



**Minutes of the Finance, Risk and Audit Committee
held on Tuesday, 13 December 2022 at 2.00 pm
Council Chamber, Council Administration Centre
245 Sturt Road, Sturt**

PRESENT

Ms Emma Hinchey (Chair)
Ms Nicole Rantanen
Mr Josh Hubbard
Councillor Jason Veliskou

In Attendance

Chief Executive Officer - Tony Harrison
General Manager City Services - Ben Keen
General Manager Corporate Services - Angela Allison
General Manager City Development - Tony Lines
Manager Office of the CEO - Kate McKenzie
Unit Manager Governance and Council Support - Victoria Moritz
Acting Chief Finance Officer – Andrew Doyle
Unit Manager Risk & Strategy - Maddie Frew
Eric Beere, KPMG
Michael Arman, BRM

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 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 11 October 2022

Report Reference FRAC221213R4.1

Moved Ms Rantanen

Seconded Ms Hinchey

That the minutes of the Finance, Risk and Audit Committee Meeting held on 11 October 2022 be taken as read and confirmed.

Carried Unanimously

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference FRAC221213R5.1

The Committee took the Business Arising Statement as read and provided the following feedback:

- Raised some concerns around the December due dates and queried if these deadlines would be met, in particular the Service Review Program. The Chief Executive Officer provided an updated on the status of the Service Review Program with a plan to bring a proposed framework in February / March 2023 with the intention of this being used from 30 June 2023. It was also noted there a number of internal reviews, work-place audits, reforms, and work undertaken by Anthony Jones to complete internal reviews. Progressing with the Service Review Program at this time would have placed additional pressure across the organisation. The new formalised review process including reporting structure will be brought the Committee in 2023.
- Management further commented they are confident the remaining items with a December deadline will be completed in time.
- It was noted the Council Member Report was omitted in error. Staff will include any missed General Council Meetings in the next Council Member Report to the Committee.
- Management provided a verbal update on the Sam Willoughby BMX Track advising they are pursuing with the insurance claim.

Moved Ms Rantanen

Seconded Mr Hubbard

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 - Marino Community Hall Section 48

Report Reference FRAC221213F6.1

Moved Ms Rantanen

Seconded Mr Hubbard

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, Manager City Activation, Chief Financial Officer, Project Design Advisor, Unit Manager Governance and Council Support, be excluded from the meeting as the Council receives and considers information relating to Marino Community Hall prudential 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 commercial information including financial figures and concept designs.

Carried Unanimously

2.12pm the meeting went into confidence

Moved Ms Rantanen

Seconded Mr Hubbard

In accordance with Section 91(7) and (9) of the Local Government Act 1999, orders that the report, attachments and minutes arising from this report, 'Marino Community Hall prudential report', having been considered in confidence under Section 90(2) and (3)(b)(i) and (ii) of the Act be kept confidential and not available for public inspection upon the basis that the information contains commercial information including financial figures and concept designs. This order is to remain in force until such time as it is reviewed, at which time a further order of confidentiality may be made. This confidentiality order will be reviewed at the General Council Meeting in December 2023.

Carried Unanimously

2.58pm the meeting came out of confidence

6.2 Cover Report - Cybersecurity - Quarterly Update

Report Reference FRAC221213F6.2

Moved Councillor Veliskou

Seconded Mr Hubbard

That pursuant to Section 90(2) and (3)(e) and 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, Unit Manager Governance and Council Support, Governance Officer and 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

2.59pm the meeting went into confidence

Moved Ms Rantanen

Seconded Mr Hubbard

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)(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 2023.

Carried Unanimously

3.07pm the meeting came out of confidence

7 Reports for Discussion

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

Report Reference FRAC221213R7.1

General Manager Corporate Services provided an overview of the preparation undertaken for the 2022-23 Annual Business Plan and Long-Term Financial Plan including the associated risks with the proposed framework and key budget assumptions. The following comments were made:

- It was noted that the next iteration of Council's LTFP is being drafted and will be aligned with the required funding to maintain service delivery levels at current levels in addition to future funding requirements identified in Council's adopted asset management plans.
- This year will take into account a higher impact on inflation and what this means, looking at a further breakdown of CPI across various components.
- The Committee were happy with the framework and suggested further consideration may be given to safety given the large construction management component as well as a specific call out for climate and ESG principles.
- The Committee questioned the capacity for staff to deliver the resource requirement given the comments made around current market conditions. Management commented there will always be resource constraints, however the organisation needs to plan to deliver accordingly with these considerations being picked up in the Asset Management Plans. It was also noted the forward procurement plan has been flagged with relevant industries to help manage expectations.
- It was emphasized that robust evidence would be required to support an increase in revenue to demonstrate specifically where the additional costs were coming from.
- The Committee queried whether a 2.7% inflation rate seemed achievable. Management commented that different scenarios and modelling would be presented and discussed at the Council Member planning day in January 2023 to look at the difference indexes.
- The Committee provided feedback around including additional key assumptions around strategic investments with a need to consider the level of strategic projects to be identified through the Long Term Financial Plan.

