



**Minutes of the Finance, Risk and Audit Committee
held on Tuesday, 17 December 2024 at 2.00 pm
Council Chamber, Council Administration Centre
245 Sturt Road, Sturt**

PRESENT

Josh Hubbard (Chair)
Paula Davies
Melissa Oors-L'Estrange
Councillor Luke Naismith

In Attendance

Chief Executive Officer - Tony Harrison
General Manager City Services - Angela Allison
General Manager Corporate Services - Tony Lines
Chief Financial Officer - Ray Barnwell
Manager Office of the CEO - Sarah Vinall
Manager People and Culture
Unit Manager Governance and Council Support - Victoria Moritz
Unit Manager Risk and Strategy
Suhaas Madhyastha – KPMG
Heather Martens – KPMG

1 Open Meeting

The Chair opened the meeting at 2.03pm.

2 Kurna Acknowledgement

We acknowledge the Kurna 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 Special Finance, Risk and Audit Committee Meeting held on 11 November 2024**

Report Reference FRAC241217R4.1

Moved Councillor Naismith

Seconded Mr Hubbard

That the minutes of the Special Finance, Risk and Audit Committee Meeting held on 11 November 2024 be taken as read and confirmed.

Carried Unanimously

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference FRAC241217R5.1

Moved Councillor Nasmith

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 – Nil

7 Reports for Discussion

7.1 Internal Audit Plan 2023-2025

Report Reference FRAC241217R7.1

Manager Office of the CEO introduced the item and provided a summary of the progress of the Internal Audit Program for 2023-2025.

Ms Heather Martens and Mr Suhaas Madhyastha from KPMG were present for the item.

Cloud Vendor / Third party

Ms Martens gave an overview of the Cloud Vendor / Third Party Assessment report noting:

- The audit found one high risk, 2 medium risks and 1 performance improvement opportunity. These findings relate to the management of third-party risks, roles and responsibilities not formally defined, acceptance of extended downtimes and contract management guidelines and plans.
- Across the board, there is an increasing focus on cloud environments with a need for robust frameworks.
- Scope includes assessing cloud vendors, risk management, governance, and contractual frameworks.
- The assessment included a deep dive into two contracts to understand risk management and controls.
- There are areas for improvement in how the City of Marion can mature its approach to third-party risk management of cloud vendor contracts in regard to formalised process, documentation, systems and monitoring.
- There needs to be a robust process in place to ensure ongoing checking to ensure controls are working effectively and meeting contractual arrangements.
- There is evidence of a strong Information Services team awareness and involvement in the contract renewal process, however improvement is needed in maintaining evidence of assessments and formal contract handovers for ongoing management.

- Roles and responsibilities have not been formally defined with potential risks including accountability issues and mismanagement.

The Committee provided the following feedback:

- Queried the process around data extraction and how we are ensuring control of extracted data as well as how this is housed by third parties. KPMG stressed the need for controlled access to data and clear processes to manage rights and amalgamation.
- The Committee discussed the previous data governance audit noting this assessment focussed on defining expectations to ensure user groups are receiving the insights to continue to evolve.
- Acknowledged the team's capabilities and level of technical expertise, however noted that challenges exist to maintain expertise as demands shift.
- The Committee recognised the challenge of managing complex contracts and the challenge of tracking actions to ensure success.
- The Committee emphasised the importance of aligning contracts with evolving needs and ensuring robust data governance.

Project Management Scope

Ms Martens provided a summary relating to the scope of the project management audit noting the purpose was to review the effective implementation of the recently implemented Project Management Framework (PMF) for capital delivery and ICT projects. The audit will assess whether the Framework is fit-for-purpose, aligned with better practices, and provides relevant insights from comparable organisations with a deep dive into two very different projects.

The Committee provided the following discussion:

- The Committee discussed the process of selecting the sample projects that were assessed and were comfortable with the criteria applied noting this was based on projects that have gone through the full project management cycle, were based on large complex projects and included feedback from Management.
- KPMG commented there were quite a few recommendations to be followed up from the previous audit with the review of projects for this audit assessed under the new Project Management Framework.
- Management noted an increased degree of robustness since the last audit, with higher levels of accountability under the new framework. There was also a potential risk of over-bureaucratising the process.

Assurance Mapping Scope

Ms Martens provided a summary of the Assurance Mapping Scope noting the purpose of the internal audit is to provide an updated assurance map for the City of Marion's sources of assurance across

the organisation's key strategic risks. This was an opportunity to review lines of defence across key areas.

The Committee noted the risks in scope for this internal audit and queried why high residual risks weren't included. KPMG noted that there was still an opportunity to include anything further, however Management confirmed there currently aren't any risks with a high residual rating.

