

**SFAC200710 - FINANCE AND AUDIT COMMITTEE MEETING**

**Friday, 10 July 2020 at 09:30 AM**

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



**PRESENT:**

**Ms Emma Hinchey (Chair), Ms Natalie Johnston, Councillor Gard (from 9.40 am) and Councillor Crossland**

**In Attendance**

Mr Adrian Skull	Chief Executive Officer
Mr Tony Lines	General Manager City Services
Mr Ilia Houridis	General Manager City Development
Ms Sorona Dinmore	General Manager Corporate Services
Ms Kate McKenzie	Manager Corporate Governance
Mr Ray Barnwell	Manager Finance
Mr Mathew Allen	Manager Engineering, Assets and Environment
Mr Greg Salmon	Manager City Activation
Mr Akos Szonyi	Manager Information Technology and Transformation
Ms Thuyen Vi-Alternetti	Manager City Property
Mr Brendon Lyons	Unit Manager Asset Solutions
Ms Cass Gannon	Performance and Innovation Leader
Ms Renee Pitcher	Unit Manager Open Space and Recreational Planning
Mr Carl Lundborg	Project Engineer
Mr Glynn Ricketts	Water Resource Coordinator
Mr Eric Beere	KPMG
Ms Heather Martens	KPMG
Ms Janet Burdon	KPMG
Mr Andrew Gehling	Asset Management Consultant

**OPEN MEETING**

The Chair opened the meeting at 9.36 am.

**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.

No interests were declared.

## **CONFIRMATION OF MINUTES**

### **Confirmation of the minutes for the Finance and Audit Committee Meeting held on 19 May 2020**

**Report Reference:** SFAC200710R01

#### **Moved Ms Johnston, Seconded Ms Hinchey**

That the minutes arising from the Finance and Audit Committee Meeting held on 19 May 2020 be taken as read and confirmed.

**Carried**

## **REPORTS FOR DISCUSSION**

### **Internal Audit Program 2019/20 - Metrics that Matter, Leasing and Licensing and IT Governance**

**Report Reference** FAC200710R02

9.40 am Councillor Tim Gard entered the meeting

Mr Beere (KPMG) introduced 3 Internal Audit Reports. It was noted that they were all final reports although they did indicate final draft. No further changes were made. Mr Beere noted that the collaborative Council leasing report had a slight change to one recommendation after it had been considered by the Charles Sturt Audit Committee. The Committee indicated that it would be good process to ensure that collaborative reports were consistent for both Audit Committees.

#### ITT Governance

Ms Burdon from KPMG provided an overview of the high recommendations within the report, noting that the ITT team displayed a positive level of engagement through the audit however, better alignment with the business is required to shift the team to a business enabler. The high-risk recommendations included:

- Improved ITT Governance and principles at a strategic level
- Policies and procedures to be aligned to best practice
- Management of privileged access. Certain areas were strong but no consistency across the business.
- No clear benefits realisation plan and how the benefits will be measured and monitored
- Lack of an Asset Information Technology register. The need for this was further enhanced with COVID.

The Committee noted this was a good report and provided comments on the following:

- There is an increased cyber risk and it was noted that the report only briefly touches on this. Assurance was provided that staff cannot download general applications and security has been increased with better controls in place.
- Council would benefit from a more rigorous vendor management program

- A full review of privileged access needs to be completed
- Finding 4 may need to be reworked as management agree that a benefit realisation needs to be completed
- Check if the COVID event is an insurable event under our business interruption insurance
- PO2 does mention there is a risk of security breaches and this could be considered as part of the internal audit plan for next year.
- Elected Members raised that the issue for them is being able to find information and better access to systems.

### Leasing

Ms Martens (KPMG) was invited to introduce the report and provided the Committee with an overview of the report and noted that in recent times there has been increased focus on the challenges and risks associated with leasing of Council facilities. She highlighted that this review was a collaborative project with City of Charles Sturt which resulted in good knowledge sharing and efficiencies between the two Councils. She also highlighted that the use of spreadsheets and the lack of a system was creating challenges for robust process and some of the accuracy of data could be impacted.

The Committee:

- Suggested that the report was long given the level of the findings and could have benefited from being more summarised.
- Queried if the assessment of Finding Three (Monitoring and levels of cover required for public liability insurance) as, moderate was appropriate and whether it should have been assessed as a high risk. KPMG confirmed that the finding related to the value of insurance, not the lack of insurance and therefore felt the assessment of moderate was appropriate. It was suggested by the Committee that a set of criteria needs to be developed to assist Management to determine the appropriate level of insurance to be held under a lease and that this work could be informed by collaboration across other Councils with the assistance of the Local Government Association on behalf of the sector because this would not be a unique issue to the City of Marion. The Committee also advised that the insurance requirements should be fit for purpose, rather than adopting a “one size fits all” approach to levels of cover.
- Noted that page 35 of the report was useful but suggested should have showed the internal controls recorded in the risk register and the resulting current risk rating based on those controls. The Committee requested that that the internal audit function should be testing the internal controls recorded in the register and commenting on their effectiveness at reducing risk, and the appropriateness of the current risk rating based on reliance on those controls, given their assessed effectiveness.
- Queried the appropriateness of including the specific details of lessees in the report and suggested that findings be anonymized in future reports, unless there were specific reasons to share identities.

### Metrics That Matter

Mr Beere provided an overview of the report noting it was a hybrid report to add value in assisting to set up the KPI framework.

