



City of Nedlands

# ***Agenda***

## ***Audit and Risk Committee Meeting***

***23 April 2015***

### **ATTENTION**

This Agenda has yet to be dealt with by the Committee.

The Administration Recommendations, shown at the beginning of each item, have yet to be considered by the Committee and are not to be interpreted as being the position of either the Committee or Council.

The Minutes of the meeting held to discuss this Agenda should be read to ascertain the decision of the Committee.

Before acting on any recommendation of the Committee a check must also be made in the Ordinary Council Minutes following the Committee Meeting to ensure that Council did not make a decision at variance to the Committee Recommendation.

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## City of Nedlands

### **Notice of a meeting of the Audit and Risk Committee to be held in the Council Meeting Room at 71 Stirling Hwy, Nedlands on Thursday 23 April 2015 at 6pm.**

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Dear Committee member

The next meeting of the Audit and Risk Committee will be held on Thursday 23rd April 2015 in the Council Meeting Room at 71 Stirling Highway, Nedlands commencing at 6pm.



Greg Trevaskis  
Chief Executive Officer  
16<sup>th</sup> April 2015

## **Council Committee Agenda**

### **Declaration of Opening**

The Presiding Member will declare the meeting open at 6pm and will draw attention to the disclaimer below.

### **Present and Apologies and Leave Of Absence (Previously Approved)**

**Leave of Absence**                      None.  
**(Previously Approved)**

**Apologies**                      None as at distribution of this agenda.

### **Disclaimer**

Members of the public who attend Council meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. For example by reference to the confirmed Minutes of Council meeting. Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material.

**1. Public Question Time**

A member of the public wishing to ask a question should register that interest by notification in writing to the CEO in advance, setting out the text or substance of the question. Questions tabled at the meeting may be unable to be answered due to the requirement for technical research and will therefore be answered direct afterwards.

Questions must relate to a matter contained within the agenda of this meeting.

**2. Addresses by Members of the Public (only for items listed on the agenda)**

Addresses by members of the public who have completed Public Address Session Forms will be invited to be made at this point.

**3. Disclosures of Financial Interest**

The Presiding Member to remind Councillors and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter is discussed.

A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision making procedure relating to the matter the subject of the declaration.

However, other members may allow participation of the declarant if the member further discloses the extent of the interest. Any such declarant who wishes to participate in the meeting on the matter, shall leave the meeting, after making their declaration and request to participate, while other members consider and decide upon whether the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

**4. Disclosures of Interests Affecting Impartiality**

The Presiding Member to remind Councillors and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

Councillors and staff are required, in addition to declaring any financial interests to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making procedure.

The following pro forma declaration is provided to assist in making the disclosure.

“With regard to ..... the matter in item x..... I disclose that I have an association with the applicant (or person seeking a decision). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly.”

The member or employee is encouraged to disclose the nature of the association.

**5. Declarations by Members That They Have Not Given Due Consideration to Papers**

Members who have not read the business papers to make declarations at this point.

**6. Confirmation of Minutes**

**6.1 Audit and Risk Committee Meeting 3 March 2015**

The minutes of the Audit and Risk Committee held 3 March 2015 are to be confirmed.

**7. Items for Discussion**

Note: Regulation 11(da) of the *Local Government (Administration) Regulations 1996* requires written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee as defined in section 5.70, but not a decision to only note the matter or to return the recommendation for further consideration.

## **7.1 CEO REPORT ON INTERNAL CONTROLS – RISK MANAGEMENT**

### **Background**

Regulation 17 of the Local Government (Audit) Regulations 1996 require the Chief Executive Officer (CEO) to review risk management, internal control and legislative compliance and to report the results of that review to the Audit and Risk Committee. Each of these matters is to be reviewed at least once every 2 calendar years.

An extract from the Local Government (Audit) Regulations 1996 is as follows:

17. *CEO to review certain systems and procedures*
  - (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
    - (a) *risk management; and*
    - (b) *internal control; and*
    - (c) *legislative compliance.*
  - (2) *The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
  - (3)
  - (4) *The CEO is to report to the audit committee the results of that review.*

The attached report covers Risk Management and is presented to the Audit and Risk Committee. The report follows Appendix 3 of the Local Government Operational Guidelines Number 09 which provides CEOs with guidance on issues that should be considered for inclusion in the CEO's Review of Risk Management. For each issue raised in the review, a CEO review/comment is provided.

### **Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee receives the CEO report on internal controls – Risk Management.**

### **Attachment**

1. CEO report on internal controls – Risk Management

## **7.2 RISK REGISTER**

### **Background**

The City of Nedlands' risk management framework is accordance with the ISO 31000 Risk Management Principles and Guidelines standard.

A Risk Profile, which is the strategic risk register for the City, has been created with the assistance of LGIS. The Risk Profile is comprises of a table showing the various measures of risk and overall risk matrix then a dashboard summary of each of the 24 risk areas identified in the Risk Profile.

The Risk Profile is a working document and each risk area is reviewed by the Executive on a rolling basis annually.

The Risk Profile is presented to the Audit and Risk Committee.

