



**Minutes of the Finance, Risk and Audit Committee
held on Tuesday, 12 December 2023 at 2.00 pm
Council Chamber, Council Administration Centre
245 Sturt Road, Sturt**

PRESENT

Ms Emma Hinchey (Chair)
Ms Nicolle Rantanen
Mr Josh Hubbard
Councillor Jason Veliskou

In Attendance

Chief Executive Officer - Tony Harrison
General Manager City Services - Ben Keen
Acting General Manager Corporate Services - Jamie Dunnicliff
General Manager City Development - Tony Lines
Manager Office of the CEO - Kate McKenzie
Unit Manager Governance and Council Support - Victoria Moritz
Chief Financial Officer - Ray Barnwell
Acting Unit Manager Strategy and Risk – Sheree Tebyanian

1 Open Meeting

The Chair opened the meeting at 2.03pm.

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 Council 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.

The following interests were disclosed:

- Nil

4 Confirmation of Minutes

4.1 Confirmation of Minutes of the Finance, Risk and Audit Committee Meeting held on 9 November 2023

Report Reference FRAC231212R4.1

Moved Councillor Veliskou

Seconded Mr Hubbard

That the minutes of the Finance, Risk and Audit Committee Meeting held on 9 November 2023 be taken as read and confirmed.

Carried Unanimously

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference FRAC231212R5.1

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 – Nil

7 Reports for Discussion

7.1 Framework and Key Assumptions for the preparation of the 24-25 ABP and LTFP

Report Reference FRAC221213R7.1

The Committee discussed the Framework and Key Assumptions for the preparation of the 24-25 ABP and LTFP and provided feedback on the proposed framework in setting the 2024-25 Annual Business Plan (ABP) & Long-Term Financial Plan (LTFP). This included a review of financial parameters and key budget assumptions and; the associated risks with the proposed framework and key budget assumptions.

The following key points were discussed:

- The Committee discussed capital expenditure and how this has been explained within the report. The Committee noted Page 32 indicates a significant decline in capital expenditure in the final year of the LTFP.
- Management commented the decline is based on adopted figures and allocation for specific projects identified in the City of Marion Building Asset Strategy (CoMBAS). In the final year CoMBAS forecast expenditure drops off and will need to be revised in future iterations of the LTFP and updated CoMBAS implementation guide.
- There was discussion around including the provision of discretionary funds for unplanned projects or opportunities that may arise. The Committee raised concerns that this was not factored into the LTFP in the latter years and suggested including a steady level of funding in

LTFP in the latter years of the LTFP in line with the forecast annual expenditure levels of CoMBAS.

- Management commented the CoMBAS is a 10-year forward outlook strategy that uses evidence, service level benchmarks and local context to inform future decision making and prioritisation of future investment but acknowledged the latter years would need to be looked at based on an updated CoMBAS plan.
- Management commented on the State and Federal election cycle's impact on funding, with the council generally matching 1 for 1 and the importance of choosing funding for aligning with organisational and strategic goals.
- The Committee discussed the inflation rate and impact on budgeting, suggesting a focus on aligning this with the higher end of the RBA future years forecast inflation rate around 3% and also considering the impact of salary trends.
- The Committee discussed its concerns around unplanned projects aligning with strategic goals and the potential to apply the unsolicited bids policy to funds received for unplanned projects.
- The Committee discussed risk management and contingency and the consideration of the risks associated with rejecting funds and the importance of community communication.
- There was discussion around asset renewal and infrastructure management with the committee querying the assurance of setting aside sufficient funds for renewal and maintenance in the face of environmental challenges. Management confirmed this was managed through the Asset Management Plans which are reviewed on an annual basis as part of the Annual Business Planning process.
- The Committee discussed ongoing efficiencies particularly in regard to recent technology projects. Management commented that the organisation has just completed a phase of replacing legacy systems to bring the organisation in line with current standards. The next four years will focus on improvements and efficiencies with the benefits yet to be realised. Two key systems have just completed implementation with the next phase to refine these systems and evaluate efficiencies.
- The ageing population and associated services were discussed and the need for evaluating these provisions was noted. This will be picked up through the strategy planning process. It was noted the importance of honouring the organisations principles and taking ownership and responsibility.
- The Committee discussed planning and transport, noting concerns about about long-term planning and transport issues, especially with urban infill. There was discussion on staff allocation for managing traffic concerns and the diminishing power of Council in planning and development matters.
- The Committee noted the essential 8 should be achieved as a minimum and suggested the organisation should be aiming higher.
- The Committee commented the report was very comprehensive and noted the high level of stress testing to address potential challenges.
- It was noted there should be further emphasis on clarifying acronyms

Moved Councillor Hubbard

Seconded Councillor Veliskou

That the Finance, Risk and Audit Committee:

1. Provide feedback on the proposed framework, key assumptions, and associated risks in setting the Annual Business Plan for 2024-2025 and the Long-Term Financial Plan.
2. Provide feedback on the Environmental Scan (Attachment 3) as input into the Draft ABP 2024-2025 and draft LTFP.

