

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON 27 FEBRUARY 2018**



PRESENT

Mr. Greg Connor (Chair), Ms Emma Hinchey, Ms Natalie Johnston and Councillor 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 City Services
Ms Kate McKenzie	Manager Corporate Governance
Ms Deborah Horton	Governance Quality Coordinator
Mr. Ray Barnwell	Manager Finance and Contracts
Ms Fiona Harvey	Manager Strategy and Innovation
Ms Cass Gannon	Performance and Innovation Leader
Ms Karen Cocks	Manager Customer Experience
Ms Sherie Walczak	Unit Manager Risk
Mr. Jared Lawrence	KPMG
Ms Heather Martens	KPMG

1. OPEN MEETING

The meeting commenced at 9.30 am. The Chair welcomed all those present to the meeting.

The Chair welcomed Ms Natalie Johnston to the meeting. Ms Johnston provided an overview of her experience in consulting, external audit, internal audit and across local government.

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

9.32am Confirmation of Minutes for the Finance and Audit Committee held 12 December 2017

Moved Councillor Telfer, Seconded Mr Connor that the minutes of the Finance and Audit Committee (the Committee) meeting held on 12 December 2017 are confirmed as a true and correct record of proceedings.

Carried Unanimously

5. BUSINESS ARISING

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

Report Reference: FAC2702185.1

The Committee reviewed and noted the Business Arising Statement and the forward work Plan for the Committee. The Committee discussed the joint forum with Elected Members listed for August and agreed that further discussion was required regarding the topic for the Elected Member Forum.

6. ELECTED MEMBER REPORT

9.36 am Elected Members' Report

Report Reference: FAC2702186.1

Councillor Telfer provided a summary of the report and raised that Elected Members are still working hard on infrastructure issues for the City of Marion. Council still needs to determine the Local Government Association Membership for 2018/19 and the Insurance Review that is scheduled for March 2018.

Councillor Telfer requested the CEO provide the Committee with a confidential update on the AWU Employee Agreement negotiations within other business of the meeting.

Councillor Telfer advised that the BMX project is still over budget by approximately \$2m. Further investigations for another site have occurred within the City of Onkaparinga and Onkaparinga have confirmed their preference is the Majors Road site at O'Halloran Hill. The issues regarding the soil quality remain which is creating the budget overrun.

The Committee queried the City of Marion's process regarding credit cards. The Manager Finance and Contracts advised that Council currently had 35 credit cards which were governed by a monthly limit of \$70,000. Last financial year a total of \$180,000 was used for purchasing on credit cards. KPMG also completed an internal audit on credit cards in 2017. This internal audit selected a sample of expenditure and tested against the relevant policies/procedures. No high risks were identified out of this review. Management has been liaising with the Auditor General and media queries regarding the matter.

7. REPORTS

Matters for Discussion

Corporate and Financial Management

9.48 am Draft Annual Business Plan 2018/19 and Long Term Financial Plan

Report Reference: FAC2702187.1

The Manager Finance and Contracts provided an overview of the report highlighting the assumptions that were considered by the Committee and Council in December 2017. A high level draft budget was produced for discussion at the Elected Member Planning day in January 2018. This also included discussion on 20 new initiatives being considered for the budget. Three rate models were presented at the planning day ranged being 1.0%, 1.8% and 2.2% increase. Elected Members provided further guidance on the rate increase and further modeling would occur based on 1.8% and 2.2% to assist Elected Members with their decision making on the budget.

The Committee queried the impact of rate capping and was advised that the rate modeling being undertaken would fit within any rate capping requirements.

The draft budget will be finalised in March in preparation for public consultation in April.

The Committee noted the report and suggested the following points for further consideration:

- The consultation process with Elected Members has worked well and should be embedded as part of the process
- The organisations capacity to deliver all of the items within the draft Annual Business Plan
- Expenses at 2.5% (CPI) over the life of the Long Term Finance Plan (LTFP)
- The sustainability of employee costs at 2% over the life of the LTFP
- Councils plans for spending the accounting reserves
- The impact of carryovers on resourcing and the consequent risk of not being able to deliver the following years works program. A focus on reducing these further is required.
- When setting the rate increase, Council needs to ensure it will cover what it has planned to deliver in the next year. Setting a lower rate in one year and then increasing in the following year doesn't demonstrate good practice. Once rates are low (i.e. 1.8% which is below CPI), it will make it more challenging for the Council to increase rates at a later stage. Council does have ambitious future plans and this needs to be considered when setting the rate.
- When presenting the Annual Business Plan to Council, the financial ratios (page 29) should also be compared with the sector or other relevant benchmark.