Moved Ms Davies**Seconded Ms Oors-L'Estrange**

That the Finance, Risk and Audit Committee:

1. Considers and provides feedback on the:
 - a. Cloud Vendor/Third Party Cyber Risks Assessment Report
 - b. Project Management Scope
 - c. Assurance Mapping Scope.

Carried Unanimously

7.2 Internal Audit Program - Implementation of Recommendations

Report Reference FRAC241217R7.2

The Committee noted the internal audit program and provided the following feedback:

- Discussed simplifying reports to clearly show progress while ensuring efficiency of effort in delivering reporting. An item of particular focus was, distinguishing between items "on track" and "off track."
- Encouraged reviewing whether all findings need to remain on the report, as some are outdated or superseded. Suggested a thorough review and closure for low-risk items where decisions have already been made, a different approach taken or where that finding/risk is no longer relevant to the organisation.
- The Committee noted a preference for a summary dashboard showing key statistics and progress with an emphasis on high-risk over-due actions and a short summary of closed items.
- The Committee discussed how risk ratings and closure targets are presented and the need to focus on older findings.
- It was noted the procurement oversight committee had not yet convened. However, the Terms of Reference are complete, and membership determined. The Strategic Procurement Manager position, a key resource on the Committee is currently vacant. The Committee will meet once this role is finalised.
- The Committee queried Action J1 from the Collaborative Contract Value for Money Audit in relation to the \$450,000 threshold referenced for all new contracts and the requirement to have a contract management plan. This was taken on notice with management to provide a response out of session.

- The Committee suggested this was a good opportunity to bring a report with a revised format to the next meeting and agreed that measuring quarterly progress would be a valuable addition moving forward.

ACTION: Management to provide a response to the question in relation to how the \$450k is selected for the cutoff where all contracts in excess of this amount have Contract Management Plans in place.

ACTION: Review format of current report and bring a revised version to the next Committee meeting.

Moved Ms Davies

Seconded Councillor Naismith

That the Finance, Risk and Audit Committee:

1. Reviews and provides feedback on the Internal Audit Program (Attachment 1).

Carried Unanimously

7.3 Work Program and Meeting Schedule for 2025

Report Reference FRAC241217R7.3

Moved Ms Oors-L'Estrange

Seconded Councillor Naismith

That the Finance, Risk and Audit Committee:

1. Notes the proposed work program for 2025 identified at Attachment 1 to the report.
2. Adopts the following schedule of meetings for 2025:

- a) Tuesday 18 February 2025 (4pm – 6pm)
- b) Tuesday 8 April 2025 (4pm – 6pm)
- c) Tuesday 3 June 2025 (4pm – 6pm)
- d) Tuesday 12 August 2025 ((4pm – 6pm) followed by a joint workshop with Council from 6.30pm)
- e) 14 October 2025 ((4pm – 6pm)
- f) 2 December 2025 ((4pm – 6pm)

Carried Unanimously

7.4 Q1 Corporate Risk Report 2024-2025

Report Reference FRAC241217R7.4

Unit Manager Risk and Strategy introduced the item commenting this report provided an opportunity to share some of the activities the teams will be undertaking over the next 12 months.

The Committee noted the report and provided the following feedback:

- Committee queried a potential conflict of interest given KPMG's dual role as internal auditor and involvement in risk management practices. Management confirmed they are comfortable with the approach and noted there was limited tender responses. The work is funded by LGRS using the risk management rebate and will be complete by 30 June 2025.
- The Committee emphasised the importance of ensuring practical outcomes from the maturity assessment that can deliver long-term benefits and be effectively implemented.
- The Committee discussed potential impacts of the recent state by-election on priorities and infrastructure. Management indicated there were no significant changes, with expectations of more developments closer to the 2026 state election.
- The Committee discussed service delivery provided by volunteers. Management acknowledged a national decline in volunteer availability, noting a potential overreliance on the same individuals.
- Despite this, services remain stable with close to 300 volunteers. Positive feedback indicates volunteers are generally happy, though risks exist around underutilisation of skills.
- Management will continue to work on strategies to adapt to the changing volunteer environment, focusing on re-engagement and improving skill-to-task alignment.
- The Committee discussed critical risks and controls and queried whether certain individuals were burdened with too many critical controls. Management confirmed the issue had been recently discussed and committed to review control assignments and hierarchy. Efforts will focus on simplifying and reducing the scope through the controlled library in Pulse (Risk Management Software).

