

**Minutes of the Finance, Risk and Audit Committee
held on Tuesday, 20 June 2023 at 2.00 pm
Council Chamber, Council Administration Centre
245 Sturt Road, Sturt**

PRESENT

Mrs Emma Hinchey (Chair)

Mr Josh Hubbard

Councillor Jason Veliskou

Councillor Jayne Hoffmann

APOLOGIES

Ms Nicolle Rantanen

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

Unit Manager Strategy and Risk - Maddie Frew

Mr Eric Beere – Partner, KPMG

Ms Samantha Siziba – Manager, KPMG

1 Open Meeting

The Chair opened the meeting at 2.05pm.

2 Kaurna Acknowledgement

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

3 Elected Member Declaration of Interest (if any)

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

- Nil interests were disclosed.

4 Confirmation of Minutes

4.1 Confirmation of Minutes of the Finance, Risk and Audit Committee Meeting held on 16 May 2023

Report Reference SFRAC230620R4.1

Moved Councillor Veliskou

Seconded Councillor Hoffmann

That the minutes of the Finance, Risk and Audit Committee Meeting held on 16 May 2023 be taken as read and confirmed.

Carried Unanimously

5 Business Arising – Nil

6 Confidential Items

6.1 Cover Report - Marion Administration Centre Internal Fit-out Project - Section 48

Report Reference SFRAC230620F6.1

Moved Councillor Veliskou

Seconded Councillor Hoffmann

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 Office of the CEO, Manager City Property, Unit Manager Property Strategy & Delivery, Manager Enterprise Management Office, Unit Manager Governance and Council Support, be excluded from the meeting as the Council receives and considers information relating to Marion Administration Centre Internal Fit-out Project – Section 48, 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

2.06pm the meeting went into confidence

Moved Mr Hubbard

Seconded Councillor Veliskou

In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that this report, Administration Centre Internal Fit-out Project – Section 48, 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 from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2023.

Carried Unanimously

2.43pm the meeting came out of confidence

6.2 Cover Report - Quarterly Incident and Claims Report

Report Reference

SFRAC230620F6.2

Moved Councillor Veliskou

Seconded Mr Hubbard

That pursuant to Section 90(2) and (3)(i) 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 Office of the CEO, Chief Financial Officer, Unit Manager Strategy and Risk, Risk Business Partner - Insurance and Claims and Unit Manager Governance and Council Support be excluded from the meeting as the Council receives and considers information relating to Quarterly Incident and Claims 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 ongoing litigation.

Carried Unanimously

2.43 pm the meeting went into confidence

Moved Councillor Veliskou

Seconded Mr Hubbard

In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that the appendices and minutes arising from this report, Quarterly Incident and Claims Report, having been considered in confidence under Section 90(2) and (3)(i) 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

3.09pm the meeting came out of confidence

7 Reports for Discussion

7.0 3rd Budget Review 2022/2023

Report Reference

SFRAC230620R7.0

The Committee received and noted the 3rd Budget Review 2022/2023 and provided the following comments:

- The Committee commented on the projection for the financial year given we are almost at the end of the reporting period, and queried whether Management were comfortable they had captured the price escalation appropriately, and how close the estimates are to the final figures. Management confirmed they continued to review the expenditure around capital works with continual updates from relevant teams. There are some carryovers that management are aware of relating to the purchasing of fleet and Coastal Walkway and potentially some additional carryover relating to capital works projects that are being monitored, noting the final financial position cannot yet be determined. Based on the targets so far, it appears the overall budget will come in within the financial targets.
- The Committee discussed and confirmed the reporting of the accumulated surplus as a legislative requirement and with the third budget review and end of reporting period is expected to be \$448,601.

- Management commented they are pleased to be operating within budget for two consecutive years while maintaining low rate rises in a challenging economic environment with high inflation.
- The Committee discussed the revised capital budget with management, confirming the increase was predominantly due to the purchase of land in Park Holme with a plan to return this to open space. Management commented this is in line with Council's Strategy where opportunities present to work on increasing open space within 500m of residential property.
- The Budgeted Funding statement was discussed, with the Committee seeking clarification on the additional funding of \$1.3m in contractual services. Management commented this is a result of expenditure associated with additional grants received during the financial year post the budget being set including grants for positive aging and resilient south. In addition, a reclassification was required from capital to operating and from materials to contractual services to ensure this sits in the correct category.
- The Committee queried the \$1.4m sitting in borrowings with Management confirming it will only borrow if it needs to, depending on any grants received.