- Staff were commended on the Environmental Scan. It was queried whether we had looked at bringing animal management in house. Management commented, this had been looked at 12 months ago, however it was determined that this sat best with the experts at the time given the risks involved. It is still on their radar.
- The Committee raised concerns around how the funding gap was being managed for the Community Centers given the cuts in grant funding. It was questioned whether there would be any impact on the provision of programs and services. Management advised they have applied for additional funding, and if granted, this would be split across the sites, however they will be requesting additional funding through the budget process to maintain services.
- The non-compliance around child safe reporting was raised and discussed. Management are prioritising this to meet the additional requirements. Where required additional training is being provided with this also being included in the standard requirements. Questions were asked around which positions are required to have mandatory training and well as community expectations around this. Management are continuing to work through this as a matter of priority.
- Another theme for consideration that was raised was the data maturity and the risks associated with the timeliness of the project due to the roll out of other systems which are key dependencies. Management confirmed that the Business Intelligence Lead had made good progress however there is still a large piece of work on data integration. The organisational KPI's are progressing with the intent for these to be ready for next financial year.
- The Committee reiterated the importance of playing out the scenarios for Council for them to see the impacts of various rate levels, with the need to balance programs and services with inflation and feel comfortable with the decision.

Moved Ms Rantanen

Seconded Mr Hubbard

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 2023-2024 and the Long-Term Financial Plan
2. Provide feedback on the Environmental Scan (Attachment 3) as input into the Draft ABP 2023-2024 and draft LTFP.

Carried Unanimously

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

7.4 Internal Audit Plan 2022 - 2023

Report Reference FRAC221213R7.4

Manager Office of the CEO introduced the item and provided an overview of the progress of the Internal Audit program for 2022 – 2023.

Mr Beere (KMPG) summarised the findings in the Community Consultation – Final Report and outlined the scopes for Customer Experience and Cyber Security.

The Community Consultation audit was a collaborative internal audit project focusing on the City of Charles Sturt and the City of Marion Community Consultation. The findings relate to the opportunity

to deepen focus on the customer, efficiency opportunities, greater engagement and involvement from Council Members, earlier planning, and accessibility.

The Committee provided the following feedback and comments:

- The Committee questioned the criteria and thresholds around the project methodology with Mr Beere commenting this was taken into consideration with the project management governance reports where there was a linkage, however there was an opportunity for improvement for the guidance for the consistency of application in regards to the tiers of projects.
- Management further commented on the current review of the project management framework which was engaging key stakeholders and undertaking a deep dive into this area.
- The Committee queried how best we can improve digital literacy and cover the gap. Mr Beere commented there was acknowledgement to this in joint finding 1 relating to community consultation methods requiring further enhancement to address accessibility and diversity. Further actions may be identified through addressing this finding. The Committee suggested potentially looking into allowances for employees assisting in translation. It was also suggested that the organisation could further consider offering Auslan as a service by Council at engagements and events.
- The Committee commented that the innovative opportunities were great for engaged communities, however queried whether there may be some risks association with this in terms of accessibility and diversity.
- Agreed there was a good approach to the findings, however suggested alternate wording could be used in the recommendation for PIO1 around the community consultation process in regard to feedback not determining the outcome of projects.
- Management advised some of these points would be picked up in the Customer Experience audit including how consultation groups are selected / engaged to ensure there is no exclusion and closing the loop back to residents.
- The Committee questioned the clarity of the scopes for customer experience and cyber security regarding historical discussions. The previous assurance mapping provided context on what should be included however, the scope appears to be more of a post implementation review for the CRM. It was noted that the scope can be amended to include a more fulsome approach to customer experiences and include the review of the strategic alignment and framework. In relation to the cyber security scope, the committee questioned whether the scope included the maturity aspects of each council. Mr Beere commented it was framed as testing design and effectiveness, however, can pivot to the maturity aspect. There were some discussions around the collaborative nature of the audits and noted that this could be further enhanced.
- Management will work with KMPG to revisit the two scopes and circulate these out of session. It was noted the scopes are endorsed subject to the changes identified.

Action: Circulate revised scopes with included identified changes to the Committee out of session.

