



**Minutes of the Finance, Risk and Audit Committee
held on Tuesday, 16 August 2022 at 4.00 pm
Council Chamber, Council Administration Centre
245 Sturt Road, Sturt**

PRESENT

Ms Emma Hinckey (Chair)

Ms Nicolle Rantanen

Mr David Papa

Councillor Maggie Duncan

In Attendance

Chief Executive Officer - Tony Harrison

General Manager City Services - Ben Keen

General Manager City Development - Tony Lines

Chief Financial Officer - Ray Barnwell

Manager Office of the CEO - Kate McKenzie

Unit Manager Governance and Council Support - Victoria Moritz

Manager IT Operations - Micheal Bowden

Juliano Freitas, Audit Director from Galpins

Eric Beere, Director KMPG

Chantal Milton, Principal Consultant Holmes Dyer

1 Open Meeting

The Chair opened the meeting at 4.00pm.

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

The following interests were disclosed:

- Ms Rantanen disclosed that she is now a member on the Local Government Finance Authority Audit and Risk Committee.

4 Confirmation of Minutes**4.1 Confirmation of Minutes of the Finance, Risk and Audit Committee Meeting held on 17 May 2022**

Report Reference

FRAC220816R4.1

Moved Ms Rantanen

Seconded Councillor Duncan

That the minutes of the Finance, Risk and Audit Committee Meeting held on 17 May 2022 be taken as read and confirmed.

Carried Unanimously

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference

FRAC220816R5.1

The Committee suggested looking at the Schedule of Items for next year and consider whether an additional meeting would be required to ensure quality discussion on all the items presented.

Management acknowledged the number of items listed on the agenda and have committed to reviewing current items to determine their relevance and value to the committee. The preference from Management would be to look at an extension where required rather than scheduling an additional meeting. It was noted that a special meeting could be called during the year if necessary.

Moved Ms Rantanen

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

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

Carried Unanimously

The Chair sought and was granted leave of the meeting to vary the order of the agenda and consider the item *7.6 Interim External Audit – 2021-2022* next in the meeting.

7.6 Interim External Audit - 2021-2022

Report Reference

FRAC220816R7.6

Juliano Freitas, Audit Director from Galpins was present for the item and provided an overview of the Interim External Audit 2021-2022 findings. Overall, the external auditors found that Council demonstrated a high level of compliance with the implementation of an internal control framework consistent with the principles within the Better Practice Model. During their interim visit they found that the majority of key internal controls reviewed were in place and were operating effectively (92 out of 100 core controls reviewed). The report noted 8 findings none of which were rated high with 5 findings with a moderate risk rating and 3 rated low risk.

The following discussion points were noted:

- The Committee sought to understand the risk rating given to the findings relating to purchase and procurement / contracting (findings 2.3.1 and 2.3.2) and expressed their concerns with this finding.
- The sample size was also discussed noting that the internal procurement process had not been completely followed on three occurrences,
- The Committee questioned how this would be prevented in the future and if system controls could ensure a preventative control is in place to avert any further instances.

- The Committee questioned the approach to assurance testing to determine if these were isolated.
- Mr Freitas (Galpins) commented these were a one-off occurrence and not systemic. From an external audit perspective, these would not be considered high given the number of appropriate audit controls in place. The controls in place include the framework, purchase orders which are appropriately approved and checking systems. The incidents relate to one phase or element of the process and would not specifically cause the financial report to be of a different opinion. It considered whether this was more relevant to the internal audit, given it does not affect the number in the accounts and should be considered from an internal process perspective.
- Management acknowledged these instances were disappointing, however provided examples of internal controls that had been put in place to mitigate this in the future including checklists that had been implemented as part of the tender process. Assurance was provided that these checklists prevent the process from progressing to the point of sign-off and approval.
- The Committee provided comment on finding 2.2.2 regarding the disposals of infrastructure and questioned how the figures are recorded. Mr Freitas commented the amount related to disposals of infrastructure assets are not separately identified but instead included in the revaluation decrement in the asset movement. The Chief Finance Officer provided an explanation, noting the net valuation figures are correct, however the disposal value is not separately identified. The finding has been communicated to the project implementation team for the new Asset System to address the requirements. This movement will be documented in future years.
- Discussions will occur between Galpins and the Finance team to determine an appropriate value for this movement in the 2021/22 accounts.
- The Committee queried the sign off of CEO Credit Card Statements given the recent value the Ombudsman has placed over these in recent times. The Committee suggested that the Mayor should be signing off on the CEO Credit Card Statement.

ACTION: Inform internal Auditors of the findings in relation to Purchase and Procurement / Contracting

ACTION: Perform a self-assessment on procurement internal controls.

ACTION: Moving forward the Mayor is to review the CEO Credit Card Statement.