Carried Unanimously

7.2 1st Budget Review 2023-2024

Report Reference FRAC2312127.2

The Chief Finance Officer introduced the item noting the budget review is a revised forecast of the original 2023-2024 budget and as such any savings identified during the budget reviews will not be confirmed until the projects are completed and/or the annual financial statements finalised, inclusive of accruals, and audited at the end of the financial year. The completion of the 2023-24 1st Budget Review has identified a favourable net Cash adjustment of \$0.838M. Adding this to the Original Budget Surplus of \$0.081M leaves a revised full year cash surplus of \$0.919M.

The following discussion was noted:

- The Committee expressed concerns regarding grant funding acquittal within the timeframes and the potential delay in capital projects. Management commented that the Executive Management Team is committed to reviewing grants through the Executive Budget Committee monthly and addressing any concerns as they arise.
- The Committee questioned whether there were heightened climate risks due to project delays. Management noted they were not aware of any climate related risks and provided assurance that all cost changes as a result of inflationary pressures were being managed and covered at this time.
- The potential risks associated with electric vehicle use was discussed, noting the unique risks of lithium batteries. Management commented on the mitigation efforts being explored including infrastructure planning, fire extinguisher provisions, and smart charging for load balancing. The Committee discussed the recent presentation to Council from the City of Mitcham and the ongoing conversations charging stations.
- The Committee emphasised the need for clear formatting, including showing a percentage of actuals for the full year if the year-to-date budget comparisons are not available. The Committee suggested clearer commentary in Appendix 2.
- The Committee discussed capital grants and the plan to deliver projects, with a focus on transparency in reporting in relation to identifying projects being carried forward into the next year and ensuring there is clarity in the reporting.
- Management commented on the effective management of capital works on a month-by-month basis, pushing for completion of projects within the 12-month window. The Committee raised historical concerns about expenditure moving from year to year. The Committee discussed the carryover of expenditure seeking clarification on why funds are being held over. The Committee suggested clearer presentation to the council regarding carryovers from one year to another. Management committed to reviewing the reporting process to ensure this is clear, especially in summarising overspending and carryover requests.

Moved Ms Rantanen

Seconded Councillor Veliskou

That the Finance, Risk and Audit Committee:

1. Note the 2023-24 1st Budget Review position.

Carried Unanimously

7.3 Work Program and Meeting Schedule for 2024

Report Reference FRAC231212R7.3

Moved Councillor Veliskou

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

1. Notes the proposed work program for 2024 identified at Attachment 1 to the report.
2. Adopts the following schedule of meetings for 2024:

- Tuesday 20 February 2024 (2pm – 5pm)
- Tuesday 16 April 2024 (2pm – 5pm)
- Tuesday 4 June 2024 (2pm – 5pm)
- Tuesday 13 August 2024 (3pm – 6pm followed by a joint workshop with Council from 6.30pm onwards)
- Tuesday 8 October 2024 (2pm – 5pm)
- Tuesday 3 December 2024 (2pm- 5pm)

Carried Unanimously

7.4 Finance, Risk and Audit Committee - Review of Terms of Reference

Report Reference FRAC231212R7.4

Manager Office of the CEO introduced the item and provided a summary of the amendments, noting the Terms of Reference were already generally compliant with the new provisions arising from the Local Government reform. Management is seeking clarification on the requirements and reporting obligations relating to the internal audit function and will ensure the terms of reference are compliant in this regard.

Moved Mr Hubbard

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

1. Recommends to Council the adoptions of the Terms of Reference provided in Attachment 1 with the following amendments:
 - The removal of any references to 'Service Reviews'
 - Replace 'expert members' with 'independent members'
 - Internal Audit Function – amended and updated once advice is received to ensure compliant with new requirements.
 - Request Council that the Committee have two Council Members (not one)
 - Amend 4.4 to reflect the current practice at City of Marion for Selecting a Chairperson
 - Amend 4.5 to include a Council Member must be present to meet quorum

Carried Unanimously

ACTION: Include in the next Council Submission to the Remuneration Tribunal the suggestion of an allowance for Council Members who sit on the Finance, Risk and Audit Committee due to the significant workload and specialised knowledge and experience required.