The Committee expressed that it was difficult to comment on the report as they had not been provided with the detailed KPI report that is referred to in the internal audit report. Management noted that the Executive Team had received the KPI report as a separate confidential business advisory report.

The Committee suggested that in order for it to add value to this project, it would be useful for them to see the full list of KPIs suggested by KPMG. This would assist to provide Council with assurance that the KPIs that are selected do not eliminate critical items of interest to Council.

The Committee suggested that the upcoming joint Elected Member and Committee Forum in August would provide a good opportunity for joint discussion of the metrics that matter and for the Committee to work with Council to provide independent review of the metrics to be measured.

The CEO commented that it was a good report and will assist management establish better optics on the business.

## **Draft Asset Management Plans for comment**

**Report Reference:** SFAC200710R03

Manager Engineering, Assets and Environment provided an overview of the report highlighting that Asset Management Plans (AMPs) are a legislative requirement of the Local Government Act 1999 and must be reviewed every four (4) years. During this review, the documents have been developed to ensure they provide value and will support effective programs for assets and services.

The Committee congratulated the team on the solid effort required to establish the AMPs. It was evident that the work was of a good standard however the Committee noted that the volume of papers was difficult to get through for one meeting and in future should be broken down into more manageable volumes for meetings.

The Committee suggested that there may be an opportunity to present the information in a more concise way and that this needs to be considered prior to public consultation. The Committee suggested a one-page summary to be attached to the front of each AMP.

The Committee suggested it would be useful to consider the presentation of information to the public and when seeking feedback, for the Council to be very clear about the items Council is seeking feedback on. The documents need a final check for typos, grammar and a few sections that have been cut and pasted incorrectly.

10.35 am Mr Adrian Skull left the meeting

10.37 am Mr Adrian Skull returned to the meeting.

The Committee provided the following feedback:

### Transport

- During discussions it was felt that the term transport was a little confusing as it refers to the road infrastructure and not the provision of transport services. This should be made clear during public consultation in order to achieve useful feedback.
- Council should be focusing on the last kilometer from transport to dwelling.
- Ensure the AMP includes the frequency of the condition audits
- The section relating to bus shelters / street furniture refers to a guideline. Be clear on how these standards were set and investigate if it's possible to compare our chosen standards with those of other Councils.
- The reference to CPI Indexation was discussed and it was noted that this was recorded in error.

Management agreed to remove the reference.

- Bridge maintenance in the AMP is was noted to be \$15k. It was also noted that historically, there has been a backlog for monitoring and maintenance of bridges. Management advised that the \$15k is deemed adequate until further information is available.

#### Stormwater

- The Committee noted that the budget is set at \$2.9m consistently over 10 years apart from year one. \$1m had been removed to fund a wetland.
- Page 190 of the agenda is difficult to read. This needs to be made bigger or removed.

#### Water treatment

- The Committee discussed the potential for cross referencing between the stormwater AMP and the Water Treatment AMP. Management advised that stormwater and water treatment assets both sit within engineering, however they are separate functions and the budgets are split for the purposes of asset management.

#### Buildings

- The Committee noted that the Council had a large catch up program however it is now getting back on track.
- Mr Andrew Gehling was engaged to assist Council develop multiple AMP's including this one.
- The Committee noted that the AMP can now be used to inform the figures in the Long Term Financial Plan.
- Frequency of condition audits should be based on risk/need as discussed in the internal audit report.
- Key parts of the AMP identify critical building assets as part of Councils Business Continuity Plan. Some further work is required to understand of the business impact risk association with critical buildings.
- The AMP needs to be clear on new infrastructure and the associated costs and/or if there is a cost sharing arrangement – for example – the new BMX track.

#### Open space

- Council is financially contributing to the Glenthorne Nature Playground. Council will contribute to the costs for the benefit of the community but will have no ongoing financial responsibility.
- The impacts of purchasing and whole of life costs need to be included within decision making.
- Considerations of urban infill is needed
- Scenario planning / model could be included within the AMP.
- The Committee noted the use of smarttech for getting better data and building a better case for decision making.
- The table on page 289 needs to be updated

#### Coastal walkway

- The AMP refers to the new structure and that it will eliminate of risk of any future erosion. The Committee suggested that the language needs to be clearer.
- CPI has been included but should be removed
- This project is a long-term collaboration with the state government. It may be difficult to address in the AMP, but there may be unfunded liabilities for the future upkeep of the coastal walkway funding.
- Council needs to ensure a strategic approach to seek funding for ongoing maintenance.

Artworks, culture and heritage

- Council should engage / consult with peak groups about what public art they decide to build.
- The AMP refers to this not being a core service of Council. The Committee suggested to delete this.
- Council needs to review its art collection and determine what should be kept and what should be sold. Can an improvement plan be investigated? Management advised that a lot of public art is in storage. The Committee suggested that this should be considered.

The Committee congratulated the team for the work completed and suggested it was a professional foundation for the future.

**REPORTS FOR NOTING - Nil**

**WORKSHOP / PRESENTATION ITEMS - Nil**

**OTHER BUSINESS - Nil**

**MEETING CLOSURE**

**MEETING CLOSURE - Meeting Declared Closed at 12.22pm**

**CONFIRMED THIS 18<sup>TH</sup> DAY OF AUGUST 2020**

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**CHAIRPERSON**