

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON 12 DECEMBER 2017**



PRESENT

Mr Greg Connor (Chair), Ms Kathryn Presser, Councillor Telfer and Councillor Kerry (from 9.47am)

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
Ms Deborah Horton	Governance Quality Coordinator
Ms Cassandra Gannon	Performance and Innovation Leader
Mr Mathew Allen	Manager Engineering and Field Services
Mr Justin Jamison	KPMG
Mr Jared Lawrence	KPMG

1. OPEN MEETING

The meeting commenced at 9.33 am. 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 wished to disclose an interest in relation to any item being considered at the meeting. No interests were declared.

4. CONFIRMATION OF MINUTES

9.33 am Confirmation of Minutes for the Finance and Audit Committee held 10 October 2017

Moved Councillor Telfer, Seconded Ms Presser that the minutes of the Finance and Audit Committee (the Committee) meeting held on 10 October 2017 are confirmed as a true and correct record of proceedings.

Carried Unanimously

5. BUSINESS ARISING

9.33 am Review of the Business Arising from previous meetings of the Finance and Audit Committee

Report Reference: FAC121217R5.1

The statement identifying business arising from the previous meetings of the Committee was reviewed and progress achieved against identified actions was noted.

The Committee noted that the commentary was fulsome and provided good detail.

The Manager Finance and Contracts provided a verbal update regarding the new accounting standards indicating that out of three (3) new standards, two (2) will not affect Local Government and the third item may impact on leases. Further analysis will occur in due course.

The Committee queried if the Council needed to undertake a commercial impact review of all Councils leases. The Committee was advised that this is not required at this point.

6. ELECTED MEMBER REPORT

9.38 am Elected Members' Report

Report Reference: FAC121217R6.1

Councillor Telfer assumed the report as read and mentioned that she will bring up some other items later in the meeting.

The Committee noted that the CEO had received an additional KPI from Council with focus on timely information being provided to Elected Members. The Committee recommended that Council provide some clarity to the CEO regarding how the KPI will be measured to ensure he can meet expectations.

7. REPORTS

Matters for Discussion

Corporate and Financial Management

9.43 am Framework and Key Assumptions for the preparation of the 2018/19 ABP&B and LTFP

Report Reference: FAC121217R7.1

The Manager Finance and Contracts indicated that the planning for the 2018/19 ABP&B and LTFP process is well advanced. A similar process to last financial year has been implemented with a number of touch points with the Committee and Council.

The Manager Finance and Contracts indicated that Council is reviewing a number of unfunded initiatives. The total of these unfunded initiatives is approximately \$4.6m and these have yet to be prioritised.

The Committee noted the report.

The Committee queried if the employee costs of 2% was realistic? The CEO indicated that the AWU Employee Agreement is still not resolved. The last offer was again rejected by 84% of the AWU staff. Management will continue to work with staff in the New Year.

9.47am Councillor Kerry entered the meeting

The Committee indicated that the process is sound and management have refined it over the past few years to ensure good engagement with Council. The Committee also noted that the organisation has pushed targeted savings in recent years meaning there is less to be found in future years.

The challenge for Council is keeping rates low with a desire to increase spending. Council can further investigate extra savings through service reviews. If there are any services that council can charge for and hence create an opportunity for an additional revenue stream from non-rates sources these should be investigated.

The Committee recommended to management to use the budget tools to clearly identify to Council when budgets will tip cash into the red (deficit) or when the financial reserves are proposed to be used.

The Committee discussed rate capping noting that the models adopted in NSW would indicate that our current rate increases would be below the cap in any event.

Councillor Kerry raised the cost of the Oaklands Crossing and it was confirmed that Council was contributing \$1.1m in cash and \$3.9m of in kind support. Works will be re-prioritised to accommodate this in-kind support (which is common practice and will have little impact on the capital works program as a whole).

9.58 am Finance & Audit Committee Work Program & Meeting Schedule for 2018 Reference No: FAC121217R7.2

The Committee reviewed the report and requested that the Committee's performance review be added to the work program in August 2018.

Action – Add the Committee performance review to the August 2018 meeting

Moved Councillor Kerry, Seconded Ms Presser that the Finance & Audit Committee:

1. Notes the proposed work program for 2018 identified at Appendix 1 to the report.
2. Adopts the following schedule of meetings for 2018;
 - a. TUESDAY, 27 February 2018 (9.30am – 12.30 pm)
 - b. TUESDAY, 29 May 2018 (9.30am – 12.30 pm)
 - c. TUESDAY, 14 August 2018 (4.00 – 6.00 pm, followed by joint workshop with Council from 7.00 – 9.00 pm)
 - d. TUESDAY, 2 October 2018 (9.30am – 12.30 pm)
 - e. TUESDAY 11 December 2018 (9.30am – 12.30 pm)

Carried Unanimously

9.59 am Ombudsman SA Annual Report 2016/17 Report Reference: FAC121217R7.3

The Governance Quality Coordinator provided an overview of the report noting that Marion had a total of 26 complaints to the Ombudsman in the 2016/17 financial year. This equates to a total of 2% of all complaints made to the Ombudsman. Of these complaints, the Ombudsman declined to investigate 40% and referred the other 60% back to Council to manage.