Moved Councillor Naismith

Seconded Ms Oors-L'Estrange

That the Finance, Risk and Audit Committee:

1. Reviews the Corporate Risk Register Report and provide any feedback.
2. Considers the high risks in **Attachment 1** and provides feedback.

Carried Unanimously

7.5 Strategic Risk Register

Report Reference FRAC241217R7.5

Unit Manager Strategy and Risk introduced the item commenting the Committee last reviewed the Strategic Risk Register in February 2024. Since then, the Executive Leadership Team completed its bi-annual review, aligning risks with the Strategic Plan 2024-2034 and updating risk descriptions to address emerging sector-wide risks.

- The Committee commended the comprehensive analysis and sophisticated benchmarking approaches and noted excellent maturity in the process.
- Staff highlighted additional areas they felt were missing, including leveraging emerging technologies and addressing challenges in attracting skilled staff. These will be removed from the corporate risk register and elevated to the Strategic Risk Register.

Moved Ms Davies

Seconded Councillor Naismith

That the Finance, Risk and Audit Committee:

1. Notes and provides feedback to the Strategic Risk Register.

Carried Unanimously

7.6 Framework and Key Assumptions for the preparation of the 2025-2026 ABP and LTFP

Report Reference FRAC241217R7.6

The Chief Finance Officer introduced the item and provided a summary of the proposed framework in setting the 2025-2026 Annual Business Plan (ABP) & Long-Term Financial Plan (LTFP) and a summary of the process supporting the review of financial parameters and key budget assumptions.

The following discussion and feedback were noted:

- The ABP and LTFP process has commenced, noting the budget bid deadline for staff closed on 26 November.
- The Framework aligns funding approved in the Asset Management Plans (AMP's) with the LTFP and aims to maintain a break-even position or positive cash position to ensure long term financial sustainability.
- Modelling for rate rises and implications will be discussed with Council Members at the January 2025 Planning Day.
- City of Marion is currently and historically operating with minimal debt, however as planned over the next 10-years borrowings are projected to increase from the end of this financial year. There are continued efforts to manage cash flow tightly and defer borrowings until they are required.
- Key challenges discussed include balancing average rate increases while addressing rising costs including capital works, maintaining the existing high level of service delivery and potential increase in wages resulting from the current EB agreement negotiations.
- The committee queried reliance on CPI given it may understate council cost drivers. Management acknowledged CPI is household-focused but widely used, noting there are other indexation considerations and measures such as LGPI for example.
- Management commented that borrowings in the adopted LTFP are forecast to peak at \$52m. As the next iteration of the LTFP is developed adjustments will be made to accommodate updated project timelines and deferred borrowings to date.
- The Committee suggested the annual joint workshop in August could be used to feed into the future budget processes.
- The committee highlighted the importance of robust conversations on service levels, funding priorities, and value delivery, with a focus beyond percentage increases to the actual financial impact for households.

Moved Ms Davies**Seconded Councillor Naismith**

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 2025-2026 and the Long-Term Financial Plan.
2. Provide feedback on the Environmental Scan (Attachment 3) as input into the Draft ABP 2025-2026 and draft LTFP.

Carried Unanimously**8 Reports for Noting****8.1 Annual Ombudsman Report 2023-24****Report Reference** FRAC241217R8.1**Moved Councillor Naismith****Seconded Ms Oors-L'Estrange**

That the Finance, Risk and Audit Committee:

1. Notes the report.

Carried Unanimously**8.2 Council Member Report****Report Reference** FRAC241217R8.2**Moved Councillor Naismith****Seconded Ms Davies**

That the Finance, Risk and Audit Committee:

1. Notes this report.

Carried Unanimously**8.3 1st Budget Review 2024-2025****Report Reference** FRAC241217R8.3

The Chief Finance Officer introduced the report and provided a summary of the item commenting that the first budget review addresses carry over items. It was noted that assets have been independently valued, requiring depreciation adjustments. It is anticipated that the requirement for borrowings will be reassessed closer to the 3rd quarter review.

- The Committee queried the carryover process with Management confirming there due to the nature of council projects there will always be a level of carryovers resulting from a variety of factors including grant funded projects, delays in capital programs and scheduling.

- Management also clarified for the new committee members that the budgeted financial statements reflect year to date actuals and a reforecast for the remainder of the financial year.

Moved Councillor Naismith

Seconded Ms Davies

That the Finance, Risk and Audit Committee:

1. Notes the 1st Budget Review position

Carried Unanimously

9 Workshop / Presentation Items – Nil

10 Other Business – Nil

11 Meeting Closure

The meeting was declared closed at 3.37pm.

CONFIRMED THIS 18 DAY OF FEBRUARY 2024

CHAIRPERSON