

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON TUESDAY 15 DECEMBER 2016**



PRESENT

Mr Greg Connor, Ms Kathryn Presser, Mr Lew Owens, Councillor Raelene Telfer

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 Operations
Ms Kate McKenzie	Manager Corporate Governance
Mr Ray Barnwell	Manager Finance
Ms Deborah Horton	Unit Manager Performance & Improvement

1. OPEN MEETING

The meeting commenced at 3.03 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 wished to disclose an interest in relation to any item being considered at the meeting. No interests were disclosed.

4. CONFIRMATION OF MINUTES

**4.1 Confirmation of Minutes for the Finance and Audit Committee held 4 October 2016
Report Reference: FAC151216R4.1**

3.04 pm

Moved Councillor Telfer, Seconded Mr Owens that the minutes of the Finance and Audit Committee meeting held on 4 October 2016 is confirmed as a true and correct record of proceedings noting that last paragraph in item 7.8 should read complementary instead of complimentary.

Carried

5. BUSINESS ARISING

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

3.07 pm

Report Reference: FAC151216R5.1

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 and queried the following:

- Item 2 - surplus land at City Services is now being further considered by the Infrastructure and Strategy Committee. The Committee noted that if further advice is required regarding the financial analysis or prudential requirements, it may be useful for the Finance and Audit Committee to have oversight of the matter at a later stage.
- Item 3 - project management report is progressing with a large amount of work being invested on work area plans, upfront planning, items in the business plan and key initiatives. New reporting was tested in November 2016 and is currently being analysed. It has been identified that we may have a skills gap/lack of resources in project management and program management. This is being addressed by a business case for a Program/Project Management Officer position. It was noted that the work progressed by Erika Comrie has also been a good support on this matter. The Committee noted that a report would be brought to the February 2017 meeting to address this. It is anticipated that it will be Project Management Framework and how City of Marion will manage project management across the organisation.
- Item 5 – Treasury Management Policy and Reserves Funds Policy will be brought back to the Committee in February 2017.
- Item 7 – the information requested as part of the Debtors Reports had been circulated via email. It was noted that management was looking at different ways of addressing debt management.

6. ELECTED MEMBER REPORT

6.1 Elected Member's Report Report Reference: FAC151216R6.1

3.20 pm

The Committee noted the report. Councillor Telfer provided an overview of the report noting that Elected Members had spent considerable time developing the KPI's outlined on page 20 and 21 of the agenda. It was noted that although KPI 7 (Loss Time Injury Frequency Rate) was not achieved for the 2015/16 financial year, work is progressing to improve Work Health Safety as a whole and how the organisation manages work place injuries.

Other matters of significance include the progress of the Glenthorne Farm community engagement and the signing of the deed for the Edwardstown Oval redevelopment.

The Committee noted that the funding source for Mitchell Park Community Centre was no longer available and Council was progressing with opportunities for other potential funding such as the state election in March 2018.

The appointment of Emma Hinchey to the Finance and Audit Committee was noted along with Greg Connors reappointment to the SRWRA Audit Committee.

7. REPORTS

7.1 Finance & Audit Committee Work Program & Meeting Schedule for 2017 Reference No: FAC151216R7.1

3.24 pm

The Committee reviewed the report and confirmed the meeting dates for 2017. The Committee requested that the following matters be added to the February 2017 meeting:

- Local Government Association Cost Benefit Analysis
- Project Management Update
- Treasury Management Policy and Reserve Funds Policy.

Moved Kathryn Presser, Seconded Councillor Telfer that the Finance and Audit Committee:

1. Notes the proposed work program for 2017 identified at Appendix 1 to the report.
2. Adopts the following schedule of meetings for 2017;
 - a. TUESDAY, 28 February 2017 (9.30am – 12.30 pm)
 - b. TUESDAY, 30 May 2017 (9.30am – 12.30 pm)
 - c. TUESDAY, 15 August 2017
(4.00 – 6.00 pm, followed by joint workshop with Council from 7.00 – 9.00 pm)
 - d. TUESDAY, 10 October 2017 (9.30am – 12.30 pm)
 - e. TUESDAY 12 December 2017 (9.30am – 12.30 pm)

Carried

7.2 Refined 17-18 Annual Business Plan and Budget Process

Reference No: FAC151216R7.2

3.25 pm

The Manager Finance provided an overview of the report highlighting that the refined processes focuses on planning up front to ensure that all key inputs are analysed in the early stages. The refined process has early engagement with Elected Members and has been developed in conjunction with the Strategy and Innovation Department to ensure all matters within the Work Area Plans are fully integrated into the budget.

