



**Minutes of the Finance, Risk and Audit Committee
held on Tuesday, 14 December 2021 at 2.00 pm
Council Chamber, Council Administration Centre
245 Sturt Road, Sturt**

PRESENT

Ms Emma Hinchey (Chair)
Ms Nicolle Rantanen (via electronic attendance)
Mr David Papa
Councillor Maggie Duncan

In Attendance

Chief Executive Officer - Tony Harrison
General Manager City Services - Tony Lines
General Manager Corporate Services - Sorana Dinmore (via electronic attendance)
General Manager City Development - Ilia Houridis
Manager Office of the CEO - Kate McKenzie
Unit Manager Governance and Council Support - Victoria Moritz
Chief Finance Officer – Ray Barnwell
Unit Manager Risk – Sherie Walczak (via electronic attendance)
Unit Manager Asset Solutions – Brendon Lyons
Manager IT Operations – Michael Bowden
Mr Eric Beere (KPMG) (via electronic attendance)
Ms Heather Martens (KPMG) (via electronic attendance)

1 Open Meeting

The Chair opened the meeting at 2.01pm.

2 Kaurna Acknowledgement

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

3 Elected Member Declaration of Interest (if any)

The Chair asked if any member wished to disclose an interest in relation to any item being considered at the meeting:

- Nil interests were disclosed.

4 Confirmation of Minutes**4.1 Confirmation of Minutes of the Finance and Audit Committee Meeting held on 12 October 2021**

Report Reference FRAC211214R4.1

Moved Ms Rantanen**Seconded Councillor Duncan**

That the minutes of the Finance and Audit Committee Meeting held on 12 October 2021 be taken as read and confirmed.

Carried Unanimously

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference FRAC211214R5.1

Moved Councillor Duncan

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

1. Notes the business arising statement, meeting schedule and upcoming items

The Committee noted and requested that the schedule of upcoming items be adjusted as the 1st Budget Review was presented to this meeting and not the October 2021 meeting and a few other items were not in the correct dates.

Carried Unanimously

6 Reports for Discussion

6.1 Elected Member Report

Report Reference FRAC211214R6.1

Moved Councillor Duncan

Seconded Mr Papa

That pursuant to Section 90(2) and (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: Chief Executive Officer, General Manager City Development, General Manager City Services, General Manager Corporate Services, Manager Office of the Chief Executive, Manager City Activation, Chief Financial Officer, Unit Manager Governance and Council Support and Governance Officer, be excluded from the meeting as the Committee receives and considers information relating to Unsolicited Proposal – 262 Sturt Road, Marion (GC211026F16.4 and GC211123F16.2) and Edwardstown Urban Renewal Project – Update (GC211026F16.5), upon the basis that the Council 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 a proposal from a third party and confidential commercial information including preliminary concept plans and financial figures.

Carried Unanimously

2.04pm the Committee moved into confidence

2.10pm the Committee came out of confidence

The Committee was provided a verbal update on the following confidential items and noted the remaining items in the Elected Member Report.

- Unsolicited Proposal – 262 Sturt Road, Marion (GC211026F16.4 and GC211123F16.2)
- Edwardstown Urban Renewal Project – Update (GC211026F16.5)

2.10pm the Committee came out of confidence

Moved Councillor Duncan**Seconded Mr Papa**

That the Finance, Risk and Audit Committee:

1. Notes this report.

Carried Unanimously**6.2 1st Budget Review 2021/22****Report Reference** FRAC211214R6.2

Mr Barnwell introduced the item noting the budget review is a revised forecast of the original 2021-22 budget. The completion of the of the 1st Budget Review identified a favorable cash adjustment of \$194k. The adjustments are primarily the result of an increase in the Grants Commission Financial Assistance Grant, offset by Council Resolutions.

