



**Minutes of the Finance, Risk and Audit Committee
held on Tuesday, 11 October 2022 at 2.00 pm
Council Chamber, Council Administration Centre
245 Sturt Road, Sturt**

PRESENT

Ms Emma Hinchey (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
Unit Manager Strategy and Risk - Maddie Frew
Risk Business Partner - Tania Del Torre
Unit Manager -Statutory Finance and Payroll - Andrew Doyle
Tim Muhlhausler – Galpins
Juliano Freitas - Galpins

Guest Speaker

University of Newcastle, Dr Trevor Seymour-Jones

1 Open Meeting

The Chair opened the meeting at 2.00pm.

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:

- NIL

4 Confirmation of Minutes

4.1 Confirmation of Minutes of the Finance, Risk and Audit Committee Meeting held on 16 August 2022

Report Reference FRAC221011R4.1

Moved Councillor Duncan

Seconded Ms Rantanen

That the minutes of the Finance, Risk and Audit Committee Meeting held on 16 August 2022 be taken as read and confirmed.

Carried Unanimously

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference FRAC2210115.1

The Committee noted the report. Clarification was sought on the process around the CEO Credit Card Statement to confirm the Mayor was required to sign off on the statement and not just review. Management confirmed the process in place was for the Mayor to physically sign off on this.

The Committee questioned the revised due date relating to Item 2 around the Service Review Program and sought commentary around overdue items. Management advised the Service Review Program is progressing with the other two Councils in preparation of this to be presented back to the Committee. Management also confirmed other revised due dates were not of concern and there was no risk within these items.

Moved Ms Rantanen

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

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

Carried Unanimously

6 Confidential Items

6.1 Cover Report - Fraud and Corruption 2021-22 Report

Report Reference FRAC221011F6.1

Moved Ms Rantanen

Seconded Mr Papa

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, Chief Financial Officer, General Manager City Development, General Manager City Services, General Manager Corporate Services, Manager Office of the Chief Executive, Unit Manager Governance and Council Support, Unit Manager Strategy and Risk, Risk Business Partner, be excluded from the meeting as the Council receives and considers information relating to Fraud and Corruption 2021-22 Report 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 matters affecting the security of the council.

Carried Unanimously

2.04pm 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 orders that this report, Fraud and Corruption 2021-22 Report, any appendices and the minutes arising from this report 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 upon which a review will be conducted. This confidentiality order will be reviewed at the General Council Meeting in December 2022.

Carried Unanimously

2.13 pm the meeting came out of confidence

6.2 Cover Report - Sam Willoughby BMX Track Claim Progress Update

Report Reference FRAC221011F6.2

Moved Councillor Duncan**Seconded Mr Papa**

That pursuant to Section 90(2) and (3)(b) 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 City Services, General Manager Corporate Services, Manager of the Office of the CEO, Chief Financial Officer, Manager City Activation, Unit Manager Governance and Council Support, Unit Manager Strategy and Risk and Risk Business Partner, be excluded from the meeting as the Council receives and considers information relating to Sam Willoughby BMX Track Claim Progress 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 commercial and financial information.

Carried Unanimously

2.14pm the meeting went into confidence

Moved Mr Papa**Seconded Councillor Duncan**

In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Committee orders that this report, Sam Willoughby BMX Track Claim Progress Update, any appendices 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 for a period of 12 months upon which a review will be conducted. This confidentiality order will be reviewed at the General Council Meeting in December 2022.

Carried Unanimously

2.29pm the meeting came out of confidence

7 Reports for Discussion

7.1 Council Member Report**Report Reference** FRAC221011R7.1**Moved Councillor Duncan****Seconded Ms Rantanen**

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 Services, General Manager City Development, Chief Financial Officer, Manager Engineering, Assets and Environment, Manager Office of the Chief Executive, 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 an update on the City of Marion Water Business, 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 matters that may impact commercial contracts with 3rd parties.

Carried Unanimously

2.29pm the meeting went into confidence

The Committee went into confidence and a brief overview was provided on the following Confidential Item from the Elected Member Report:

- City of Marion Water Business Update (SGC220823F8.2)

2.30pm the meeting came out of confidence.

Moved Ms Rantanen**Seconded Councillor Duncan**

That the Finance, Risk and Audit Committee:

1. Notes this report.

Carried Unanimously**7.2 Independence of Council's Auditors****Report Reference** FRAC221011R7.2**Moved Mr Papa****Seconded Ms Rantanen**

That the Finance Risk and Audit Committee:

1. Notes the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2021-22 financial year (Attachment 2).
2. Notes that the CEO will be signing a statement that Council's external auditor Galpins maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2021-22 financial year.