Moved Councillor Veliskou

Seconded Councillor Hoffmann

That the Finance, Risk and Audit Committee:

1. Note the 3rd Budget Review position and revised budgeted statements including the Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows.

Carried Unanimously

7.2 Results of the Bi-Annual Performance and Effectiveness Review of the Finance, Risk and Audit Committee

Report Reference SFRAC230620R7.2

Manager Office of the CEO introduced the item commenting that the Committee is operating well with the survey results returning either 'strongly agree' or 'agree' responses. There were some 'disagree' responses, however, it was noted these were from different respondents and not the same person. There are some opportunities identified including the structure of the agenda and meetings to ensure it aligns with the Committee's Terms of Reference and is manageable. It was noted the Terms of Reference may need to be reviewed to include changes to the service review program.

The Committee provided feedback from a council member perspective, noting the value of additional training to enable all individuals to provide input during the meetings. It was noted that Councillor Hoffmann is participating in the Australian Institute of Company Directors Course in August which will provide valuable skills and experience to share with the Committee.

The Chair commented that she has scheduled meetings with both the CEO and Mayor to continue to engage with Council and Management and invited any of the Committee Members to discuss any elements of the survey offline if they desired. In addition to the opportunities raised, it was suggested that a further report be brought through to the Committee outlining the legal duties of the individual members, and of the Committee itself.

Action: A report be brought back to the Committee highlighting the legal responsibilities and duties of individual members and of the Committee.

Moved Mr Hubbard**Seconded Councillor Hoffmann**

That the Finance, Risk and Audit Committee:

1. Review the results of the Performance and Effectiveness Review for 2023 and notes the following improvements to be implemented over the next two years:
 - a. Review and determine oversight from the Committee of the revised Service review Program.
 - b. Structuring of the Agenda and Meeting Schedule to ensure it aligns with the Committee's Terms of Reference and is manageable within the allocated meeting time
 - c. Review of the Committees legal duties and obligations.

Carried Unanimously

Order of Agenda Items

The Chair sought and was granted leave of the meeting to vary the order of the Agenda and consider the item 7.3 *Internal Audit – Implementation of Recommendations Review* at the end of the meeting.

8 Reports for Noting

8.1 Business Continuity Annual Report 2022-23

Report Reference FRACYMMDDR8.1

The Committee noted the Business Continuity Annual Report 2022-23 and provided the following comments:

- The Committee discussed the next exercise, with management confirming this was scheduled for Wednesday 28 June and will be based on a storm event. The decision was made to take the training back to basics considering the large staff turnover over recent years and since the last training. The focus will be on the BCP plan and roles and responsibilities of the IMT, followed by a scenario exercise. The External Facilitator will be providing a report that will also be brought back to the Committee for review and discussion.
- The Committee noted it was good to see the focus back on the BCP, however still expressed some concerns around the recovery from a cyber-attack suggesting this is prioritised to ensure the organisation is ready to recover when this occurs. Management confirmed this was on the radar with the team hoping to organise another exercise in six months to continue the momentum.

Moved Councillor Hoffmann**Seconded Mr Hubbard**

That the Finance, Risk and Audit Committee:

1. Notes the report.

Carried Unanimously**8.2 Service Review / Process Improvement Program****Report Reference** SFRAC230620R8.2

The Committee noted the Service Review / Process Improvement Program and provided the following feedback:

- The Committee noted the requirement for resourcing to continue in this space which had been a challenge. Management commented the previous service review program ceased 12 months ago noting the structure of the program no longer met the organisation's needs. Management have endorsed a revised program and will introduce the Lean Six Sigma across the organisation. The first round of training has taken place predominantly with ELT and SLT. Following the first cohort, a pause is now in place to ensure the governance arrangements and supporting framework are in place. This pause also allows a touch point to ensure the staff who have undertaken the training are confident in using the tools and skills they have learnt. The second group is scheduled for August.
- The Committee discussed the work that had previously been done on the service reviews to ensure this is not lost as there is some good work that has been done. Management agreed and noted they are not opposed to re-visiting some of the previous reviews given they will contain base line data which can be used to see what has changed and any further opportunities for improvement. The Committee further queried the status of the outstanding actions and how these were being followed up or closed out.
- Management commented they have undertaken an exercise in mapping change projects across the organisation with 80 projects being identified ranging from small to significant. ELT will be considering a report in the coming weeks to further consider these results and determine key elements for a deeper dive to better identify benefits / program gaps etc, and to lift the organisation.
- Management noted the significant introduction of governance practices across the organisation on a daily, weekly, monthly basis which has changed the culture of the organisation ensuring this is embedded in business-as-usual practices. The Performance Organisation Review meets monthly to review up to 60 sets of data to continually analyse the performance of business.