The Committee noted the 1st Budget Review and made the following comments:

- Concerns over the re-classification of capital works budgets that have now been classified as operating in nature rather than capital. Staff advised there was no change to the overall budget for these works and the accounting reclassifications arose following the completion of design works post budget adoption which informed the correct accounting classification to cater for elements of capital projects which would be deemed operational in nature (including landscaping, contributions to capital works not on Council land). Processes are now in place to work with the capital project owners to bring forward the review of planned capital projects to ensure correct classification well prior to adopting the budget in June.
- Sought clarification over the treatment of forecast savings identified during the year and how these can be clearly identified within the budget review reports in future. Staff confirmed the review budget is a re-forecast of the annual budget which includes identified forecast savings.
- The Committee commented on the format of the reports and would like to see the actual year to date versus budget year to date and recommended a review of the format for future budget reviews.
- Discussed the capital versus operation and queried whether there are any other projects that haven't progressed to the point of separation. Staff confirmed there were some large streetscape projects which due to design completion late in the year may have changes to the final split on operating and capital elements but were aware of these and these will be addressed early in the new year as the procurement process is progressed.
- The Committee suggested the impact of timing/rephasing should be adjusted to show the real budget variances.
- The Committee queried whether there was a policy on Reserves (Asset Sustainability Reserve) and how the purpose and establishment of Reserves is defined and under what circumstances a reserve is created. Staff noted that there is no policy related to the creation of reserves but confirmed there is a policy related to the current reserves which is reviewed annually in accordance with legislation and will bring the policy to the FRAC prior to presenting to Council next year.

ACTION: Reserve Policy to be presented to the FRAC meeting in May 2022 prior to being presented to Council for endorsement.

Moved Councillor Duncan**Seconded Mr Papa**

That the Finance, Risk and Audit Committee:

1. Note the 1st Budget Review 2021-22 position.

Carried Unanimously

6.3 Framework and Key Assumptions for the preparation of the 2022-23 ABP and LTFP

Report Reference

FRAC211214R6.3

Mr Barnwell provided a summary of the report, noting the key steps and indicative time frames in the planning and budgeting process for next year. The Organisation is in the process of preparing the 2022-23 ABP and LTFP to include adjustments to incorporate any identified ongoing savings from prior years and will be aligned with the funding requirements identified in Council's adopted asset management plans. The proposed key assumption relating to indexation is expected to return to an *an indexation rate of 2.5% for the remainder of the LTFP from the 2022-23 year due to current market conditions being experienced from COVID-19*. Councils currently adopted LTFP has factored a lower indexation of 1.5% for 2022-23.

The Committee provided the following feedback and comments:

- Interest rates have bottomed out and likely to stay low in the future are we building this into the LTFP. Staff commented that as the budget is developed, the future cash position will incorporate future forecasting for increasing interest rates but also noted our cash holdings will reduce as we expend the funds quarantined in Reserves over the coming couple of years.
- The Committee queried the carbon neutral plan and whether there is any intention to speed up the plan given the topical nature and associated risks. Staff advised that there were proposals to speed up projects and progress the plan, acknowledging this was also a focus for Council.
- The Committee also queried whether the intention was merely to pay for carbon credits or seek more innovative ways in which we can achieve carbon neutrality. Council has expressed that carbon credits would be a last resort and would prefer to see real action rather than paying for carbon offsets.
- There were concerns around the timeline of the budget process, particularly noting the impact the state and federal election might have on the process. Staff are aware of the election timelines and noted that while we can't predict what will happen, can plan for and acknowledge that there may be late changes. There is a good understanding of where we stand on projects and potential funding opportunities will be taken into consideration. Council will look to attract as much funding as possible and plan to be agile to adapt.
- The Committee commented the current market conditions, and the attraction of appropriately skilled resources is proving challenging. Staff advised with closed borders there has been a high demand for the available skilled resources which has driven market rates up. It was also noted the Enterprise Agreement is set to expire on 30 June 2022. Management is consistently reviewing resourcing through the Executive Budget Committee and will provide additional reports to Council if required to obtain additional resources, particularly in the IT area.
- Management commented on a recent external independent report received on salaries and services across councils, noting this is a very live issue for many councils. Management will be looking at contract positions early in the new year and the cost of human related capital going into the Enterprise Agreement in June.
- The Committee commented on the good use of the PESTLER framework and use of environmental scan. The process for utilising this was queried, with staff assuring the Committee it was revisited throughout the year for risk reviews and ongoing reporting throughout the year.

Action – The Committee requested to see indebtedness balance in the LTFP report

Moved Mr Papa

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

1. Provide feedback on the proposed framework, key assumptions, and associated risks in setting the Annual Business Plan for 2022-2023 and the Long-Term Financial Plan
2. Provide feedback on the Environmental Scan (Attachment 3) as an input into the Draft ABP 2022-2023 and draft LTFP.