The refined process includes the work areas using actual figures from previous financial years rather than the previous year budget. The finance department will undertake more development work up front prior to review by the responsible managers, who will still be accountable for their departmental budgets.

It is anticipated that a high level budget document will be prepared early in 2017 for discussion with Elected Members and public consultation will commence in April. It is expected that all senior leaders will present their budgets to the Executive Leadership Team (ELT).

The Committee congratulated staff on the improved process and indicated that it was a smart way to move forward. The number of touch points with Elected Members is an improvement on previous years and will assist the process moving forward.

The Committee also noted that software has been procured to assist in the budgeting and Long Term Financial Plan process. This product is being used by many eastern state Councils. The software will assist the Council to work through different scenarios to see the impact on the bottom line. It is anticipated that it will be worked through over the Christmas period to be able to demonstrate to Elected Members in January 2017.

The Committee noted the report.

7.3 Finance and Audit Committee Improvement Plan

Reference No: FAC151216R7.3

3.34 PM

The Committee noted the improvement plan and agreed it was a reasonable approach to improving the Committee's operations. The Committee noted that induction process for the new independent member would occur, including an opportunity for the Chair to meet her. The key actions would also be noted within the indicative work program.

The Committee also noted that majority of the actions would be delivered in 2017 and further review of the Committees' operations would occur in 2018.

7.4 Policy Framework **Reference No: FAC151216R7.4**

3.38 pm

The Manager Corporate Governance provided an overview of the report highlighting that progress was occurring with the development of a Policy Framework to provide a more structured approach for policy development and management. The Policy Framework will provide a strategic overview regarding what policies are required for the Council to meet its strategic objectives (public policies) and what policies are required to deliver administrative outcomes (governance policy). Part of the framework will include a review of the current policy suit and make recommendations regarding what policies must remain, could be consolidated or what can be removed. The Framework will also provide guidance regarding the approval, implementation and monitoring of policies.

The Committee noted that certain policies at City of Marion should be reviewed more regularly and the framework will assist. The Committee also noted that it needs to be simple and ensure that it doesn't become further red tape, rather than adding value. The Committee noted that the development of the Policy Framework will be a large body of work up front, but will assist the Council to determine how they want to set policies into the future.

7.5 Ombudsman SA Annual Report 2015/16 **Reference No: FAC151216R7.5**

3.46 pm

The Unit Manager Performance and Improvement provided an overview of the report highlighting that it is developed based on two reports received each year (one every six months) from the Ombudsman office. The Committee noted that the number of complaints were down in comparison to the previous year. The Committee also queried how the complaints were managed noting that 24 complaints were received by the Ombudsman about the City of Marion. The Committee was advised that four (4) complaints were referred to other agencies (e.g. Telstra), three (3) complaints did provide outcomes or details for further investigation, five (5) complaints were refused to be investigated by the Ombudsman and 12 complaints were referred back to the City of Marion (noting that of these 12 complaints, 4 complainants had complained twice). In some instances, the report from the Ombudsman is the first notification that Council may receive regarding a complaint. All complaints listed on the Ombudsman Report are followed up to ensure the matter has been resolved.

The Committee commented that the City of Marion has improved with a reduction of complaints to the Ombudsman but queried if there was anything that the Council could have improved.

The Manager Corporate Governance advised that there had been learnings from some of the reviews and these had been addressed via improvements to process or services.

The Committee noted the report and suggested that Marion approach both Campbelltown and Prospect Councils to see if any improvements ideas can be obtained, as these Councils demonstrate the lowest number of complaints per population

ACTION: That contact is made with both the City of Campbelltown and City of Prospect regarding their complaint management processes.

7.6 WHS Interim Risk Report
Reference No: FAC151216R7.6

3.58 pm

The Manager Corporate Governance provided an overview of the report highlighting that the Local Government Association Workers Compensation Scheme (LGA WCS) had recently completed its annual audit with the Council noting that the audit focus will change year on year. The purpose of the Audit is to test conformance of the Council's WHS Management System against the Return to Work SA Code of Conduct for self insurance. It was noted that although the audit results do not reflect it, significant improvement had been made from the previous year's audit. To achieve a conformance, Council must demonstrate that all elements have been fulfilled and hence items that have been significantly progressed may still be reported as non-conforming. The Committee noted that work had progressed on the WHS Management Systems which was being monitored by the Executive Team on a monthly basis. It was also noted that although the Lost Time Injury Rate was still high, change to process had occurred to better support the workers return to work.