Moved Ms Rantanen

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Receive and Note the Interim External Audit Report for 2021-2022

Carried Unanimously

6 Confidential Items

6.1 Cover Report - Cybersecurity - Quarterly Update

Report Reference FRAC220816F6.1

Moved Ms Rantanen

Seconded Mr Papa

That pursuant to Section 90(2) and (3)(b)(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 Corporate Services, General Manager City Services, Manager Office of the CEO, Chief Financial Officer, Senior Digital Transformation Program IT Manager, Unit Manager Governance and Council Support and Governance Officer, Manager IT Operations be excluded from the meeting as the Committee receives and considers information relating to Cyber security of CoM, 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 the current status of the CoM Cyber Security and the impact on contractual expectations.

Carried Unanimously

4.25pm the meeting went into confidence

Moved Councillor Duncan

Seconded Ms Rantanen

In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the committee members order that this report, Cybersecurity – Quarterly Update, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person) 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

4.36pm the meeting came out of confidence

6.2 Cover Report - City of Marion Property Asset Strategy (CoMPAS) Overview

Report Reference FRAC220816F6.2

Moved Ms Rantanen

Seconded Councillor Duncan

That pursuant to Section 90(2) and (3)(b) 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 CEO, Manager City Property, 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 City of Marion Property Asset Strategy (CoMPAS) Overview 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 and

the receipt, consideration or discussion of the information or matter in an information or briefing session open to the public would, on balance, be contrary to the public interest.

Carried Unanimously

Moved Councillor Duncan

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the committee members order that this report, City of Marion Property Asset Strategy (CoMPAS), any attachments and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b) 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 until Council resolves and commence consultation on the CoMPAS. This confidentiality order will be reviewed at the General Council Meeting in December 2022.

Carried Unanimously

5.06pm the meeting came out of confidence

7 Reports for Discussion

7.1 Meeting with the Internal Auditors in Confidence

Report Reference

FRAC220816R7.1

Mr Eric Beere, Director KPMG entered the meeting

Moved Mr Papa

Seconded Ms Rantanen

That the Finance and Audit Committee:

1. Pursuant to Section 90(2) and (3)(g) of the Local Government Act 1999, orders that all persons present, be excluded from the meeting, with the exception of Eric Beere and Heather Martens from KPMG, as the Finance and Audit Committee meets with Council's Internal Auditors, on 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 relates to commercial information of the Council.
2. Include the following comments within the minutes:
 - The auditors are looking forward to performing the Digital transformation Program Internal Audit as it has been in the plan for a while now.
 - The Auditor noted:
 - A steady level of improvement year on year
 - That KPMG are not following up on outstanding actions
 - That we need to review closure of audit actions as part of the audit program in the future
 - Issues discussed regarding timelines for actioning of audit findings
 - Discussed staff turnover and operational day to day issues – not major

- Scope setting is collaborative
- Good attitude towards internal audit
- Need to complete the Digital Transformation Program audit

Carried Unanimously

The Chair sought and was granted leave of the meeting vary the order of agenda items and bring forward the item 7.9 *Internal Audit Plan 2022-2023* to be considered next in the meeting.

7.9 Internal Audit Plan 2022 - 2023

Report Reference

FRAC220816R7.9

The Manager Officer of the CEO introduced the item and provided a brief overview of the Internal Audit Plan for 2022-2023.

The Committee provided the following feedback and comments:

- Suggested a review of the audits and implementation of recommendations. Questions arose around the process for closing out of high rated findings and the Committee highlighted the importance of ensuring there was a robust and vigorous process around this.
- The Committee discussed whether previous conversations around purchasing, and procurement findings should be brought into an audit. Management advised both contract management and procurement audit had been undertaken at separate times recently, however committed to following up previous audits and identifying and relevant findings and recommendations and bringing these back to the Committee.
- Management also suggested one of the findings relating to the DTP tender could be included and covered off in the review as part of the DTP health check
- The Committee commented the DTP health check scope looks more like a project management audit and was seeking assurance that the same project management findings wouldn't come back. Mr Beere confirmed this won't be a general high-level audit. It will look at operating models, change management and a deep dive into different streams looking into issues.
- The Committee also questioned whether the project management finding had been applied through this scope. Management advised multiple improvements had been made to ensure accountability and robustness in governance. Management emphasised this was a health check with significant long-term opportunity to review the transformation project and look at advocating what is being delivered and what the objective are. It was not in the best interest of the organisation to look at the project management of the DTP.
- The Community Consultation scope was discussed with the Committee questioning if there was any best practice comparison against other councils, suggesting there is a lot to be learnt from other Councils who attract higher consultation participation rates. Mr Beere confirmed the scope identifies benchmarking both locally and interstate.
- Management were pleased to advise recent community consultation had shown improved participation rates through some different approaches.
- It was acknowledged this was a good time to conduct the audit with the team looking for opportunities in this space.

ACTION: Include an Audit for the implementation of recommendations.

ACTION: Include the finding regarding the DTP tender as part of the review of the DTP health check.