Carried Unanimously

Order of Agenda

The Chair sought and was granted leave of the meeting to vary the order of agenda items and consider the item *Corporate Risk Review Report Q1 2021/22* next on the agenda.

6.6 Corporate Risk Review Report Q1 2021/22

Report Reference	FRAC211214R6.6
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Unit Manager Strategy & Risk provided a summary of the item noting the review is undertaken quarterly by the Senior Leadership Team and provided to Council. Due to the timing of the FRAC meetings, this report was presented and noted by the Council at its meeting on the 23rd November 2021.

Scrutiny was placed on current controls, recognition of completed actions and updating actions and alignment of action due dates. There was a couple of re-rated risks regarding the outsourcing of management for LKCC through a management agreement with the risk profile changing. Noting the main new risk were the elections, reforms around funding and social media issues which have been included in the risk register. Staff are working through these with risk owners around over-due implementation or planned treatments.

The Committee noted the report and made the following comments:

- The Committee queried whether there should be a high risk around the cost of building materials for projects. Staff noted this and advised they have been in regular contact with procurement lead, and this is being well managed and will continue to monitor and work through this in the second quarter reviews. The Committee recommended that a risk be added to the risk register, at least in the short term.
- It was noted the legislation around vaccines had changed since the report was written and whether there was an impact on any staff within aged care and how this was being managed. Management advised that it is currently consulting with the organisation on the possible introduction of mandated vaccination requirements. The organisation has moved to support business continuity with the re-introduction of Team A and B, zoom meetings, provision of outdoor services and limiting travel between locations. The aged care home services are being maintained and in accordance with legislation.
- IMT are operating routinely twice a week, and more if needed to keep in line with restriction changed.
- It was queried with the new COVID-19 changes whether there is budget to cover emergencies or staff deciding not to be vaccinated and whether this would have an impact on the budget. The Committee was advised that there is no discretionary funds specifically, however this will be managed as they come through.
- The Committee re-iterated the importance of the risk review documentation and the need to make sure deadlines were not being missed. It was noted some of the dates are either overdue or nearly due, and not anticipated to be completed on time. Management assured the Committee there was an abundance of meetings, documents minutes, actions and activities that sits behind this consolidated report.

Action: That procurement risk be reviewed due to the current market conditions with construction undertaken in this quarter's risk register review.

Moved Councillor Duncan

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Notes the report.

Carried Unanimously

6.4 Internal Audit 2021/22 - Plan and scope (Project Management - Collaborative)

Report Reference FRAC211214R6.4

Mr Eric Beere and Ms Heather Martens from KPMG introduced the item and provided an update on the status of the Internal Audit Program and an overview of the Project Management Scope. The following comments were noted:

- The Project Management Scope is a collaborative audit with City of Charles Sturt. The review covers the entire lifecycle of project management and includes consideration of the effective implementation of the project management framework and whether it has been consistently applied across the organisation.
- City of Charles Sturt has some good processes where City of Marion can align and share lessons learned.
- There is enough common ground in the scope for learnings on both sides, noting a good level of engagement from senior management at City of Marion.
- The Internal Audit will review the status of the implementation of recommendations from recent work done on carryovers and elements from other audits, however, will not significantly deep dive into those.

The Committee provided the following feedback:

- When the two councils have different projects and systems, how are we going to deal with the fundamental differences in running project management and whether the difference in structure pose a difficulty. KMPG commented that although they are different, they are becoming more aligned. There is a greater opportunity to share frameworks and projects managed across councils in a similar manner with document risks and reporting templates that sit behind the systems. Both Councils are heading in the same direction.
- The Committee queried whether the scope itself include major projects and construction and KMPG confirmed it does include this with the exclusion of the ICT / DTP projects which are included in the audit plan for 2022/23.

Moved Mr Papa

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Endorses the Project Management (Collaborative) Scope

Carried Unanimously

6.5 Civil Service Review

Report Reference

FRAC211214R6.5

The General Manager City Services and Manager, Operations introduced the item and provided a summary of the final Civil Services Review undertaken by BeeSquared Consultants. The review includes an outline of the approach intended to utilize findings of the review to improve and optimize the performance of the Civil Services Business Unit.