The Committee discussed the average residential rate increases noting that the City of Marion is 5th lowest of the 18 metropolitan councils. It is forecast that the current proposed rate increase for 2018/19 is likely to keep the City of Marion position amongst the lower increasing in rates for Councils. The difficulty for City of Marion is the rate in the dollar when compared with neighboring Councils such as City of Holdfast Bay. Marion has a larger proportion of properties with a lower capital value and less properties with high capital value to spread the load, meaning that the rate in the dollar will always be higher than Councils with more higher value properties.

It was also noted that the Council is proposing to invest further in project management and asset management software. The Committee noted that it is a good investment to spend on systems that will better enable the organisation to deliver.

The Committee also discussed the Key Performance Indicators for 2018/19 and provided the following comments:

- It's important that the KPI's do not compete against each other. For example, the delivery of the capital works program and the employee costs work against each other because delivering one could impact on the other not being achieved.
- Council needs to consider the KPI regarding Total Employee Costs. The stretch target is less than or equal to 2%. The likelihood is that this is not realistic moving forward and will be a challenge. If the employee costs increases to 2.5%, this will dramatically change the cash surplus forecast at the end of the LTFP from \$50m to approximately \$20m. Further consideration is required in this space.
- Retention of key staff is a challenging KPI as good people are often hard to retain. Council may like to consider a target such as avoidable turn over. Some employees will leave or be terminated but the majority of staff will deliver a solid performance and Council would want to retain these employees. If you exclude the employees

management performance managed and then set an indicator of say 8 – 12% of avoidable turnover, it may provide a better indicator to the organisation. If it can be determined through the exit interview process if the resignation was a good/bad resignation for the organisation, that would be useful.

The Committee congratulated the organisation for another good process.

Internal Audit

10.15 am Internal Audit Program 2017/18 Year 1 Report Reference: FAC270218R7.2

Mr. Jared Lawrence (KPMG) and Ms Heather Martens (KPMG) entered the meeting and introduced the Volunteer Management Internal Audit Report. The Committee noted that the audit included review of the Volunteer Management Strategy, Volunteer Policy and Procedure and the management arrangements for volunteers.

The Committee noted the report and that the City of Marion has 363 active volunteers with an estimated value of \$1.1m (approximately 40,000 hours) per annum. This is the equivalent of approximately 15 full time employees. The audit revealed that in general the volunteers and staff involved in the program were passionate and well supported in their roles

The report highlighted six (6) recommendations (two high, one moderate and three low risks) and 1 performance improvement. The high risk recommendations related to the lack of an overall strategic direction for volunteer management and out of date DCSI clearances. The out of date DCSI clearances have been addressed as a matter of urgency to ensure that volunteers have the appropriate police clearance. The Committee noted that any volunteers without the appropriate clearance were stood down until the clearance was received by Council. The cost of obtaining the clearances was incurred by the City of Marion and not the volunteer.

It was also noted that there were some gaps within the volunteer database and the formal performance reviews with volunteers was not occurring. There was evidence that different sites were managing their volunteers differently (for example, the Glandore Community Centre had created their own Code of Conduct for Volunteers that wasn't aligned to the corporate values).

The Committee acknowledge that:

- The management of the volunteer program may have drifted in recent years and that the function has now been transitioned into Human Resources to align the volunteer policies and procedures with employee policies and procedures.
- Council needs to be considerate of the Fair Work Commission and ensuring that volunteers are not undertaking roles that should be paid. Further exploration is required to ensure any exposure to Council is limited.
- The report provided value.

The Committee queried if KPMG would be able to deliver the remainder of the Internal Audit Program in five months. Mr. Lawrence confirmed that the Contractor Management Report is 90% complete. The NDIS and Fines and Regulatory Services internal audits are currently in progress. The Development Services review will be progressed outside of the KPMG contact as a planning specialist is required for this audit.

ACTION: Provide the Committee with an update in regards to progressing the recommendations from the Volunteer Management Internal Audit in 6 months.

Adjournment

10.40 am The chair called for a 5 minutes adjournment

10.45 am The meeting resumed

Service Reviews

10.45 am Service Review – Report – Customer Service Report Reference: FAC270218R7.3

The Manager Customer Experience and the Performance and Innovation Leader provided an overview of the report noting the objectives were to identify opportunities to improve Customer Experience when contacting the Customer Service Team, Assess the team-resourcing profile against profile of calls coming in to better match resources and improve services and assess opportunity for greater first call resolution.

It was noted that the customer service team is coming under increased pressure to transform from a face to face / phone interaction to the digital environment. The analysis of the review highlighted that there is no single point of truth regarding how the City of Marion is capturing its data regarding the experience of the customer.

In total the review delivered 17 recommendations for improvement. The basis of the recommendations are to deliver the foundation required to transform the service delivery model being offered at the city of Marion. These include:

- Implementation of Interactive Voice Response (IVR) in certain areas
- Strengthen digital channel
- Simplify the hard waste booking process
- Improve the customer experience when visiting the administration building
- Implement a systemic call quality monitoring process
- Implement metrics that matter most as a management tool to drive customer experience.

