

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING  
HELD AT THE ADMINISTRATION CENTRE  
245 STURT ROAD, STURT  
ON 21 AUGUST 2018**



**PRESENT**

Mr. Greg Connor (Chair), Ms Emma Hinchey (from 4.15 pm), Ms Natalie Johnston, Councillor Telfer and Councillor Kerry (from 4.25 pm)

**In Attendance**

Mr. Adrian Skull	Chief Executive Officer
Mr. Vincent Mifsud	General Manager Corporate Services
Ms. Abby Dickson	General Manager City Development
Mr. Tony Lines	General Manager City Services
Ms Kate McKenzie	Manager Corporate Governance
Mr. Ray Barnwell	Manager Finance and Contracts
Mr. Jason Cattonar	Manager Development and Regulatory (Item R03)
Ms. Steph Roberts	Manager Human Resources (Item R05)
Ms Cass Gannon	Performance and Innovation Leader (Item R06 – R09)
Ms. Mel Nottle-Justice	Business Improvement Officer (Item R06 - R09)
Mr. Mat Allen	Manager Engineering and Field Services (Item R08)
Ms. Sherie Walzcak	Unit Manager Risk (Items R10 & R11)
Mr. John Deally	Manager ICT (Item R12)
Mr. Jared Lawrence	KPMG (Items R03 & R04)
Mr. James Rivett	KPMG (Items R03 & R04)

**1. OPEN MEETING**

The meeting commenced at 4.02 pm. The Chair welcomed all those present to the meeting.

**2. KAURNA ACKNOWLEDGEMENT**

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

**3. MEMBERS DECLARATION OF INTEREST**

The chair asked if any member had a conflict of interest regarding any item of the agenda. No interests were declared.

**4. CONFIRMATION OF MINUTES**

**4.03pm Confirmation of the Minutes for the Finance and Audit Committee Meeting held 29 May 2018**

**Moved Councillor Telfer, Seconded Ms. Johnson** that the minutes of the Finance and Audit Committee (the Committee) meeting held on 29 May 2018 are confirmed as a true and correct record of proceedings.

**Carried Unanimously**

**5. BUSINESS ARISING**

**4.04 pm Review of the Business Arising from previous meetings of the Finance and Audit Committee**

**Report Reference: FAC180821**

The Committee noted the Business Arising Statement and noted that:

- The FAC Performance and Effectiveness Survey will be presented to the October meeting due to the size of the agenda. A total of eight (8) response were received and the preliminary review of the survey results did not indicate any major issues that would require immediate attention.
- The report of Valuation of Buildings and Assets will be circulated to FAC members out of session (prior to the October FAC meeting). There were no major variations to report. Land value reduced by approximately \$8m (from a total land value of \$360m). Buildings reduced by \$7m (from a total value of \$83m) and infrastructure reduced by a total of \$17m. Both valuation processes were a full comprehensive review.

**6. CONFIDENTIAL ITEM**

Nil

**7. REPORTS FOR DISCUSSION**

**4.09 pm Elected Members' Report**

**Report Reference: FAC180821R01**

Councillor Telfer provided an overview of the report highlighting the following:

- It is now a point in the Council Term (due to the elections in November) where Elected Members are stepping back and preparing for 2018-2022 Council Term.
- The Caretaker period commences on 18 September.
- The Oaklands Crossing Project has been a major achievement for the Council and is progressing well.
- Council has purchased property adjacent to the Marino Hall. Council will now work through the long term vision for the property, however this will be a decision for the new Council.

The Committee queried Councils position on rate capping and it was noted that Marion was potentially the only Council that had supported rate capping. It may be that other Councils supported the concept of rate capping but did not support the draft bill in its current form. The Committee noted that the Council's Long Term Financial Plan reflects a 1.8% average rate increase over the life of the Plan, which is well below the current 30 June 2018 CPI of 2.7%. The Council is well placed to manage any impact of rate capping into the future.

**4.13 pm Compliance Policy and Framework**

**Report Reference FAC180821R02**

4.15 pm Ms. Emma Hinchey entered the meeting.

The Manager Corporate Governance provided an overview of the report highlighting that the Policy and Framework has been developed:

- Following recommendations from the Auditor General report in 2016

- In-line with the Australian Standards for Compliance
- Using a risk based approach to assess compliance obligations and those assessed high or outside of risk tolerance levels will be monitored via a centralised approach. Compliance obligations assessed as medium or low risk will be managed by the relevant business units.