The Committee thanked management for the report noting that further work is still required regarding the management of lost time injuries and that Marion was still tracking much higher than the group average. The Committee queried the table and the graph provided on page 45 and asked if management can review how the data is presented. It was suggested that the data doesn't match the graph. Management agreed to review the information highlighted in the table.

The Committee also queried how the rebate was calculated and was advised it was based on claims performance and audit outcomes. It was agreed that the formula would be provided to the Committee.

The Committee noted that the premiums work out to approximately 2.8% of the total salaries for the City of Marion which is a good result for the Council. The Committee advised that other sectors such as the resource sector would normally expect about 4%.

The Committee noted the report, indicating that improvement was being demonstrated but WHS should remain a key focus area for the organisation. It was also suggested that some lead indicators should also be tracked such as hazard management.

ACTION:

- 1. Provide details to the Committee regarding how the LGA WCS rebate is calculated.**
- 2. Review how the data is presented on the graph and table on page 45 of the agenda.**

7.7 External Audit Tender - Update
Reference No: FAC151216R7.7

4.09 pm

The Manager Finance updated the Committee on the progress of the External Audit Tender noting that the City of Marion was progressing with a select tender with four (4) firms. The tender closes on the 17th January 2017 and a report will be presented to the 28th February 2017 Finance and Audit Committee meeting.

It was agreed by the Committee that the Chair would form part of the Tender Review Committee.

The Committee noted the progress made to date on the external Audit Tender.

7.8 Internal Audit Program Status Report **Reference No: FAC061216R7.8**

4.11 pm

The Unit Manager Performance and Improvement provided an overview of the report noting that no reviews were finalised in time for the distribution of the Finance and Audit Committee agenda.

Significant work had progressed on the following reviews:

- IT Cyber Security
- Accounts Receivable
- Purchase Cards.

It is anticipated that these final reports will be presented to the Committee at its February 2017 meeting.

It was also highlighted that the field work on the Corporate Performance Review was due to commence and management was currently trying to schedule some dates with KMPG.

The Committee queried the overdue actions relating to payroll and it was noted that these were process improvements (e.g. online leave request) rather than issues with internal controls. The Committee also queried the outstanding Cash Handling recommendations noting that these were on track to be delivered by the end of December.

The Committee noted the update provided.

7.9 Organisational Service Reviews Qtr 1 2016/17 Recommendations **Reference No: FAC151216R7.9**

4.18 pm

Council Reporting and Elected Member Support

The Manager Corporate Governance provided an overview of the Council Reporting and Elected Member Support review highlighting that the review had provided some estimated costs for the delivery of Council and Committee Meetings and Ward Briefings. It had also highlighted the manual nature of how the service is delivered and that the implementation of software would provide efficiency and reduce the risk of human error in the process.

The Committee queried how the draft agenda process worked noting that Council was provided with the draft agenda and reports and then again when the agenda and reports are published publically. It was queried if this was good governance as it seemed to be a duplicate process for both management and elected members (as members were required to read the agenda twice). Councillor Telfer advised that it was beneficial for complex reports to help Elected Members understand the issues early. The Committee noted that in some cases, a debrief on complex matters would be required but the Committee would recommend that this process is done properly once, rather than duplicating.

The Committee also noted the high number of meetings and reports suggesting that further work be completed regarding what matters are reported to Council and why. The Committee also queried if there was a better way to structure the Council meetings. For example, could the first meeting of the month be focused on operational matters and the second be focused on strategy.

The Committee queried the figures on page 65 of the report and noted that the difference related to the cost of the independent committee members. The costs under the Council meetings do not reflect the Elected Member Allowance as the allowance is provided for their full duties, not just attendance at meetings.

The Committee agreed that the automation of agendas and reports should be progressed and requires further work. The Committee noted that a short term resource would assist the sourcing and implementation of a system.

The Committee noted the review and that further work on the implementation was required in conjunction with key stakeholders.

Recruitment

The Unit Manager Performance and Improvement provided an overview of the report highlighting that the service review had demonstrated there is limited capacity for this service to be delivered at a lower cost and was being managed well.

The review had demonstrated that recruitment was an essential function of the Council and the costs had been reduced in recent years as the recruitment had been moved internally.

