

FAC191210 - FINANCE AND AUDIT COMMITTEE MEETING - 10 December 2019

Tuesday, 10 December 2019 at 09:30 AM

Council Administration Centre, 245 Sturt Road, Sturt



IN ATTENDANCE

Mrs Emma Hinchey (Chair), Ms Natalie Johnston, Mr David Papa and Councillor Tim Gard

In Attendance

Mr Adrian Skull	Chief Executive Officer
Ms Sorana Dinmore	General Manager, Corporate Services
Mr Tony Lines	General Manager City Services
Ms Illa Houridis	General Manager City Development
Mr Ray Barnwell	Manager Finance
Ms Kate McKenzie	Manager Corporate Governance
Ms Cass Gannon	Innovation Leader
Ms Sherie Walzcak	Unit Manager Risk
Mr Jamie Dunnicliff	Strategic Procurement Lead
Mr Mark Booth	Southern Region Waste Resource Authority (SRWRA)
Mr Chris Adams	Southern Region Waste Resource Authority (SRWRA)

OPEN MEETING

The Mayor opened the meeting at 09:30 AM

KAURNA ACKNOWLEDGEMENT

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

ELECTED MEMBERS DECLARATION (if any)

Nil

CONFIRMATION OF MINUTES

Confirmation of the minutes for the Finance and Audit Committee Meeting held on 8 October 2019
Report Reference: FAC191210R01

Moved Ms Johnston, Seconded Councillor Gard

That the minutes arising from the Finance and Audit Committee Meeting held on 8 October 2019 be taken as read and confirmed.

Carried Unanimously

BUSINESS ARISING

9.34 am Business Arising Statement Report Reference: FAC191210R02

The Committee noted the Business Arising Statement and the actions completed

CONFIDENTIAL ITEMS

9.34 am Cover Report – Southern Region Waste Resource Authority (SRWRA) Materials Recovery Facility (MRF) Report Reference: FAC191210F01

Moved Councillor Gard, Seconded Ms Johnston

That pursuant to Section 90(2) 3(d) (i) and (ii) of the *Local Government Act 1999*, the Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Tony Lines, Ilia Houridis, Sorana Dinmore, Kate McKenzie, Ray Barnwell, Mark Booth (SRWRA Chair) and Chris Adams (SRWRA CEO) be excluded from the meeting as the Committee receives and considers information relating to SRWRA Materials Recovery Facility (MRF), 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 reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party and would on balance be contrary to the public interest.

Carried Unanimously

9.35 am the meeting went into confidence

Mr Chris Adams and Mr Mark Booth from Southern Region Waste Authority entered the meeting.

Moved Mr Papa, Seconded Gard that the Finance and Audit Committee:

- 1. In accordance with Section 91(7) and (9) of the Local Government Act 1999, orders that this report, attachments and minutes having been considered in confidence under Section 90 (2) and (3)(d) (i) and (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 2020.**

Carried Unanimously

10.40 am The meeting came out of confidence

Adjournment

10.40 am - the meeting was adjourned

10.45 am – the meeting resumed

REPORTS FOR DISCUSSION

Elected Member Report

Report Reference: FAC191210R01

The Committee noted the report. Councillor Gard indicated that the Cove Cobra Football Club (CCFC) matter had been challenging and required substantial organisational resources to manage. He also indicated that the matter had impacted the Council's reputation and trust with the community. This was evident through questions about the Soccer in the South Project at Majors Road at O'Halloran Hill.

The Committee noted that Council had funded the Soccer in the South project (predominately from cash reserves) and a Section 48 Prudential Report was scheduled for the Committee in February 2020. The Committee requested that the Prudential Report address the full financial impact to Council and how this will relate to the budget / Long Term Financial Plan (LTFP).

The Committee queried the financial implications of the Coastal Walkway noting that Council was seeking \$2.4m in grant funding for a 50/50 contribution. The Committee noted that \$1m has previously been included in the LTFP however Council had committed \$2.4m.

The Committee noted the impact of new projects from cash reserves and encouraged Council to ensure that these are reflected through budgets and resource impact as part of its planning process for 2020/21.