The Committee confirmed that the documents are solid and a good approach. The Committee suggested the following:

- Amend the definition of compliant by deleting the words “is a desired outcome”;
- The third point on the final page of the Compliance Framework document should read “Reporting of organisational wide non-compliance.....”.
- Further clarity should be provided regarding who will monitor the high risk compliance obligations and how this will occur;
- The Committee’s Terms of Reference will need to be amended to reflect any changes in its responsibilities and obligations.

The Committee was advised that the high risk compliance obligations will be monitored via Corporate Governance. The process is currently manual but software solutions will be investigated moving forward.

The Committee noted that internal consultation will now occur with management on the Policy, Framework and Compliance Assessment. The Committee requested that an update be provided at the December 2018 meeting to monitor progress.

**ACTION: That an update report on the implementation of the Compliance Framework be provided to the December 2018 FAC Meeting.**

#### **4.22 pm Internal Audit Program Report Reference FAC180821R03**

Mr Jarred Lawrence and James Rivett from KPMG entered the meeting.

Mr Lawrence informed the Committee that KPMG currently has no audits in progress and the next audit (Procure to Pay – scope approved at the May 2018 FAC meeting) is scheduled to commence in October 2018.

It was noted that the Committee previously requested that the Workplace Emergency Management Review be combined with the Business Continuity Review which is scheduled to commence in January 2019. This scope is yet to be considered by the Committee.

KPMG advised the Committee that a number of scopes will be presented to the next meeting in October.

4.25 pm Councillor Kerry entered the meeting

#### Fines and Enforcement Internal Audit

KPMG provided an overview of the report highlighting that the objective of the audit was to assess the risk and controls associated with the overall management and administration of the fines and enforcement process. The focus of this audit was parking, dog expiations and environmental health expiations.

The revenue for parking expiations has increased in the 16/17 financial year. A total of 614 appeals were received in 16/17 for various reasons. The number of appeals received equates to 9% of the expiated issues and of these only a third were successfully appealed.

The audit determined two low rated recommendations – one relating to working with Civica to implement better reporting functionalities and the second related to delegations/authority

to waive expiations under section 101(1) of the Expiations of Offences Act 1996. The second recommendation has been rectified. The recommendation concerning civica will take more time to implement.

The Committee noted the report and commented that the audit was somewhat underwhelming. The Committee sought assurance from KPMG that the audits moving forward are adding greater value to the organisation. .

The Committee noted that the revenue received from expiations was lower to other comparable Councils. The Committee queried if this was impacted by resources or inefficiencies? It was noted that it has been Council's view not to gain revenue from expiations and they should be used as a deterrent rather than a revenue stream.

#### Development Assessment Planning (Holmes Dyer)

The Manager Corporate Governance advised the Committee that this was the final review from the 17/18 Internal Audit Plan and had been completed outside of the KPMG contract. The scope of the audit was to review the processes and service levels for Council's development assessment functions pursuant to the Development Act 1993. The audit demonstrated that the department is discharging its functions and responsibilities well, however there was some opportunity for improvement regarding cultural processes that have deviated from the legislation over time due to EDR court decisions and interpretations.

The Committee noted the amount of recommendations and suggested a number of these seemed like quick fixes. It was noted that some of the timeframes had been set around the Caretaker Period for the elections as certain issues could not be brought to Council during this period.

The Manager Development and Regulatory Services noted that implementation of the recommendations had already commenced and he was confident that the recommendations would be implemented well before the due date. It was highlighted that the focus is on changing the established practices of the team which will require time and cultural change.

The Committee suggested that any process within the department that may cause a non-compliance risk should be rectified as soon as possible. The Committee agreed that there is a number of lower risks but when accumulated it increased the ultimate risk to the organisation.

The Committee also queried the impact of the new Act and the planning reforms. It was noted that the major changes will commence in 2020. The Regulations are currently being drafted and will be distributed to the sector for consultation.

The Committee also noted that on-going training will be required for cultural change within the team. This can't just be a once off process.

The Committee requested a one page up-date on progress at the December FAC meeting.

**ACTION – A one page report be brought to the next FAC meeting in December 2018.**

#### **4.35 pm Meeting with the Internal Auditors in Confidence (without management present) Report Reference FAC180821R04**

**Moved Councillor Telfer, Seconded Councillor Kerry** 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 Jared Lawrence and Justin Jamieson 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**

4.50 pm The meeting moved into confidence

The Committee met in camera with Jared Lawrence and James Rivett from KPMG.