Action: A report be brought back to the Committee detailing the status of any outstanding actions from previous Service Reviews and how these are being followed up and closed out.

Moved Councillor Veliskou**Seconded Councillor Hoffmann**

That the Finance, Risk and Audit Committee:

1. Notes the report.

Carried Unanimously**8.3 Work Health and Safety Management System Annual Report****Report Reference** SFRAC230620R8.3

The Committee noted the Work Health and Safety Management System Annual Report and provided the following comments:

- There are a lot of organisations looking at similar elements and suggested collaborating with externals such as State and Federal Government as well as private organisations to achieve outcomes in an efficient and effective manner.
- Management agreed and commented they are working closely with their counterparts across different local government organisations to collaborate on this work.
- The Committee queried the due dates for some items and whether there were any risks in completing this on time. Staff advised there is a plan in place to address many of the items through the audit program and this will address key risks. Due to staff resourcing, they are currently 1 month behind, however, expect to be back on track by mid-July and are not concerned about meeting these timeframes.
- The Committee noted the format of reporting had changed and noted it was difficult to see what the progress was against the plan and LGRS. Management confirmed some business-as-usual elements had been take out with progress now sitting at 21%, staff were confident this would be 50% by the end of the month and on track for 100% completion by the end of the September reporting period, confirming that actions with 3 or elements are not marked as complete unless all items are marked complete.

Moved Councillor Hoffmann

Seconded Mr Hubbard

That the Finance, Risk and Audit Committee:

1. Note this report

Carried Unanimously

Moved Mr Hubbard

Seconded Councillor Hoffmann

That the meeting be adjourned for a period of 5 mins

3.52pm meeting adjourned

3.54pm meeting resumed

7.3 Internal Audit - Implementation of Recommendations Review

Report Reference SFRAC230620R7.3

Mr Eric Beere and Ms Samantha Siziba from KPMG were present for the item.

Mr Beere introduced the item and provided a summary of the Internal Audit – Implementation of Recommendations Review. It was noted this was an additional audit undertaken during 2022/23. The scope of the review was to spot check the implementation of recommendations from the past few years internal audit plan with a focus on the audit findings that were rated high.

The following discussion points were noted:

- There were 52 agreed actions selected for testing and of these 10 items were considered overdue. The predominant reason for this resulted from resource challenges and items with collaborative findings.
- It was noted that staff are working hard on improvements to recommendations to ensure they are practical and measurable. Staff are aware of actions with high-risk items being addressed in a timely manner. Low risk items are still being addressed; however, these are also being prioritised with business needs and priorities.
- The Committee queried if Management were comfortable there was a structured process to ensure recourses were focussed appropriately with both KMPG and Management confirming they are comfortable with the status given the recent major review of the recommendations by the Executive Team. It was noted there was also a change in how overdue recommendations were being reported with these items now remaining overdue and will also include a due date. Management is confident we will see a lot of the items closed out within the next 12 months.
- The Committee commented on the status of the Stakeholder Management Recommendations with Management confirming this had been delayed due to resourcing challenges and business priorities, however the Framework is currently being developed and is on the radar.
- The Committee queried Finding 9 relating to Community Consultation methods that require further enhancement to address accessibility and diversity and how this was being addressed. Management commented this would be picked up through the next update, noting this was an evolving space, not just relating to reading material but other methods of engagement as well.
- The Committee noted that the audit confirmed that all actions that have been declared completed and closed by Management have been closed appropriately. The Committee noted that this is an excellent result and gives confidence in the processes and procedures in place to respond effectively and appropriately to audit findings.

Moved Councillor Veliskou

Seconded Mr Hubbard

That the Finance, Risk and Audit Committee:

1. Notes the report.

Carried Unanimously

9 Workshop / Presentation Items – Nil

10 Other Business – Nil

11 Meeting Closure

The meeting was declared closed at 4.09pm.

CONFIRMED THIS 15 DAY OF AUGUST 2023

CHAIRPERSON