7.5 Quarterly Risk Report Q1 2023-2024

Report Reference FRAC230815R7.5

The Unit Manager Strategy & Risk introduced the item and provided the Committee with an overview of the City of Marion Corporate Risk Register review for Quarter 1 2023-24 (1 July to 30 September 2023). The Committee noted the following:

- The Committee observed a lack of detail on opportunities in the risk and opportunity process. Management commented the team are currently working on an opportunities matrix to be presented to the Executive team before coming through the Committee.
- The Committee discussed CR0026 rated as high. One of the main controls was the implementation of a safety management software system, however the Committee highlighted the importance of embedding the process and getting this right before implementing a system. The Committee also noted one of the controls yet to come into place was the contract management system. The Committee commented that we should be able to manage this without a system.
- The Committee discussed CR0053 relating to the PMO, noting the progress on the software solution using sharepoint with the aim of going to market next year on a software system to see how this would compare.
- The delays and change in direction were noted, with recognition that the system is an enabler, not a complete solution. There was also the consideration of the need to factor in a skilled team alongside the system.
- The Committee raised concerns around re-rated risks not being finalised and approved without fully completing requirements. Staff were confident this had been reviewed by Managers who were satisfied there were strategies in place. Staff will note and review this for next quarter.
- The Committee acknowledged positive trending movement and commended staff on this.
- There was a discussion on reporting high risks and whether the framework should include risks outside extreme and high categories.
- Management will consider exploring how reporting outside of the tolerance can be done without complexity, noting the new risk management software may provide potential solutions.
- Some stakeholder review dates were inconsistent, assuming this relates to future review dates, Staff clarified this does relate to future review dates and committed to further investigation and addressing overdue dates.

3.40pm Ms Rantanen left the meeting

- The Committee queried the planned treatment in relation to CR0026 and whether this occurred in September, highlighting the need to confirm completion and the process to move items to controls. Staff clarified initially they thought this was completed, however, after further reviews, have pulled this back and will ensure the reporting reflects this. Once this is marked as complete, it will then be moved to controls.
- The Committee emphasized the importance of clarifying how AI is used in the organisation, advocating for transparency to the Council and community.

3.42pm Ms Rantanen re-entered the meeting

3.42pm Mr Hubbard left the meeting

- Staff acknowledged AI is included in ongoing emerging risks and opportunities with future discussions to be included in the strategic planning process to ensure ethical and moral considerations are integrated.

3.47pm Mr Hubbard re-entered the meeting

Moved Mr Hubbard

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee notes:

1. The Corporate Risk Register Report (Attachment 1), Issues and opportunities identified in the report.
2. The high risks (Attachment 2) and provides their feedback on the review outcomes.

Carried Unanimously

7.6 Insurance Market Review update

Report Reference FRAC231212R7.6

The Unit Manager Strategy and Risk introduced the item and provided a summary of the current activity in the Insurance Market noting Council has previously resolved to ensure cost-effectiveness and suitability; a comprehensive market review occurs every five years. The last assessment was undertaken in 2018. The following key discussion points were noted:

- Following a comprehensive independent review five years ago, Council determined to stay with the schemes given the benefits it provides.
- Current risks associated with re-insurance and product exclusion in commercial market.
- The instability of the market due to inflation, natural disasters and cost pressures.
- The Committee emphasised that the Council has unlimited insurance backed by the treasurer indemnity, as part of the Local Government Association (LGA) scheme. The schemes are considered a more financially viable option, and the current market is incapable of replicating what the LGA provides.
- The Committee discussed the potential risks and resource considerations in re-testing while the market is unstable and suggested that Council do not re-test the market.

3.56pm Ms Rantanen left the meeting and did not return

Moved Ms Hinchey

Seconded Mr Hubbard

That the Finance, Risk and Audit Committee:

1. Recommends to Council not to market test the insurance as the insurance cover provided by the Local Government Schemes cannot be replicated in the commercial insurance market.
2. Recommends that Council request the LGA to undertake a review of the improvements to the Schemes that occurred in 2019/20 and provide an update on their effectiveness and if any future improvements are required.

Carried Unanimously

8 Reports for Noting

8.1 Annual Ombudsman Report 2022/23

Report Reference FRAC231212R8.1

Moved Councillor Veliskou

Seconded Councillor Mr Hubbard

That the Finance, Risk and Audit Committee:

1. Notes the report.

Carried Unanimously

8.2 Council Member Report

Report Reference FRAC231212R8.2

Moved Councillor Veliskou

Seconded Mr Hubbard

That the Finance, Risk and Audit Committee:

1. Notes this report.

Carried Unanimously

9 Workshop / Presentation Items - Nil

10 Other Business - Nil

11 Meeting Closure

The meeting was declared closed at 4.02pm.

CONFIRMED THIS 20 DAY OF FEBRUARY 2023

CHAIRPERSON