10.54 am Cross Council Service Review - Report - Utilities Management

Report Reference: FAC191210R03

The Strategic Procurement Lead (shared resource between Charles Sturt and Marion) provided an overview of the Utilities Optimisation Report and highlighted that this is a collaborative approach to managing utilities across three Councils (Marion, Charles Sturt and Port Adelaide Enfield). Two (2) new positions have been created to improve process, create efficiency and develop strategic initiatives across the three (3) Councils in managing utilities consumption.

It was noted that outsourcing these functions was considered and it was determined that an in-house option would be more cost effective. The Committee queried the governance arrangements for these positions noting that a Memorandum of Understanding (MOU) has been signed with Key Performance Indications and sub-documentation (ie project scope) on each defined project. The Committee queried who is liable for any industrial relations risks and was advised that the liability is shared across the Council's depending on the position.

The Committee was advised that the costs have been attributed proportionately (1/3 each), however the savings and efficiency may not be fair and equitable across the Councils as the saving may not be proportionate.

The Committee noted that the new roles will have a better understanding of the detail and what is being charged to ensure the accuracy of the billing.

Action: The Committee requested that further information on the industrial relations risks for the shared employment resources will be provided at the next meeting via the business arising statement.

11.11 am Finance and Audit Committee Work Program and Meeting Schedule for 2020

Report Reference: FAC191210R04

The Committee agreed to the meeting schedule and works program, however requested that the Risk Reporting be undertaken quarterly.

Moved Councillor Gard, Seconded Mr Papa.

That the Finance and Audit Committee:

1. Notes the proposed work program for 2020 identified at Appendix 1 to the report and includes quarterly risk reporting as part of the work program.
2. Adopts the following schedule of meetings for 2020:
 - Tuesday 25 February 2020 (2 - 5 pm)
 - Tuesday, 19 May 2020 (2 - 5 pm)
 - Tuesday 18 August 2020 (4 pm to 6 pm plus followed by joint workshop with Council from 6.30 pm onwards)
 - Tuesday, 13 October 2020 (2 - 5 pm)
 - Tuesday, 8 December 2020 (2 - 5 pm)

Carried Unanimously

11.20 am Risk Management Framework and Policy Review

Report Reference: FAC191210R05

The Unit Manager Risk entered the meeting and provided an overview of the report noting that a full review had been completed to incorporate the new changes from the ISO 31000 2018 Risk Management Standards. The main amendments included the new risk appetite statement (which had been developed in consultation with Elected Members) and opportunities management.

The Committee noted the work completed and made the following considerations:

- The Policy looks good and no recommended changes. This can be presented to Council for adoption.
- The Framework requires some refinement with the follow to be considered:
 - The extreme/high risks within the matrix requires better guidance regarding reporting and timelines
 - The process and wording around inherent risks requires clarity
 - Ensure that all actions have timelines assigned
 - The Risk Treatment doesn't reflect the Risk Appetite Statement and the wording needs amending
 - The Risk Evaluation requires rewording and may be in the wrong section of the framework
 - The Framework doesn't reflect changes in the severity of the consequence. Mitigation strategies will impact on the consequences ratings.
 - Diagram 6 is missing a word (level). Needs to be added in.
 - The severity of a risk should be reflected in the reporting requirements. For example, anything with an extreme risk rating should have specific reporting requirements.
 - All sections of the Framework are there but the document could flow better and should be benchmarked against similar Councils (example Port Phillip)

The Committee agreed to circulate the revised framework out of session and once finalised, the Committee agreed to forward to Council for adoption.

Action: that the Risk Management Framework be refined and circulated to the Committee prior to being reported to Council.

11.35am Framework and Key Assumptions for the preparation of the 2020/21 ABP and LTFP Report Reference: FAC191210R06

The Manager Finance provided an overview of the report noting that staff are working on a high-level draft budget to be presented to Elected Members in January 2020. This draft budget will include high level assumptions as presented within the report.

The Committee noted the cash reserves built up over recent years. Approximately \$20m will be allocated to major projects in 20/21.