ACTION: Review findings of previous Contract Management and Procurement Audits to determine any relevant findings and recommendations. These are to be highlighted and brought back to the Committee.

Moved Councillor Duncan

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Notes the progress of the Internal Audit Program.
2. Considers and provides feedback on the:
 - a. Digital Transformation Health Check scope (Attachment 1)
 - b. Community Consultation Scope (Collaborative) (Attachment 2)

Carried Unanimously

7.2 Council Member Report

Report Reference

FRAC220816R7.2

Moved Mr Papa

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

1. Notes this report.

Carried Unanimously

7.3 Annual Insurance and Claims Report

Report Reference

FRAC220816R7.3

The Annual Insurance and Claims Report was taken as read. The Committee queried the number of incidents which had significantly decreased and whether this was a short-term trend as a result of COVID-19 and whether we expect to see an increase in this number. Management commented the usage of community centres was tracking lower as a result of COVID-19 with some closed through this period and also acknowledged the change in system with incidents now being recorded in Salesforce. This figure may increase, however hard to predict.

The Committee requested an update on the Sam Willoughby BMX item at the October meeting.

ACTION: Prepare a report to be presented at the October meeting regarding Sam Willoughby BMX.

ACTION: Review how incidents are categorised and captured in Salesforce to verify there is no loss of reporting data.

Moved Mr Rantanen

Seconded Councillor Duncan

That the Finance and Audit Committee:

1. Notes the report and claim information provided in Attachment 1.

Carried Unanimously

7.4 Quarterly Risk Report

Report Reference

FRAC220816R7.4

The Quarterly Risk Report was taken as read. The Committee commented on the increased risk rating regarding the ability to attract employees, questioning if this is the new normal and if the long-term trend just needs to be managed. Management commented they had discussed this at length, however with a retention rate of 80% acknowledged there was increased pressures to attract employees and felt the risk had heightened in the last few months. This will continue to be monitored and if appears this is becoming normal, the risk rating will be adapted.

The Committee also questioned the last time the hardship policy was tested given the current inflation rates. Management confirmed this was last tested during COVID-19, however had not seen any increases in this regard. This will be regularly monitored and assessed if required.

Management acknowledged the internal rating control had not yet been included and committed to including this in the October report.

Moved Ms Rantanen

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Notes the Corporate Risk Register Report (Attachment 1) and provides feedback on the review outcomes.
2. Notes the changes made to the DTP01 risk with the completed treatments being implemented as controls as queried by the FRAC on the 17 May 2022.
3. Endorses the risk rating changes for PCU01 moving from Medium to High risk, as detailed in Attachment 2.

Carried Unanimously

7.5 Aged Care Quality Standards

Report Reference

FRAC220816R7.5

The Committee discussed the outcomes of the Aged Care Quality Standards Audit and provided the following comments:

- Questions were asked around the time it takes for some member of the community to receive services from the City of Marion, indicating this may be up to 18months. Staff clarified the process with referrals being received through the *my aged care portal* and not direct from community members. Once referrals are received, they are processed within two weeks. When the City of Marion services are at capacity, the portal is closed. Assessors can see what portals are open and look elsewhere if they are closed. There is also an option to be placed on a waitlist if they do not choose to look elsewhere.
- The Committee acknowledged that unfortunately it is quite common to see portals closed.
- The Committee discussed the non-compliant items that had been identified and queried whether there were any concerns around reputational risk given they would be published on the Aged Care website and whether there was any threat to funding or subsidies because of the non-compliance. Staff acknowledged there was a reputational risk, however, also comments that all audits are published on the same website. There would be a risk to funding if there was extreme non-compliance, however it was noted that those identified were minor and teams were working towards addressing these.
- Management commented on the unique circumstances and potential confusion around the standards and amalgamation of new audit regime. Management will focus on remedial action required with these reported fortnightly through to the Executive Leadership Team to ensure compliance as soon as possible.
- The Committee questioned whether there is an internal assessment program to ensure the organisation is on top of this. Management commented first and foremost the internal audit system must go through the audit process to test internal systems. An independent audit assessment will always be needed to ensure the organisation is held accountable. It is expected this will become a routine program conducted annually and subject to independent assessment every three years.
- The Committee noted the importance of closing the loop from the groundwork through to the administration work and ensuring actions are fully implemented when completing.

Moved Mr Papa

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

1. Notes the report from the Aged Care Quality and Safety Commission dated 6 May 2022.

Carried Unanimously

Meeting Closure

The meeting was declared closed at 6.10pm.

CONFIRMED THIS 11 DAY OF OCTOBER 2022

CHAIRPERSON

The Following Items were not considered:

- 7.7 Asset Valuations
- 7.8 Internal Audit Program – Implementation of Recommendations
- 7.10 Finance and Audit Committee Annual Report to Council
- 8.1 Australian Service Excellence Standards – Update
- 8.2 DTP – Quarterly Status Update