The Auditors reported in response to questions from those present that they had received good cooperation from Management and Staff during the conduct of their Audits. The working relationship was a healthy one between both parties.

There was a minor concern with the timing of the review process of reports but this was being addressed. It was agreed that greater emphasis needed to be on the planning of audits to ensure that there was minimal duplication between Internal Audits and the Service Review process. The Committee thanked the Auditors for their support.

5.01 pm The meeting came out of confidence.

5.01 pm Councillor Kerry left the meeting

**5.02 pm KPMG Volunteer Audit Report update  
Report Reference FAC180818R05**

The Committee noted the report. All recommendations have been completed with the exception of the recommendation relating to the development of a Code of Conduct for Volunteers. This work has been progressing with the Employee Code of Conduct that will be released for consultation within the next few weeks.

The Committee noted that the DSH clearances for volunteers are now all in place and moving forward, all Volunteers will be required to sign the Code of Conduct. All Volunteers have signed the current Code that is in place.

The Committee noted the 3 year strategy for Volunteer Management and made the following comments:

- Ensure that diversity reflects more than 'age' within the strategy
- Develop metrics/measures that will determine success.

It was noted that there is a detailed plan of works that sits behind the strategy to ensure delivery.

**5.06 pm Service Review Program 2018/19 - Progress Update  
Report Reference FAC180821R06**

The Committee noted the report.

**5.07 pm Service Review Program - Recommendations - Progress Update  
Report Reference FAC180821R07**

The Performance Innovation Leader provided an overview of the Service Review Program noting that the team is progressing well with nine (9) of the reviews to be delivered this financial year. It was noted that with the reduction in the number of reviews, the Performance and Innovation Team (PIT) will be assisting the organisation with the implementation of recommendations.

The Committee made the following points:

- That quarter three finalised 11 recommendations in total.
- The organisation should attempt to reduce the outstanding recommendations to zero (or very close to zero)
- The reporting should reflect:
  - The changes from one quarter to another;
  - A traffic light system to reflect on track, at risk and overdue;
  - What recommendations have been completed within due date.
- The Hard Waste review reflects that the tender would be open on the Tender SA website for 3 months. This seems excessive and should be reviewed.

#### **5.12 pm Councillor Kerry entered the meeting.**

#### **5.12pm Service Review - Report - Open Space Operations Transformation Phase 2 Report Reference FAC180821R08**

The Manager Engineering and Field Services provided an overview of the report highlighting that this was the second phase of the Open Space Review. The focus was on tree planting, watering, irrigation, walkway maintenance and sensitive sites. The review included field observations, review of customer events, analysis of invoices, review of asset management and identification of any gaps within open space. The review has 50 recommendations for change/improvement.

The review has demonstrated that:

- The organisation can increase the number of tree plantings from approximately 1,400 to 3,000 per year. This can be achieved within existing resources.
- The introduction of tablets in the field has also reduced the amount of paperwork and created efficiencies.
- The FTE for the open space team can be reduced by four (4) over 3 years? through natural attrition. Consultation has occurred with the union and staff. They are both supportive of process improvement but not necessarily the reduction in the FTE.

The Committee provided feedback that the report was good and fulsome. It provided good analysis and outcomes for the Council. This could be applied to other reviews as the format and process was solid. The Committee queried how Council will realise any savings from the changes implemented and how this will be recorded?

The Manager Engineering and Field Services highlighted that comparisons with the baseline data will assist with measuring savings by assessing any variations. It will be reflected through budgets and the long term financial plan.

The Committee queried how much the service review cost. It was noted that a large portion was completed in house however some costs were incurred for a consultant. This detail would be provided at the next meeting via the business arising statement.

**ACTION – The cost associated with the service review be provided at the next meeting.**

### **5.21 pm Service Review - Report - Records Management Report Reference FAC180821R09**

The Business Improvement Officer provided an overview of the report highlighting that this service review focused on assessing records management from across the organisation. The review noted that the Records Team functions were limited and focused on process for mail room functionality. The review identified that some records management functions weren't being completed and a new records management model and framework was required to ensure the organisation was compliant with its records management obligations. Once the model and framework are established, the resources would need to be realigned to ensure delivery.

The Committee noted the legislative amendments scheduled to commence in July 2019 and the body of work required before this date. Once this work was completed, the team should be able to maintain the on-going work load to ensure the backlog doesn't occur again.