3. Endorses the Chairperson signing a statement that Council's external auditor Galpins maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2021-22 financial year.

Carried Unanimously

7.3 Annual Financial Statements for the year ended 30 June 2022

Report Reference FRAC221011R7.3

The Chief Financial Officer introduced the item and provided a summary of the City of Marion's Annual Financial Statements for the financial year ended 30 June 2022. Council achieved an Operating Surplus of \$0.542m compared to an operating surplus of \$0.256m for 2020-21. The key factors contributing to the movement in operating surplus are detailed in Attachment 2 (Analytical Review -). The Annual Financial Statements for the year ended 30 June 2022 have been completed with Council's Auditors indicating they expect to issue an unmodified audit opinion, subject to subsequent events review up to the date of the audit opinion and receipt of management's signed representation letters.

The Committee provided the following comments:

- Sought confirmation on the Asset Revaluation movements and the application of unit rate increases on infrastructure assets revaluation with Management confirming this was applied with the desktop infrastructure revaluation assessment.
- The Committee queried the plan to lift the renewal ratio. Moving forward, the renewal ratio will be close to 90 – 100%, however will may pull back in times of focus on new infrastructure.
- Management commented on the CoMPAS which includes \$73m - \$75m of renewal and upgrades built in over 10 years. With the CoMPAS, heightened levels of governance and due diligence, we should see this increase and will build more predictability into the regime.
- The DTP projects were discussed noting increased operational costs on prior year. The Chief Financial Officer commented the increase cost in relation to the DTP program is spread over three years commenced in back half of 2020-21 and in full implementation in 2021-22 impacting the increase in cost on prior year.
- It was noted that there is no additional notes required in the statements in relation to the impacts of COVID-19 with the organisation operating business as usual now.
- The Committee questioned the description in the report of the Asset Funding Renewal and thought we had moved towards a using the targeted renewal expenditure in calculating the ratio. It was confirmed that we use the targeted renewal expenditure as the denominator in the ratio as stated correctly in the Financial Statements and that the description in the report itself should be changed to reflect that.
- It was noted the interest rate used for borrowings in the Long-Term Financial Plan is 4.85% and will be adjusted to cater for interest rate movements since adoption in the next iteration.
- The Committee queried the reduction in the risk incentive and whether this was related to performance. Management advised this relates to the reimbursement of costs related to risk related activities. Special distribution schemes can be applied for specific projects if they meet criteria. Planning is underway for 2023/24 and this can be canvassed in an upcoming meeting with the scheme.
- It was noted there was an increase in CHSP grant funding and the Committee queried what this was for. Chief Financial Officer advised this grant was for Emergency Support for Covid that we had applied for.
- The Committee also noted in the functions note the \$1.9m increase in cost for Governance function. Staff advised this includes a direct allocation for costs associated to the DTP. Rather than spreading these across many other functions and distorting the comparatives, they have been allocated as a once off expenses in Governance under organisational excellence.

- Commented on the short-term deposits and queried whether we were exploring longer term deposits with the average around 90 days. Staff provided reassurance that they are exploring these longer periods. The shorter period was preferred while rates were low and longer-term investments is applied on a cashflow requirement basis which some recent deposits being pushed out to 180 days.

Moved Councillor Duncan

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2022, as included at Attachments 3-4, be adopted.
2. Notes Galpins Audit Completion Report, as included at Attachment 5.
3. Notes the comparative analysis to prior year audited Annual Financial Statements and original adopted 2021-22 budget (Analytical Review), as included at Attachment 2.

Carried Unanimously

7.4 Meeting with the External Auditors in Confidence

Report Reference FRAC221011R7.4

Moved Mr Papa

Seconded Ms Rantanen

That the Finance, Risk 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 Tim Muhlhausler from Galpins, as the Finance, Risk and Audit Committee meets with Council's External 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.

Include the following comments within the minutes:

- The committee met with the external financial auditors in camera and discussed the audit process and that it was a relatively smooth process for their first year. They noted the work they had performed on the asset valuations and the depreciation charges. They noted some delays in receiving initial information but advised that staff were very cooperative overall.

Carried Unanimously

2.49pm the meeting went into confidence

3.27pm the meeting came out of confidence

The Chair sought and was granted leave of the meeting to vary the order of the agenda and consider the item *City of Marion 2022 Asset Management Maturity Assessment Results* next on the agenda

9.1 City of Marion 2022 Asset Management Maturity Assessment Results

Report Reference FRAC221011R9.1

Dr Trevor Seymour-Jones from the University of Newcastle provided a presentation and summary of the City of Marion's 2022 Asset Management maturity assessment results. In the 2021 assessment, Council achieved Core Maturity in all assessment elements, except Data & Systems.