Moved Mr Hubbard

Seconded Ms Rantanen

That the Finance, Risk and Audit Committee:

1. Notes the progress of the Internal Audit Program.
2. Considers and provides feedback on the:
 - a. Community Consultation – Final Report Attachment 1

- b. Customer Experience Scope – Attachment 2
- c. Cyber Security Scope – Attachment 3

Carried Unanimously

7.2 Quarterly Corporate Risk report

Report Reference FRAC221213R7.2

Manager, Office of the CEO introduced the item and provided a summary of the City of Marion Corporate Risk Register review for Q1 (July to September) 2022/23. There were no major changes this quarter, two risks were merged and there were two new risks from the Customer Experience area. There has been no change to the number of high risks we are reporting on.

The following comments were noted:

- The risks currently rated as high or above includes DTP01 referencing IT, however questioned whether it should also include cyber security given the current risks and recent breaches with other organisations. Management commented there had been discussions as to whether this should be included or not, noting that it currently also sits in the environmental scanning and will continue to monitor this as to whether it should be included or not.
- The Committee queried the reference to safety in relation to contractors as high, noting there was nothing for staff or community. Management confirmed this was specifically related to contractor management and that staff and community were captured through the public risk registers with these risks sitting at medium given the number of controls in place. There has been a significant amount of work done and internal controls put in place to reduce this risk.
- The risk relating to poor data quality and information governance not supporting informed decision making was discussed. This is currently sitting as high with no details around business requirements for the use of data. Management commented they anticipate this will shift over the course of the next 12 months with the Business Intelligence unit and DTP linking this back to records management. It was also noted the Data Governance Framework had been approved by ELT.
- The Committee commented on the planned treatments and relevant risks suggesting these may need to be reviewed and tidied up. When reviewing these it would also be worth reviewing the due dates to ensure the accuracy of these.
- The re-stated controls relating to the risk to supply chain issues creating an inability to complete projects on time and within allocated budget are good, however may not be mitigating the risk. The Committee questioned whether we had considered in-sourcing. Management noted there had been some in-sourcing as well as undertaking a rationalization process to ensure these are in place. The Committee commented that it is important the solution is realistic and may require the budget to be revisited.
- The Committee raised concerns that there was currently no IT Strategy. Management acknowledged this was a gap and have identified this as a business priority.
- The risk relating to understanding, planning, and responding to the projected impacts of climate change was discussed. It was noted the review dates had changed, however there didn't appear to be any reference to previous dates. It was suggested this visibility is important to understanding the risk. The Committee queried whether the training needs analysis due for review in 2022 had occurred.
- The Committee questioned the timeframes relating to contractors engaged by the City of Marion to undertake high risk land and property related activities and whether management were any closer to filling the role. Management advised the vacancy had been put on hold pending the re-structure within the unit, It is anticipated this vacancy will be filled relatively soon.

- The risk relating to labour market factors impacting on City of Marion to attract and retain talent was queried. The Committee felt the original wording was better as the labour market was a cause, not the entire risk.
- Management committed to undertaking a review of deadlines, formatting and wording prior to presenting to the Committee next time.

Moved Mr Hubbard

Seconded Councillor Veliskou

That the Finance, Risk and Audit Committee:

1. Notes the Corporate Risk Register Report (Attachment 1) and provides feedback on the review outcomes.
2. Endorses the new risks CRR104 - Ineffective and inconsistent event management & CRR105 Ineffective and inconsistent direct mail management both risks rated as Medium.
3. Endorses the removal of Risk MOP03 (this has been merged risk MCC03).

Carried Unanimously

7.3 Work Program and Meeting Schedule for 2023

Report Reference FRAC221213R7.3

Moved Ms Rantanen

Seconded Councillor Veliskou

That the Finance, Risk and Audit Committee:

1. Notes the proposed work program for 2023 identified at Attachment 1 to the report.
2. Adopts the following schedule of meetings for 2022:
3.
 - a) Tuesday 21 February 2022 (9-12pm)
 - b) Tuesday 16 May 2022 (2-5pm)
 - c) Tuesday 15 August 2022 (3-6pm and followed by a joint workshop with Council from 6.30pm onwards)
 - d) Tuesday 10 October 2022 (2-5pm)
 - e) Tuesday 12 December 2023 (2-5pm)

Carried Unanimously

8 Reports for Noting

8.1 Annual Ombudsman Report 2021/22

Report Reference FRAC221213R8.1

Manager Officer of the CEO provided a brief overview and summary of the items relating to the City of Marion noting that the complaints to the Ombudsman had increased slightly from 25 to 30. City of Marion was still sitting at a low % of complaints per 10,000 people. It was noted the Section 270 complaints were also at a reasonably low level and one relating to Coastal Walkway was being considered at the General Council meeting on 13 December. The Committee discussed the potential for learning from the community consultation process. Administration confirmed all improvement opportunities and learning from reviews were taken into consideration for future improvements and that some instances also require a case management approach. Overall, the statistics for City of Marion were slightly more than the previous year, however this was a common trend throughout all Councils.