The Committee noted the review and made the following points:

- Some of the recommendations are quick wins and should be implemented first whilst others are more intense.
- 73% of contact is via phone, if introducing an IVR process, the 10% reduction of calls handled by the customer service team should be easily met. The Committee suggested a higher target should be developed.
- Further data is required to deliver outcomes for the team.
- It was noted a further review was suggested for April 2019 and the Committee agreed this would be beneficial.
- It is noted that the customer service team has long tenure but may not be equipped with the right knowledge to act as the first point of contact knowledge agent. The organisation needs to ensure that the staff are given the information and authority to respond and empower them to implement the required outcome.

- The organisation needs to be certain on the strategy of the customer service team being the central knowledge point. If this is the case, how will the organisation be aware of the types of queries and problems being addressed at this first point of customer experience?
- It was noted that the process for dog registrations and hard rubbish was reviewed due to the administrative costs. Some improvements were beyond our control as they are a legislative process. The administration for the booking of the hard rubbish was not covered in the Hard Rubbish Service Review as this focused on the actual service.

The Committee indicated that this was a good report and suggested that all elected members should be engaged with its content. The Committee also discussed partnering opportunities with the City of Port Adelaide Enfield and City of Charles Sturt.

11.14 am Service Review Program 2017/18 - Update **Report Reference: FAC270218R7.4**

The Committee noted the Service Review Program 2017/18 - Update - Appendix 1

11.16 am Service Review – Recommendations – Progress Update **Report Reference: FAC270218R7.5**

The Committee noted the report and raised concerns that only 50% of recommendations were closed out. The Committee suggested that the program may need to slow down to ensure the recommendations are implemented appropriately and the organisation is not overwhelmed.

It was noted that the organisation was at risk of strategic initiative overload and some part of this business were creating blockages due high and demanding workloads.

It was noted that the May Committee meeting would consider the Service Review Program for 2018/19 and this would be taken into consideration.

ACTION: the Committee be provided with a one page update on progress achieved with Service Review Recommendations, with a focus on completing key items first.

11.20 am Service Review – Scope – Records Management **Report Reference: FAC270218R7.6**

The Manager Corporate Governance provided an overview of the scope highlighting that due to the new technology implemented (Record Point) the review will assess the internal service delivery model taking into consideration the roles, responsibilities, competencies and optimal team structure. The review will commence in April 2018

The Committee noted the report.

8. CONFIDENTIAL ITEMS

11.24 am Insurance Market Testing **Report Reference: FAC270218F01**

Moved Councillor Telfer, Seconded Ms Hinchey that the Finance and Audit Committee:

Pursuant to Section 90(2) and (3) (b) and (d) of the *Local Government Act 1999*, 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 Operations, Kate McKenzie, Manager Corporate Governance, Sherie Walczak, Unit Manager Risk, Lyndon Parnell, Finrisk Pty Ltd, be excluded from the meeting as the Finance and Audit Committee receives and considers information relating to Insurance Market Testing, 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 commercial information the disclosure of which could prejudice the commercial position of Council and would on balance be contrary to the public interest.

Carried Unanimously

11.24 am the meeting went into confidence

Moved Ms Hinchey, Seconded Ms Johnston that the Finance and Audit Committee:

In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Committee orders that this report, Insurance Market Testing report, appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b) and (d) of the Act, except when required to effect or comply with the 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

12.22 pm the meeting came out of confidence

9. ANY OTHER BUSINESS

The Committee noted the clash between the meeting of 14th August and General Council Meeting and agreed to move the Finance and Audit Committee meeting scheduled for the 14th August 2018 to the 21st August 2018

11.23 am Verbal Update from Chief Executive Officer

Moved Ms Johnston, Seconded Councillor Telfer that the Finance and Audit Committee:

Pursuant to Section 90(2) and (3)(g) of the *Local Government Act 1999*, 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 Operations, Kate McKenzie, Manager Corporate Governance, be excluded from the meeting as the Finance and Audit Committee receives and considers information relating to the Employee Agreement Negotiations, 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 to ensure that the council does not breach any law, order or direction or a court or tribunal constituted by law, any duty of confidence, or other legal obligation or duty.

Carried Unanimously

12.23 pm the meeting went into confidence

Moved Ms Hinchey, Seconded Ms Johnston that the Finance and Audit Committee:

In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Committee orders that the minutes arising from this verbal update having been considered in confidence under Section 90(2) and (3)(g) of the Act, except when required to effect or comply with the 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

12.35 pm the meeting came out of confidence

10. MEETING CLOSURE

The meeting was declared closed at 12.35 pm.

11. NEXT MEETING

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

Time: 9.30am

Date: 29 May 2018

Venue: Council Chamber, Administration Building

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CHAIRPERSON

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