The Committee noted the report and presentation. It was queried whether staff have had a chance to digest the results, and whether there was an action plan to address the findings. The General Manager City Services has de-briefed in detail with Dr Seymour-Jones and agrees with the findings. The team is working to have the connection from the bottom up through the implementation of new systems, consolidating data, lifecycle processes and testing roles and responsibilities. This will ensure CoM has the capacity is and can identify any gaps within the framework and being able to enforce this across the organisation. The results will be included in the audit actions and reported through this.

Moved Mr Papa

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Notes the report and presentation, providing feedback to support the progress of Asset Management at the City of Marion.

Carried Unanimously

7.5 Asset Valuations

Report Reference FRAC221011R7.5

Moved Mr Papa

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee,

1. Notes the outcome of the 2021-2022 desktop valuation for all infrastructure assets.

Carried Unanimously

7.6 Business Continuity Program Annual Report 2021-22

Report Reference FRAC221011R7.6

The Manager Office of the CEO provided a brief overview of the item and of the initiatives undertaken through the BCM Program in 2021—22 which aim to ensure that disruptive events are managed in accordance with the BCM Framework. It was noted that further work had also progressed with KPMG on the Business Impact Assessment and the Recovery Strategies Project. There is a lot of work continuing in this space and current plans for exercises and further work on IT recovery strategies.

The Committee provided the following comments and feedback:

- Noted the findings were moderate in relation to adequate equipment and queried whether this was an accurate reflection of the risk. Management advised this was on the back of the Business Continuity Audit, however Management are not hearing of any concerns in relation to this across the organisation. One of the key areas identified through the team gage results is in relation to resources and equipment, which is reported on monthly. There is no further indication of this through these results.
- Suggested including a description of how we have addressed the key observations against what the key observations are. Management have done a large amount of work on business recovery and working through the observations, taking on board the comments from the committee.
- The Committee noted there was a lot of effort put into larger physical disaster recovery efforts given the likelihood they may occur compared to smaller internal scenarios that may occur and questioned how prepared we would be for these smaller events if they occurred.
- The Committee discussed the criticality of the payroll function and if the recovery time could be two weeks (rather than one) based on work arounds? Management agreed that potentially it could.
- It was queried why the Council's northerly neighbours e.g. City of West Torrens had not been included within the BCP. Management advised the listed neighbouring councils are in our zone identified through the Emergency Management Zone set up by the Local Government Functional Support Group, however acknowledged that if needed, we could engage with different networks if needed.

Moved Ms Rantanen

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Notes the report and provides feedback on the annual program.
2. Notes the KMPG report outlining the BIA and Recovery Strategy Project
3. Endorses the revised Business Continuity Plan

Carried Unanimously

7.7 Finance, Risk and Audit Committee Annual Report to Council 2021/22

Report Reference FRAC221011R7.7

Moved Ms Rantanen

Seconded Mr Papa

That the Finance, Risk and Audit Committee:

1. Endorse the Annual Report to Council for 2021/22 provided in Attachment 1 to this report, subject to amendments as required, prior to being presented to the General Council Meeting on 25 October 2022.

Carried Unanimously

7.8 Internal Audit Program - Implementation of Recommendations

Report Reference FRAC221011R7.8

Manager Office of the CEO introduced the item and provided an update on the status of implementation of recommendations from the Internal Audit (IA) program. It was noted staff had progressed through the implementation of the outstanding actions and the team was working with Managers to keep things progressing.

The Committee queried whether we had a new Project Management Officer. Management advised they are currently undertaking a full review of the Project Management Framework. This includes defining the four pillars, people, data, process and things across the organisation. General Manager City Services has taken accountability for this review with the aim of increasing the maturity level across the organisation. At the conclusion of the review senior management will be able to determine where this function best sits to enable organisational wide disciplines and methodologies to be implemented.

The Committee raised concern that historically this function has sat with the responsibility of one person rather than a team and is supportive of Management increasing the resources of the PMO.

Moved Ms Rantanen

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

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

Carried Unanimously

7.9 Internal Audit Plan 2022 - 2023

Report Reference FRAC220816R7.9

The Committee noted the report as read and noted the scope for the Volunteer Management. The Committee queried if the onboarding process for volunteers was included within the scope and if the audit would look at how volunteer resources are allocated to services and if they are required with volunteers doing valuable work. It is noted if we over recruit, we may be increasing the risk unnecessarily. Management confirmed this is part of the considerations, however, will specifically request this is part of the scope. The Committee commented the scope should deliver a good result.