The Committee noted the recommendations and suggested further analysis could be beneficial regarding the following items:

- As recruitment is now undertaken online, rather than general advertising, it may be worthwhile to complete an assessment of online vs general advertising and which process produces a better recruitment outcome. It may be that different approaches could be tailored to the recruitment needs.
- It was noted that job descriptions and adverts are prepared by unit managers or managers. This has reduced the cost of consultancy but is now a hidden cost as the process is consumed within management responsibilities. The impact on manager's times has not been assessed. It may be an opportunity to review how this is undertaken and potentially to be moved as a defined function within Human Resources
- Further analysis of the recruitment process could be undertaken to test the outcome of recruitment. For example, reviewing staff who have been recruited through a consultant vs those who have been recruited by management. Does one or the other produce a better outcome. Matters such as performance, tenure, promotion, etc. could be assessed to determine if one process produces a better outcome.
- Further analysis on poor recruitment (e.g. if employment contracts are terminated at the end of probation periods) to assess what went wrong and learn from any mistakes.
- Understanding how the City of Marion is viewed within the market place and potential perceptions about City of Marion as an employer is important to understand. The ability to attract the right people to vacant positions is important.
- Implementation of exit interviews should be investigated.

8. CONFIDENTIAL ITEMS

Organisational Service Reviews Qtr 1 2016/17

Reference No: FAC151216F01

5.04 pm

Marion Swim Centre

Moved Councillor Telfer, Seconded Mr Owens that pursuant to Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Finance & Audit Committee orders that all persons present, with the exception of: Councillor Jason Veliksou, Adrian Skull Chief Executive Officer, Vincent Mifsud General Manager Corporate Services, Abby Dickson General Manager City Development, Tony Lines General Manager Operations, Ray Barnwell Manager Finance, Kate McKenzie Manager Corporate Governance, Carol Hampton Manager City Property, Deborah Horton Unit Manager Performance & Improvement & Melissa Nottle-Justice Business Improvement Officer be excluded from leaving the meeting

as the Committee receives and considers information relating to the City of Marion Outdoor Swim Centre, upon the basis it 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 on the grounds that the report contains information relating to commercial information of a commercial nature (not being a trade secret) the disclosure of which (i) could reasonably be expected to prejudice the commercial position of a person who supplied the information, or to confer a commercial advantage on a third party; and (ii) would, on balance, be contrary to the public interest.

Carried

4.58 pm the meeting went into confidence

Moved Mr Owens, Seconded Ms Presser that in accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, City of Marion Outdoor Swim Centre Service Review 2016 and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(d) of the Act, 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 2017.

Carried

5.22 the meeting came out of confidence

**Internal Audit Contract
Reference No: FAC151216F02**

5.22 pm

Moved Mr Owens, Seconded Councillor Telfer that pursuant to Section 90(2) and (3)(d) of the Local Government Act 1999 the Committee orders that all persons present, with the exception of the following persons Councillor Jason Veliskou, Adrian Skull Chief Executive Officer, Vincent Mifsud General Manager Corporate Services, Kate McKenzie Manager Corporate Governance, Abby Dickson General Manager City Development, Tony Lines General Manager Operations be excluded from the meeting as the Committee receives and considers information relating to contract for the provision of Internal Audit Services 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 commercial information that could reasonably be expected to prejudice the commercial position of the person who supplied the information.

Carried

5.23 pm the meeting went into confidence

Moved Mr Owens, Seconded Councillor Telfer that in accordance with Section 91(7) and (9) of the Local Government Act 1999 the Committee orders that this report, the minutes arising from this report and any other information distributed at the meeting having been considered in confidence under Section 90 (2) and (3) (k) of the Act 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 December 2017 Council Meeting.

Carried

5.31pm the meeting came out of confidence

9. ANY OTHER BUSINESS

- The Committee noted that Ms Erika Comrie had completed her 16 weeks at City of Marion and has identified \$1.4m of savings across the organisation. It was a valuable project and she has delivered good outcomes for the Council.
- The Chair thanked Mr Owens for his 7 years of service on the Committee. It was noted that his contribution has been invaluable and everyone has learnt a lot from his experience, skills and input. The Committee noted that Emma Hinchey will be commencing at the February 2017 meeting.

Mr Owens congratulated the City of Marion on the growth of the Council over the past 7 years and thanked staff for their support during this period.

10. MEETING CLOSURE

The meeting was declared closed at 5.36 pm

11. NEXT MEETING

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

General Meeting of the Finance and Audit Committee

Time: 9.30 am – 12.30 am

Date: 28 February 2017

Venue: Chamber, Administration Building

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CHAIRPERSON

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