The Committee provided the following feedback and comments:

- The responses to the recommendations and actions appear high level and suggested there may need to be more measurable actions to monitor and hold to account. The Committee queried whether there were any steps along the way that can be incorporated to monitor the process.
- There appears to be a disconnect across the process and queried whether there is a consideration of alignment to work out a consistent approach for how things are being treated across the SA Councils. The Committee also queried whether there was a mechanism to collaborate with other councils to gain an element of consistency in relation to unit costings.
- The Committee queried how the data end up with inaccuracies and whether there was opportunity for improvement in our tender evaluation processes.

Staff noted the feedback and provided the following comments:

- The key finding of the report was insufficient data to find meaningful direction. The aim was to capture data to reinforce the actions. These will be developed in more detail and will come back as a subsequent report in early 2022
- Key approach is to take a step back and look at how we will achieve the fundamental change with the steps provided in the high-level implementation plan.
- Staff are currently looking at detailed process mapping. Once there is an understanding of these practices, a resource-based cost estimate can be applied to inter unit rates. This will enable a better understanding of real productivity.
- The data from the initial contractor was raw data which required further validation to become usable data, unfortunately the data didn't reconcile and required a cleansing process to further validate. The learnings from this were captured and a new data run is being scoped for early 2022.
- There was a group meeting collaboratively, however at this stage the civil component has been left to be implemented individually. The intention is to reach out and work with other Councils.
- The Committee queried whether the audit condition frequency aligned to the asset management plan. Staff advised they are looking at the process to determine what data we need to drive to determine the frequency. The Asset Management Plan is reviewed every year and will be reviewed to ensure alignment.

Moved Ms Rantanen

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Notes the Civil Services Review undertaken by BeeSquared.
2. Provides feedback and endorses the approach proposed to optimise performance of the Civil Services Business Unit.
3. Notes that a progress update including a more detailed implementation plan will be provided to the February 2022 FRAC meeting.

Carried Unanimously

6.7 Annual Ombudsman Report 20/21

Report Reference FRAC211214R6.7

Manager, Office of the CEO provided a summary of the report noting that it was good to see a reduction in the number of complaints record against last year. In addition to complaints to the Ombudsman's office, two requests were received direct to the City of Marion to conduct an internal review of a decision in accordance with the City of Marion Complaints and Grievance Policy.

The Committee noted the report, made the following comments:

- The Committee queried whether there was a tolerable level of complaints and a way of measuring the validity of the complaints. It would be good to track these through a KPI system to identify any trends.
- Staff note there isn't currently a KPI set around this, however, are across the nature and types of requests and commented they are not at the point of any real concern. Ward related issues are tracked through regular ward briefings.
- It was noted with the implementation of the salesforce as the CRM, Council will be able to gather data to track and monitor different types of complaints. This will also provide an opportunity monitor the effectiveness of one off and continual service delivery. The Complaints and Grievances Policy and Procedure also provides a mechanism to determine any complaints that may be vexations, repeat offenders, etc.
- There is an opportunity for benchmarking against other councils and to compare any trending values, noting that salesforce may be implemented in other Councils.
- It is important to capture the Council Member interaction with community members, when issues are diffused and not escalated into complaints. The Committee suggested looking at additional mechanisms to capture these issues and to share the solutions.

Moved Ms Rantanen

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Notes the report.

Carried Unanimously

6.8 Work Program and Meeting Schedule for 2022

Report Reference FRAC211214R6.8

The Committee noted the Work Program and Meeting Schedule for 2022 suggesting that the February meeting looks quite large. Management acknowledged they are aware of this and indicated a Special Meeting may need to be called to consider the Section 48 Repot for Cove Sports and Community Club.

Moved Mr Papa

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Notes the proposed work program for 2022 identified at Attachment 1 to the report.

2. Adopts the following schedule of meetings for 2022:

- Tuesday 22 February 2022 (2-5pm)
- Tuesday 17 May 2022 (2-5pm)
- Tuesday 16 August 2022 (4-6pm and followed by a joint workshop with Council from 6.30pm onwards)
- Tuesday 11 October 2022 (2-5pm)
- Tuesday 13 December (2-5pm)

Carried Unanimously

7 Reports for Noting

7.1 Update on Asset Management Strategy KPI measures

Report Reference FRAC211214R7.1

The Committee noted the report as read. The Committee suggested simplifying the language used for the “Community facing KPI / What it measures” to better reflect the target. The Committee queried how we are determining the current levels of capacity of service. Staff advised they are currently working through this and with asset owners to simplify the strategy and measures.

Moved Ms Rantanen

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Notes the report and continues to support the measurement and reporting of progress against the Asset Management Strategy KPIs.