Moved Ms Rantanen

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Notes the progress of the Internal Audit Program.
2. Considers and provides feedback on the:
 - a. Volunteer Management Check scope (Attachment 1)

Carried Unanimously

8 Reports for Noting

8.1 Annual HSE Report

Report Reference **FRAC221011R8.1**

The Committee noted the report as read and provided the following feedback:

- While Council has progressed in making significant improvements in organisational safety practices and culture. It should be noted that this progress is now being restrained by complex and overlapping WHS management system processes.
- Future continuous improvement in WHS performance will be contingent on improving workflow within our management system and focusing on the capacity of the end user to operate the system.
- Staff noted there was a lot to do, however all very doable.
- The Committee commented on the near miss reports and the increase of 5% from the previous year, suggesting although it is good to report on these, this might not be the right indicator. It was suggested that more training and positive activity would theoretically reduce near misses / hazards.
- Staff commented the Health and Safety Plan expires next year, and the revised plan will consider soft indicators includes how staff are engaged and the level of reporting.
- The Committee queried some of the dates in in Attachment A - WHS Management System Review, however, staff advised the report was written for the financial year as well as some of the item being held back pending review of the management system and plan.
- It was noted there are 1062 entries on the risk register. 966 of the entries are overdue for review. The Committee raised concerns around this number. Staff commented this was a reflection of how data had been entered into the system, not providing a wholistic view. This has been reviewed with common entries pulled into one risk, now with 123 entries.
- It was noted these recommendations are specifically tracked through the Health and Safety Committee. The Committee also suggested a completed date could be included as well as a date raised to assist with the tracking of the recommendations.

Moved Mr Papa

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

1. Notes this report and provides feedback on the priorities and organisational engagement

Carried Unanimously

8.2 Australian Service Excellence Standards - Update
Report Reference **FRAC221011R8.2**

Moved Mr Papa

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

1. Notes the report.

Carried Unanimously

8.3 DTP - Quarterly Status Update
Report Reference **FRAC221011R8.3**

The Chief Executive Officer (CEO) introduce the item and provided an update on the progress of the progress of the Digital Transformation Program (DTP). The CEO also updated the Committee on recent structural changes with the departure of the General Manager Corporate Services. The CEO advised that over the last six weeks, the DTP had undergone significant review of the projects to properly identify system needs and integration.

The review provides better clarity and scheduling and has included the consolidation of budget to itemise expenditure to date through to June next year. It also includes the review of the impact on licenses, pressure points and costs over the next three years. It is expected the DTP will run through to the end of September 2023 and will embed the 12 projects through to December 2023.

The Executive team have commenced work on CoM 5 looking at enhancements and functionality across projects to capitalise on data analytics. It was there is still a lot of work to do and uncertainty, however there is a better understanding of where the risks lie, and the lessons learnt.

The Committee made the following comments:

- Noted that previously there were going to be quite a few delays and queried whether this was still the case. Management advised there could still be some delays with HRIS stage 2 and the Asset Management System where the organisation is not business ready to implement, however don't believe this will impact on the 30 June – September timeframe for next year.
- The Committee queried in relation to the recent Optus breach, what we were doing in relation to security.
- Manager IT Operations provided an update to the Committee on our actions and advised his team are continuing to build the robustness of the organisations cyber security to reduce any risk the organisation may be exposed to and to reduce any threat level.
- The Committee had concerns relating to CoM 2: HRIS (Human Resources Information System including Payroll Project). The CEO noted this was more of an integration issue between payroll and HRIS and Management are working through the options to ensure one integrates with the other.
- The Committee requested further information on CoM 5: Finance System. The CEO acknowledged there were significant challenges relating to data for reporting. Senior Management are working through the identified issues to determine whether the system will be able to function to the service levels required.
- The Committee also suggested doing some work on benefits realisation to ensure clear focus.

Action: The Committee requested a report be brought back in December 2022 on the Finance Project identifying any concerns and planned action.

Moved Mr Papa

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Note the update on the Digital Transformation Program.

Carried Unanimously

8.4 Annual Investment Report 2021-22

Report Reference FRAC221011R8.4

Moved Mr Papa

Seconded Councillor Duncan

That the Finance, Risk and Audit Committee:

1. Notes the Investment Performance Report 2021-22.

Carried Unanimously

8.5 Debtors Report

Report Reference	FRAC221011R8.5
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Moved Mr Papa

Seconded Ms Rantanen

That the Finance and Audit Committee:

1. Note this Report

10 Other Business

The Committee thanked Mr Papa for his significant contribution to the Committee over the last few years and for sharing his knowledge and experience.

11 Meeting Closure

The meeting was declared closed at 5.09pm.

CONFIRMED THIS 13 DAY OF DECEMBER 2022

CHAIRPERSON