Not all people who were referred back to the Council pursued their complaint. There were no major learnings from these complaints which often related to parking issues, development concerns or the complaints processes in general.

Council has recently reviewed its Grievances Policy and made some minor changes to ensure that Elected Members are informed throughout the process.

The Committee noted the report.

10.05am Auditor-General Report 2017 - status of key recommendations as at December 2017

Report Reference: FAC121217R7.4

The Committee noted the report and the progress made. The Committee requested that management informed the Auditor General of the progress made against his recommendations by 31 December 2017 and ensured that any risks were appropriately managed on an ongoing basis.

Action – That Management write to the Auditor General by 31 December 2017 and advise of progress made against recommendation within the report.

10.07 am Property Internal Audit Update

Report Reference: FAC121217R7.5

The General Manager City Development provided an overview of the report noting that the new leasing policy is now in place. The Committee noted that the Land and Property team have come a long way but still require improvement. The renewal of the leases has been a long process but progress is being made. The organisation is still struggling to connect/engage with some community Committees.

It was noted that the new Leasing Policy has incentives included if the clubs/groups meet a number of requirements.

The Committee queried what was the difference between a permit and a lease? It was advised that a lease provides a contract for the access to land/building whilst a permit is often short term and allows permission for an element of the land/building to be temporarily used.

The Committee noted the report and the progress made. It was estimated that within the next 6 months a number of leases will be under control.

ACTION – the Committee requested that at the May 2018 Committee meeting a short report is provided regarding progress.

10.10 am Draft Building Asset Management Plan

Report Reference: FAC121217R7.6

The General Manager City Development provided an overview of the report noting that the report provides an update on building asset management plans and management is aware of the gaps in the program. It was also raised that there is a significant spike in the renewal requirements in 2025. The Committee advised that this spike needs to be spread evenly across a number of years as such a spike is not manageable. It was noted that the last building condition audit conducted identified a number of gaps and further detail and analysis is required to fill in these gaps. A more detailed review will occur to provide this data which is estimated to be around \$100k to complete.

The Committee also noted that the new building condition audit will discuss maintenance versus renewal and address any opportunities for asset optimisation.

The Committee advised that Council needs to consider how it will measure or what key performance indicator may be necessary to monitor community service levels for assets into the future.

The Committee also noted that Council had completed a community survey that had only received a 10% response rate. The Committee suggested that this could still be improved but did note that the Council had completed the survey twice and a better response was received the second time.

The Committee also noted that a survey had been completed regarding community leases and approximately 70% of these were returned.

It was highlighted that a 20% dissatisfaction was received from the community lease survey and the Committee suggested that council may like to investigate further into this.

Councillor Telfer raised that community facilities under lease often require repairs and maintenance meaning the little things that require fixing can take time to be resolved. This can cause dissatisfaction.

It seems that council inherited a number of properties over time and now a number of these are coming to the end of their useful life. When council was gifted buildings, not much was required at the time but they are now requiring significant work. The cost of this needs to be appropriately built into the Long Term Financial Plan but Council should also consider what buildings are surplus to requirements.

The Committee noted the report and suggested that further work was required before community engagement commenced.

Internal Audit

10.25 am Internal Audit Program 2017/18 Year 1 Report Reference: FAC121217R7.7

10.26 am Mr Justin Jamison and Mr Jared Lawrence from KPMG entered the meeting.

The Governance Quality Coordinator provided an overview of the report highlighting that the internal audit program was on track and a number of recommendations from the previous Plan had been closed out. Those that were still outstanding were all low risk. The Committee requested that when reporting overdue recommendations that the risk rating is included in the report.

The Committee also requested if a due date for a recommendation is extended, it is evidenced that the relevant General Manager has approved the extension and the reasons why.

Mr Jamison provided an overview of the Corporate Reporting Audit highlighting it was a broad review and looked at accuracy, timing and reporting. It was noted that a number of corporate reports lacked structure and didn't cascade through the hierarchy meaning that there are some gaps and duplication. Improvements could be made regarding monitoring and reporting as often the reports lacked rigor and did not report against targets and variances.

It was noted that the new Work Area Plan process and KPI reporting was heading in the right direction and demonstrated improvement.

Data integrity was an issue as often data was contained in spreadsheets without controls to ensure accuracy.

The Committee noted the report and the recommendations and requested a report be provided to the May 2018 Committee meeting regarding progress.

ACTION – the Committee requested that at the May 2018 Committee meeting a short report is provided regarding progress.

Mr Lawrence presented four scopes to the Committee as follows:

- Contractor Management – this audit focuses on the end to end life cycle from contract execution to delivery. The audit will focus on WHS, value for money, service delivery and performance.