It was noted that the Council has submitted a GDS 21 Certification for the records management system, which will provide Council with the ability to scan and destroy documentation. Once this certification is received, it will assist the processes for the records team.

It was noted that approximately \$4k was incurred with a records management consultant to assist with a self-assessment for the review.

The Committee noted the report and looked forward to the progress of the recommendations.

### **5.31 pm Work Health & Safety - Annual Performance Report 2018 Report Reference FAC180821R10**

The Unit Manager Risk provided an overview of the report highlighting that the organisation had another productive and positive year with Work, Health and Safety. The major achievement was moving from a manual process to use of a software system (Skytrust). Stage one was well progressed and due to be completed at the end of 2018. Skytrust is provided free of charge to the council via the LGA Insurance Schemes.

The Committee noted the reduction of 78% (in two years) for the lost time injury frequency rate (LTIFR) which is a proud effort for the organisation. The cultural change program is still required but good results have occurred to date. It was noted that the reduction in claim numbers has directly reduced the administrative requirements of managing injuries in the workplace.

The Committee queried if the hazard and near miss reporting was low for an organisation of Marion's size and if there was any issues with under reporting? It was agreed that some benchmarking would be completed and presented to the next Committee meeting

**ACTION: Benchmarking of Council's hazard and near miss data to be presented at the Committee meeting in December 2018.**

### **5.40 pm Business Continuity Exercise Report Report Reference FAC180821R11**

The Committee noted the report and the exercise completed. The Committee noted good progress regarding the Council's preparedness in this space and queried what was planned for the next business continuity exercise? It was noted that a Health Check was planned in November 2018. This would be facilitated by the Local Government Risk Services.

## **8. REPORTS FOR NOTING**

### **5.41 pm Australian Services Excellence Standards - Audit Outcome Report Reference FAC180821R12**

The Committee noted the report and that the City of Marion was the first Council to receive a 100% compliance the first time completing the audit. This was a positive outcome for the Council. The Committee queried if the Council would increase the audit level next time and apply for the higher level of "Award"? The Committee was advised that this was being considered but acknowledged it would be significantly more work and the benefits would need to be assessed and justified.

### **5.42 pm ICT Planning Roadmap - 2018 Update Report Reference FAC180821R13**

The Manager ICT presented the ICT Digital Transformation Plan and road map. This road map is an iterative document that is reviewed and updated on an annual basis taking into consideration work in progress and what is planned for the next financial year. The road map is used by management to assess new initiatives and what is implemented across the business.

The Committee noted that the Business System Fitness Review (BSFR), enterprise data warehouse, asset management system and project management systems are all currently in progress.

It was highlighted that the current FTE for ICT is 10.6 and the current resources does not accommodate ICT project managers. The Committee noted the large amount of work in ICT and the limited resources available and that Council will need to ensure that the resources, both from an investment and FTE perspective, match the work required.

It was highlighted that the BSFR will assist with the prioritisation of works and what is implemented, how it is implemented and the timing. The BSFR is being project managed within the ICT team.

### **5.52 pm Whistleblower Policy and the Procedure for Code of Conduct Complaints for Elected Members Procedure Report Reference FAC180821R14**

The Committee noted both the Whistleblower Policy and the Code of Conduct Complaints Procedure for Elected Members.

The Committee advised staff of some minor edits that require correction in the Policy document.

### **5.55 pm Tonsley Water Agreement Report Reference FAC180821R15**

The General Manager City Services provided an overview of the report highlighting that Council has progressed an agreement with Renewal SA to supply treated stormwater from Oaklands Wetland to Tonsley. The Committee noted that the Council already has stormwater supplied to the entrance of Tonsley. Council will partner with Enwave (private supplier). The agreement was developed with independent review and is not a risk to Council as the Council does not have to commit to any water quality. The Contract will provide income for Council of around \$50k per year. The Committee noted the opportunity cost to Council and the agreement.



**9. WORKSHOP / PRESENTATION ITEMS**

Nil

**10. ANY OTHER BUSINESS**

Nil

**11. MEETING CLOSURE**

The meeting was declared closed at 6.01 pm

**12. NEXT MEETING**

The next meeting of the Finance and Audit Committee is scheduled to be held:

**Time: 9.30am**

**Date: 2 October 2018**

**Venue: Council Chamber, Administration Building**

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**CHAIRPERSON**

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