The Committee noted that the Asset Renewal Ratio and queried if Council had provided adequate contingencies for Asset Renewal. It was noted that the projected ratio will drop to 75% and the Committee suggested that this may need to be higher. Council should consider if they need to invest more for asset renewal.

Councillor Gard raised the issue of intergenerational expenditure and again raised the issue that he believes the Council is 'under borrowed'. Councillor Gard debated the pressure of rate rises on the community and highlighted section 8 of the Local Government Act which states the Council is required to ensure the sustainability of the council's long-term financial performance and position.

The Committee noted Council had undertaken preliminary discussions about rate rises indicating that Councils intention was to continue to decrease rates (were possible). Council was exploring the options of a 1.6% rate increase for 20/21 and this reducing down to 1% over the coming years. The Committee highlighted that the decrease in rates is a good strategy, however Council needs to ensure the financial sustainability over the long-term plan and ensure that the community doesn't experience peaks and troughs.

The Committee noted that further work is required on the ratios and there is no contingency for extra projects.

The Committee noted the environmental scan, in particular, the health issues facing the City of Marion community and suggested that this should be reviewed as part of the emerging risks. Council may wish to consider what mitigation strategies can be implemented and any budget implications.

11.55 am Service Review Program and Recommendations - Progress Update Report Reference: FAC191210R08

The Committee noted the report and the progress made on implementation of recommendations.

11.56 am Internal Audit Program 2019/20 scoping documents Report Reference: FAC191210R09

The Committee noted the scopes for Payroll and IT Governance indicating that they had no specific comments and were happy to endorse.

The Committee noted the following comments on the Metrics that Matter project:

- The 'Metrics that Matter' Project isn't up and running yet. There is some risk with an audit being undertaken on a project that isn't implemented yet. It was noted that stage 1 is complete and the purpose was to review any learning from stage 1 and apply to stage 2.
- The scope is very generic and feels that there would be value in amending the scope to be clear on objectives and output.
- The audit scope reflects an element of service review / consulting piece. The scope should reflect

what the review will deliver.

- The Council is keen to understand who is doing this well within the sector and from other sectors.
- Ensure that insights of Toni Jones is captured and reflected adequately within the report.
- Ensure that the approach to this review is agile and adding value.

The Committee agreed that the scope will be revised and circulated out of session.

Action: revise the scope with KPMG and circulate to Committee members

REPORTS FOR NOTING

12.08 pm Ombudsman Report 2018/19

Report Reference: FAC191210R10

The Committee noted the report and indicated that the results are similar to last year. It was noted that Marion is performing well against the industry benchmark.

12.15 pm Climate Risk and Governance Assessment

Report Reference: FAC191210R11

The Environmental Sustainability Manager entered the meeting and provided an overview of the report. The Committee congratulated the organisation on an excellent result on the Climate Governance Assessment noting the City of Marion was recognized as leading the way.

It was noted that the risk disclosure (transparent reporting to Council) was seen as best practice.

It was noted that Council had considered the collective risks/gaps and was working with the sector as a whole.

The Committee supported the approach and the followings actions (subject to any required endorsement from Council):

- Inclusion of climate change risk in Asset Management Plans as they are reviewed and updated;
- Review of the Climate Change Policy to include consideration of an emissions reduction target for Council;
- Greater recognition of climate change in Council's emergency management planning documents, systems and processes;
- Advocacy to the South Australian Government for greater recognition of climate change in planning policy.

Internal Audit Program - Implementation of Recommendations

Report Reference: FAC191210R12

The Committee noted the progress made on the implementation of recommendations. It was noted that some items had been closed out and included within the scope of the Digital Transformation Project. The Committee also recommended that the process improvement (PO) items be removed from the list if no action was required.

WORKSHOP / PRESENTATION ITEMS - Nil

OTHER BUSINESS - Nil

MEETING CLOSURE

MEETING CLOSURE - Meeting Declared Closed at 12:30 PM

CONFIRMED THIS xx DAY OF xx

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CHAIRPERSON