Carried Unanimously

7.2 Update on Asset Management Improvement Program progress

Report Reference FRAC211214R7.2

The Committee noted the update on the Asset Management Improvement Program Progress and commented it was good to see these being tracked and brought up to date. It was noted the organisations performance will continue to be managed on monitored through this program.

Move Mr Papa

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Notes the report and supports Council’s ongoing Asset Management improvement processes.

Carried Unanimously

7.3 Asset Valuation Process and Outcomes for 2020-21

Report Reference FRAC211214R7.3

Mr Barnwell introduced the item and commented it was provided for completion process and following a previous action. A full comprehensive valuation is booked for 2022-23 which will be good timing. The Asset Management Information System implementation is to be completed in October next year with testing and review of the data towards the end of 2022. It was noted if this doesn't fit the timeframe for comprehensive valuation to be completed by 30 June, the valuation will be pushed out to the following year.

Moved Ms Rantanen

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Note the 2020-21 independent desktop valuation for all infrastructure assets.

Carried Unanimously

7.4 Service Review Program and recommendations progress update

Report Reference FRAC211214R7.4

The Committee commented on the good work being done in the Service Review Program and noted the number of recommendations coming full circle and being completed.

Moved Mr Papa

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee notes:

1. That the future approach to the Service Review Program is under development.
2. Implementation progress of the Service Review Program recommendations (Appendix 1).

Carried Unanimously

7.5 Internal Audit Program - Implementation of Recommendations

Report Reference FRAC211214R7.5

Manager, Office of the CEO provided an overview of the item, noting the overdue recommendations were primarily related to systems, the DTP program and issues being faced across the organisation. Staff are aware of these and are exploring options to overcome these challenges.

The Committee expressed their concerns over the number of overdue items in DTP, however, understands the reasons why, however encouraged staff to continue to monitor these and provide updates where possible to see progress on these items. Management noted many of the DTP actions are largely done and expect to have a better completion rate at the next meeting. The Committee also suggested if items are on-going and a procedure it set up to monitor these to close the items out.

The Committee noted the importance of this report and suggested it be moved out of reports for noting. The Committee queried what the report priority referred to and suggested this wording be amended for clarity.

ACTION – Report to be listed under Discussion Items for future meetings

ACTION – Change the title of “Report Priority” to “Auditor Risk Rating”

Moved Mr Papa

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Notes the status of the Internal Audit Program (Attachment 1).

Carried Unanimously

8 Workshop / Presentation Items - Nil

9 Confidential Items

9.1 Cover Report - ICT Security update

Report Reference FRAC211214F9.1

Moved Councillor Duncan

Seconded Ms Rantanen

That pursuant to Section 90(2) and (3)(e) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Development, General Manager Corporate Services, General Manager City Services, Manager Office of the CEO, Chief Financial Officer, Manager IT Operations, Unit Manager Governance and Council Support and Governance Officer, be excluded from the meeting as the Council receives and considers information relating to ICT Security Update, upon the basis that the Council 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 information security and technology systems.

Carried Unanimously

3.54pm the meeting went into confidence.

Moved Councillor Duncan

Seconded Mr Papa

In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that this report, IT Security Update, and any appendices having been considered in confidence under Section 90(2) and (3)(e) 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 2022.

Carried Unanimously

4.04pm the meeting came out of confidence.

9.2 Cover Report - Digital Transformation Program Update

Report Reference FRAC211214F9.2

Moved Councillor Duncan

Seconded Mr Papa

That pursuant to Section 90(2) and (3)(b)(i) and (ii) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Development, General Manager Corporate Services, General Manager City Services, Manager Office of the CEO, Chief Financial Officer, Unit Manager Governance and Council Support and Governance Officer,, be excluded from the meeting as the Council receives and considers information relating to Digital Transformation Program Update, upon the basis that the Council 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 the current status of the Digital Transformation Program and the impact on contractual expectations.

Carried Unanimously

4.04pm the meeting went into confidence.

Moved Ms Rantanen

Seconded Mr Papa

In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that this report, Digital transformation Program Update, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b)(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 2022.

Carried Unanimously

4.19pm the meeting came out of confidence.

10 Other Business

11 Meeting Closure

The meeting was declared closed at 4.19pm.

CONFIRMED THIS 22ND DAY OF FEBRUARY 2022.

CHAIRPERSON