- Volunteer Management – this audit will review the strategy, process and procedures. The audit will address the attraction, supervision and the value of volunteers. It will also explore a different model to see if further value can be obtained for the community.
- Fines and Enforcement – this audit will review the process for enforcement of various legislation, fines and waiving fines. The Committee raised the matter of the Westfield Marion agreement and it was noted that this will be addressed via the service review rather than through the internal audit.
- NDIS – it was noted that this was not a traditional internal audit and the review will address a range of opportunities, risks and what are the future strategies/opportunities in this space. It was noted that the bulk of the work will be completed by Ben Wallace and Liana Frame from KPMG who specialise in this area. The Committee sought assurance that KPMG will not be charging the City of Marion for work already completed by them in this field. Mr Lawrence confirmed that the review will focus on the opportunities for Marion specifically.

The Committee endorsed all scopes.

10.54 am The meeting agreed for a short adjournment
10.54am Meeting adjourned
11.00am Meeting resumed

Service Reviews

11.00am Service Review Program 2017/18 - Update Report Reference: FAC121217R7.8

The Performance and Innovation Leader advised the Committee that the program was progressing well and to date seven (7) reviews were completed. The reviews were generating good outcomes and savings for Council.

The Committee noted the report and the updated provided.

11.02am Service Review – Scopes Report Reference: FAC121217R7.9

Two scopes were presented to the Committee for review being the Community Safety Inspectorate and the Open Space Transition Part 2.

The Performance and Innovation Leader advised the Committee that:

- The Community Safety review looks at the whole system of the Community Safety Team. This will also include the review of the Westfield Marion arrangements.
- The Open Space Transformation Part 2 will focus on service levels, productivity, quality, value and define meaningful metrics.

The Committee noted the scopes and recommended that the reviews look beyond local government and examine what may exist in the marketplace external to Councils that could be of benefit. It was also noted that any customer feedback obtained during the review is thorough and robust.

11.05am Service Review - Update - Public Place Litter
Report Reference: FAC121217R7.10

The Committee noted the report and it was highlighted that the review has been managed well by staff involved. It was noted that consultation had occurred with both staff and the union. The service review was now finalised and the implementation of the recommendations had now commenced.

8. CONFIDENTIAL ITEMS

11.09am Service Review – Report – Open Space Transformation Phase 1
Report Reference: FAC121217F01

Moved Councillor Kerry, Seconded Ms Presser that:

1. Pursuant to Section 90(2) and (3)(a) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Councillor Janet Byram, Adrian Skull, Tony Lines, Vincent Mifsud, Abby Dickson, Kate McKenzie, Mathew Allen, Brett Jaggard, Cassandra Gannon, Mel Nottle-Justice and Karen Brewster be excluded from the meeting as the Committee receives and considers information relating to the *Service Review – Report – Open Space Transformation Phase 1*, upon the basis that the 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 personnel matters.

Carried Unanimously

Moved Councilor Kerry, Seconded Councillor Telfer that:

1. In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Committee orders that this report, any attachment to this report and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(a) 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 2018.

Carried Unanimously

11.27 am the meeting came out of confidence

11.27am BMX Project – Update Report
Reference No: FAC121217F02

Moved Ms Presser, Seconded Councillor Telfer that:

1. Pursuant to Section 90(2) and (3)(b)(i)(ii) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Chief Executive Officer; Vincent Mifsud, General Manager Corporate Services; Abby Dickson, General Manager City Development; Tony Lines, General Manager City Services; Kate McKenzie, Manager Corporate Governance; Donna Griffiths, Acting Manager City Activation; Ray Barnwell, Manager Finance and Contracts; Malcolm Eagles, Strategic Projects Officer; Councillor Janet Byram, City of Marion; Phil Freeman, Office of Recreation and Sport; Brian Delaney, Office of Recreation and Sport; Geoff Norris, City of Onkaparinga be excluded from the

meeting as the Council receives and considers information relating to Section 48 Prudential Report – BMX Confidential, upon 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 could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council and would on balance, be contrary to the public interest.

Carried Unanimously

Moved Councillor Telfer, Seconded Ms Presser that:

1. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Committee orders that this report, Section 48 Prudential Report – BMX Confidential and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(i)(ii) 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 2018.

Carried Unanimously

11.54am the meeting came out of confidence

9. ANY OTHER BUSINESS

The Committee thanked Ms Presser for her professionalism, contribution and well considered advice to the Committee over the past two and a half years.

Ms Presser also thanked the Committee and recognised the progress achieved during her time on the FAC.

The Chair also thanked staff for their efforts during the year and wished everyone a merry Christmas and happy new year.

10. MEETING CLOSURE

The meeting was declared closed at 11.57 pm.

11. NEXT MEETING

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

Time: 9.30am

Date: 27 February 2018

Venue: Council Chamber, Administration Building

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CHAIRPERSON

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