### **Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee receives the Risk Profile CEO report on internal controls – Risk Management.**

### **Attachment**

1. Risk Profile – Strategic Risk Register

### **7.3 INTERIM AUDIT – FRAUD AND ERROR ASSESSMENT**

#### **Background**

The Australian Auditing Standards require our Auditors Macri Partners to consider the risk that fraud could occur within the Council. In preparing to perform their Interim Audit risk assessment of the City of Nedlands in relation to the audit for the year ending 30 June 2015, Macri Partners have requested answers to the following questions:

1. Do you believe the policies and procedures in place within the Council are adequate to minimise the risk of fraud to an appropriately low level? Please provide an explanation for the reasons for your answer.
2. Have you, during the past year, become aware of or suspected fraud within the Council? If yes, please provide details.
3. Are you aware of any instances where policies and procedures have not been adhered to which could have resulted in a fraud occurring? If yes, please provide details.
4. Has the Council's management communicated to you its processes for identifying/responding to risks of fraud?

A draft response has been prepared for the Committee's consideration. The matter of Fraud Risk is addressed in the CEO report on internal controls – Risk Management.

#### **Recommendation to the Audit and Risk Committee**

##### **The Audit and Risk Committee:**

- 1. Endorses the responses to the Fraud and Error Assessment; and**
- 2. Authorises the Presiding Member to sign the assessment.**

#### **Attachment**

1. Interim Audit – Draft Fraud and Error Assessment



## **7.4 BDO INTERNAL AUDIT REPORT – EXPENSES AND CORPORATE CREDIT CARD PROCESSES**

### **Background**

The objectives of this review were:

- To consider and test the existing framework for approving, authorising, and paying for expenses incurred by members of staff from their own funds, from petty cash, and from the use of the City's Fuel Cards, P-Cards, and CCCs;
- To report findings, observations, and recommendations based on consideration and testing of the systems used for the above purposes.

In particular, BDO tested compliance with the City's established expenses policy and its related staff expenses and card usage processes and procedures.

The following areas were covered as part of the review:

- Preparation, authorisation and processing of staff expenses including those incurred through a CCC and P-Cards;
- Completeness and suitability of the City of Nedlands policies concerning staff expenses and the use of CCCs and P-Cards;
- Compliance with the staff expenses and corporate purchasing, CCC, and P-Card policies as authorised by the City of Nedlands;
- The timeliness and accuracy of accounting for expenses;
- Follow up of the recommendations raised in the Fuel Cards internal audit report of February 2013.

The subject period for this review was from 31 August 2013 to 31 August 2014.

A satisfactory rating was given with one high risk rated finding and 2 low risk rated findings. The report detailing the findings and management comments and agreed actions is attached.

### **Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee:**

- 1. Receives the BDO Internal Audit - Expenses and Corporate Credit Card Review; and**
- 2. Notes management comments and endorses the agreed actions.**

### **Attachment**

1. BDO Internal Audit - Expenses and Corporate Credit Card Review

## **7.5 BDO INTERNAL AUDIT – PROJECT MANAGEMENT REVIEW**

### **Background**

The objectives of this review are to provide a report detailing the observations and recommendations resulting from our consideration and testing of the design and effectiveness of the project management procedures adopted at the City, and to propose any potential additional measures that may assist the City in improving its project management skills and practices.

The focus of this review covers the project management activities currently implemented and adopted by the City of Nedlands in managing its projects. The period covered for this Review was from July 2013 to September 2014.

This review excludes the risks related to procurement and contract management. Project-related procurement and contract risk will be covered in our Procurement and Contract Management audit.

A satisfactory rating was given with one 'High' risk-rated finding and two 'Medium' risk-rated findings. BDO also identified four 'Low' risk-rated findings and made two observations. The report detailing the findings and management comments and agreed actions is attached.

### **Recommendation to the Audit and Risk Committee**

#### **The Audit and Risk Committee:**

- 1. Receives the BDO Internal Audit - Project Management Review; and**
- 2. Notes management comments and endorses the agreed actions.**

### **Attachment**

- 1. BDO Internal Audit - Project Management Review**

## **7.6 BDO INTERNAL AUDIT – 2015/2016 INTERNAL AUDIT PLAN**

### **Background**

The Council appointed BDO as Internal Auditors for a term of 3 years. Following on from the approved 3 year strategic internal audit plan, a detailed annual internal audit plan for 2015/16 has been developed and is attached.

The annual internal audit plan details the scope of each review, the manager(s) responsible for each audited area, and the Audit Committee meeting dates where BDO intend to present the final report for each audit. Note, the outline scope may change as a result of the detailed audit planning process. Final reports will be presented to the Executive Team prior to being presented to the Audit Committee. The fieldwork will be scheduled to ensure the Annual Plan for 2016/17 is delivered by 31 March 2016. The 2015

### **Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee notes and endorses the 2015/2016 Internal Audit Plan from BDO.**

### **Attachment**

1. BDO Internal Audit - 2015/2016 Internal Audit Plan

Date of next meeting

The date of the next meeting of this Committee is to be advised.

**Declaration of Closure**

There being no further business, the Presiding Member will declare the meeting closed.

A handwritten signature in black ink, appearing to read 'Greg Trevaskis', with a long horizontal flourish extending to the left.

Greg Trevaskis  
Chief Executive Officer