4.43pm Ms Rantanen left the meeting and did not return.

Moved Councillor Veliskou

Seconded Mr Hubbard

That the Finance, Risk and Audit Committee:

1. Notes the report.

Carried Unanimously

8.2 Internal Audit Program - Implementation of Recommendations

Report Reference FRAC221213R8.2

Manager Office of the CEO introduced the item and provided an update of the status of implementation of recommendations from the Internal Audit program. The Committee provided the following feedback and comments:

- Comments on the number of findings with revised due dates. Management commented this was a result of the labour market and resource implications and DTP delays which has impacted on the implementation of recommendations. The Committee suggested that due date change be clearly articulated to enable as much transparency as possible.
- Discussed the centralised contract management team and the opportunity for council to make savings. Management advised this opportunity is being managed through the framework to include this function as part of the initial structure and up-front costs of the project.
- The Committee questioned how the organisation is managing low level fraud and dishonesty with contractors and staff and whether there was a policy or process in place. Management confirmed there are multiple controls in place which are tested by auditors each year including a fraud management survey completed by people leaders each year, internal audits and fraud awareness training which is mandatory for staff every twelve months.
- The Committee discussed the stakeholder management review noting the competing priorities across the organisation. The Stakeholder management map identifies the top 20 stakeholders

within the Community. Management acknowledged this has not progress as much as they would have liked, however this is back on track for January / February 2023.

- Given the number of deadlines that had not been met, or were unlikely to be met, the Committee suggested setting parameters and expectations for addressing the various risk ratings within a framework to ensure they are realistic and achievable. Management noted that managers are included in the close out meetings and reminded of setting realistic timeframes, taking into consideration the current needs of the business.
- The Committee questioned the recommendations from the Collaborative Health Check and how this was progressing.

Action: Circulate MOU that was developed to support the collaborative approach by the three Councils.

Action: develop a criteria for the timing of the implementation of recommendations based on the risk level of the finding.

Moved Mr Hubbard

Seconded Councillor Veliskou

That the Finance, Risk and Audit Committee:

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

Carried Unanimously

8.3 1st Budget Review 2022-2023

Report Reference FRAC221213R8.3

The report was taken as read noting the completion of the 1st Budget Review has identified a favourable net Cash adjustment of \$0.061m. Adding this to the Original Budget Surplus of \$0.023m leaves a revised full year cash surplus of \$0.084m.

The Committee discussed the following points:

- Carryovers and whether the organisation was in a good place with these. Management advised this is the lowest it has ever been. The \$2.9m mainly comprises of three projects and is a result of supply chain issues. This is a good outcome noting this year should see further improvement.
- The Committee commented on considerations when setting the budget including setting appropriate resources to deliver the projects. The Committee questioned with a 14% increase in workload can the teams deliver an additional 14% output? Management noted this review considered the impacts from last financial year, with the second budget review looking at how the budget including these carryovers will be delivered and whether the current program of work would require some of the budget to flow on to the next year. Management commented they are continuing to look at re-classification and identifying capital versus operating expenditure expecting to improve this process again this year.
- The Committee raised concerns around the DTP expenditure, however management advised this was due to the delay of three projects that were not ready for commission.
- It was noted that funds received from grant monies prior to 30 June 2022 was driving the first budget review reduction revenue cash flows for operations.
- The Committee questioned the borrowing amount included in the budget with management advising there is provision for this under the treasury management policy to cover capital

works. This may not need to be included in the next review as the yearly spend would have been assessed. The Committee suggested exploring this from a strategy perspective and whether or not it needs to be cash backed.

- Given the high target for capital works lately the committee suggested keeping an eye on the Asset Consumption Ratio. Management confirmed they were working on this, and it was on their radar.

Moved Councillor Veliskou

Seconded Mr Hubbard

That the Finance, Risk and Audit Committee:

1. Note the 1st Budget Review 2022-23 position

Carried Unanimously

The following items were not considered and will be held over until the Committee meeting to be held on 21 February 2023

- DTP Quarterly Status Update (FRAC221213R8.4)
- DTP Financial Transformation Update (FRAC221213R8.5)

11 Meeting Closure

The meeting was declared closed at 5.19pm.

CONFIRMED THIS 21 DAY OF FEBRUARY 2023

CHAIRPERSON