk of overwork. It was noted there are processes in place to help mitigate this risk.

**Carried Unanimously**

### 7.3 Finance, Risk and Audit Committee Annual Report to Council 2022/23

**Report Reference** FRAC231109R7.3

**Moved Mr Hubbard**

**Seconded Councillor Hoffmann**

That the Finance, Risk and Audit Committee:

1. Endorse the Finance, Risk and Audit Committee Annual Report for 2022/23 (Attachment 1 to this report) to be presented to Council at its meeting on 28 November 2023, subject to amendments as required.

**Carried Unanimously**

### 7.4 Information Services Plan

**Report Reference** FRAC231109R7.4

The General Manager Corporate Services and Chief Information Officer introduced the item and provide a summary of the draft Information Services Plan. The following discussion was noted:

- The Information Services Plan was developed following a review and close out of the Digital Transformation Project which identified a lack of overarching strategy, principles and framework. The Plan includes extensive consultation and engagement with specific work areas, ELT, SLT, governance and business intelligence team. The plan includes all the elements to ensure the organisation doesn't deviate from the plan.
- The Information services team were actively involved in the development of the plan which helped to challenge some of the thinking around different elements and standards. It provided an opportunity to reflect and enable due diligence to deliver better outcomes.
- There are three main components to the plan; exceptional customer experience, innovation and relevance, and consolidation and efficiency.
- The Chief Information Officer talked through the 'IS Strategy on a page' to demonstrate a wholistic view of the customer portal and management portal.

- The Committee referred to the proposed T27 program overview querying whether this was based on a priority list. Management commented the delivery of the program is broken up into 5 different streams of activity each stream with a Project Manager and resources appointed. Priorities have been identified within each stream which has also been considered with change management across the organisation.
- The strategy and program will be reviewed every year, adapting to changes as required. Each project will require several phases including initiation, scoping and analysis by ELT to ensure the appropriateness.
- There is a considered risk that comes with the plan; however, management are confident it will deliver the desired outcomes.
- The Committee noted the plan was complex noting the importance of considering the perspective of council and the user will be important.
- The Committee discussed the governance and ethics around the use of artificial intelligence (AI). Management commented there are some elements of AI already been used throughout Council such as the webchat, and are exploring future opportunities, noting that NSW are leading the way in this space. It was acknowledged there is a place for AI and the importance balancing this with face-to-face services as well. The Customer Service volunteer management triage service pilot project is a good example of balancing these services.
- The Committee discussed the costs, noting that at this stage they were only indicative over a 4-year timeframe. The committee suggesting including options when this is presented to Council including a stretch program and what this might look like.
- The Committee also suggested there may be an element missing around the risk if the elements identified in the plan aren't achieved and the importance of identifying the cost savings for council.

**Moved Mr Hubbard**

**Seconded Councillor Hoffmann**

That the Finance, Risk and Audit Committee:

1. Review and provide feedback on the IS Strategy.

**Carried Unanimously**

## **8 Reports for Noting**

### **8.1 Council Member Report**

**Report Reference**                      **FRAC231109R8.1**

The Committee noted Councillor Veliskou was re-appointed to the Committee from November 2023, whilst the second Council member position remained vacant.

The Committee discussed the benefits of an additional member and proxy member noting the nature of the committee required a certain level of understanding and commitment and acknowledged the contribution from Councillor Hoffmann.

The Committee noted Ms Nicolle Rantanen-Reynolds was also re-appointed to the Committee and Mr Hubbard appointed as Councils representative on the SRWRA Audit Committee

The Committee also discussed EV Fleet transition commenting they were comfortable the infrastructure had been considered and future opportunities were being explored.

**Action: consider including the option for a proxy member in the Finance, Risk and Audit Committee Terms of Reference, currently under review.**

**Moved Mr Hubbard**

**Seconded Councillor Hoffmann**

That the Finance, Risk and Audit Committee:

1. Notes this report.

**Carried Unanimously**

## **8.2 Debtors Report**

**Report Reference**                      FRAC221011R8.2

The Committee noted the report as read discussed the debt in relation to the community facility which has been fully provided for in the accounts.

The Committee also noted most balances are on the increase and to continue to monitor for any trends. Management commented this was a result of cost-of-living pressure and lately we are seeing an increase in ratepayers seeking payment plans. This will continue to be monitored monthly through the performance organisation reporting.

**Moved Mr Hubbard**

**Seconded Councillor Hoffmann**

That the Finance and Audit Committee:

1. Note this Report.

**Carried Unanimously**

## **8.3 Annual Investment Report 2022-23**

**Report Reference**                      FRAC231109R8.3

The Committee noted the Annual Investment Report 2022-23 commenting on the favourable differential benchmark variation being the smallest in 6 years. Management noted that throughout the year, cash reserves were reducing and term deposits were on hold for smaller periods of time than in the prior year, in addition, the number of interest rate changes throughout the year had an impact.

**Moved Councillor Veliskou**

**Seconded Councillor Hoffmann**

That the Finance, Risk and Audit Committee:

1. Notes the Investment Performance Report 2022-23.

**Carried Unanimously**

## 8.4 Aged Care Quality Standards

Report Reference                      FRAC231109R8.4

General Manager City Services and Team Leader positive ageing and inclusion introduced the item and provided an update on the outcome of the City of Marion's Aged Care Quality Standards Assessment conducted in August 2023. The following comments were noted:

- A tremendous amount of work had gone into preparing for the assessment to ensure compliance with the standards.
- Following two non-compliant audits, the organisation is now at compliance noting there is still a lot of work to be done behind the scenes including training, developing culture, process improvement and performance management, however the team has achieved a huge success in hitting the goals.
- The Committee congratulated the team on this achievement and the maturity of the team as a result.
- The Committee queried whether we had an idea of the types of complaints received. Staff commented these were mainly relating to the quality of cleaning and the cancellation of services if workers were unavailable. Staff have worked with agencies to help address these issues by looking to re-schedule appointments rather than cancel altogether.
- The Committee discussed the additional grant funding noting this contributed towards extra services that were funded including social support, meals at home and through a centre and social support groups.
- The Committee noted there were future discussions to be held in looking at the services provided and ensuring value to the community.

**Moved Councillor Hoffmann**

**Seconded Councillor Veliskou**

That the Finance, Risk and Audit Committee:

1. Notes the report from the Aged Care Quality and Safety Commission dated 11 October 2023.

**Carried Unanimously**

## 9 Workshop / Presentation Items – Nil

## 10 Other Business

The meeting was declared closed at 11.49am.

CONFIRMED THIS 12 DAY OF DECEMBER 2023

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CHAIRPERSON