



City of Nedlands

# **Agenda**

## **Audit & Risk Committee Meeting**

**2 September 2019**

### **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.

Mark Goodlet  
Chief Executive Officer  
28 August 2019

## Table of Contents

Declaration of Opening .....	3
Present and Apologies and Leave of Absence (Previously Approved) .....	3
1. Public Question Time .....	3
2. Addresses By Members of the Public (only for items listed on the agenda) .....	4
3. Disclosures of Financial Interest .....	4
4. Disclosures of Interests Affecting Impartiality .....	4
5. Declarations by Members That They Have Not Given Due Consideration to Papers .....	4
6. Confirmation of Minutes .....	5
6.1 Audit & Risk Committee Meeting 5 June 2019 .....	5
7. Matters for Which the Meeting May Be Closed .....	5
8. Items for Discussion .....	5
8.1 Borrowing Analysis .....	6
8.2 Office of the Auditor General (OAG) Performance Audit - Fraud Prevention in Local Government Report .....	8
8.3 Office of the Auditor General (OAG) Final Interim Audit Results Letter .....	10
8.4 Internal Audit Actions Log .....	12
8.5 Moore Stephens Draft Strategic Internal Audit Plan for 2nd Year .	14
8.6 City Wide Insurance Brokerage Service Tender .....	16
9. Reports by the Chief Executive Officer .....	17
10. Urgent Business Approved By the Presiding Member or By Decision .....	17
11. Confidential Items .....	17
12. Date of next meeting .....	17
Declaration of Closure .....	17

## City of Nedlands

**Notice of a meeting of the Audit & Risk Committee to be held in the Council Chambers at the City of Nedlands, 71 Stirling Highway, Nedlands on Monday 2 September 2019 at 5.30 pm.**

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### **Audit & Risk Committee Agenda**

#### **Declaration of Opening**

The Presiding Member will declare the meeting open at 5.30 pm and will draw attention to the disclaimer below.

(NOTE: Council at its meeting on 24 August 2004 resolved that should the meeting time reach 11.00 p.m. the meeting is to consider an adjournment motion to reconvene the next day).

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

**Leave of Absence (Previously Approved)** Nil.

**Apologies** None at distribution of 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.

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#### **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 directly 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 & Risk Committee Meeting 5 June 2019**

The minutes of the Audit & Risk Committee held 5 June 2019 are to be confirmed.

**7. Matters for Which the Meeting May Be Closed**

Council, in accordance with Standing Orders and for the convenience of the public, is to identify any matter which is to be discussed behind closed doors at this meeting, and that matter is to be deferred for consideration as the last item of this meeting.

**8. 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.

## 8.1 Borrowing Analysis

<b>Owner</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Director</b>	Lorraine Driscoll – Director Corporate & Strategy
<b>CEO</b>	Mark Goodlet
<b>Attachments</b>	1. Borrowings Analysis Report 30 <sup>th</sup> April 2019

### Executive Summary

The report is prepared to present the borrowings analysis report as at 31<sup>st</sup> July 2019. The City has total borrowings of \$7,508,431 as at 31<sup>st</sup> July 2019 at various interest rates ranging from 2.48% to 6.04%. No additional borrowings have been budgeted in the financial year 2019/20 and the balance at year end is estimated to be \$5,864,653.

### Recommendation to Committee

**The Audit and Risk Committee receives the borrowings analysis report.**

### Discussion/Overview

As at 31<sup>st</sup> July 2019, the City has a total of 11 borrowings, as follows:

<b>Purpose</b>	<b>Number of loans</b>	<b>Value of loans</b>
Capital works	6	\$4,144,493
Underground Power Project	1	\$2,464,759
Self-supporting – Dalkeith Bowling Club	1	\$92,445
Self-supporting Underground Power Projects	3	\$806,734
<b>Total</b>	<b>11</b>	<b>\$7,508,431</b>

### Key Relevant Previous Council Decisions:

Nil.

### Consultation

Nil.

## **Budget/Financial Implications**

The cost of interest on borrowings was within the City's existing monetary budget limits for the 2019/20 Financial Year.



**SUMMARY STATEMENT OF BORROWING ACTIVITY  
FOR THE PERIOD ENDING 31 JULY 2019**

**Purpose**

Loan 179 - Road Infrastructures  
 Loan 181 - Building and Road Infrastructures  
 Loan 182 - Building  
 Loan 183 - Building  
 Loan 184 - Building  
 Loan 185 - Building  
 Loan 187 - Underground Power (CON)  
 Loan 188 - Underground Power (W.Hollywood Res)  
 Loan 189 - Underground Power (Alfred & MTC Res)  
 Loan 190 - Underground Power (Alderbury Res)  
 Loan 191 - Building and Road Infrastructures

**Self Supporting Loans**

Loan 186 - Dalkeith Bowling Club

**Total**

Interest Rate Per Annum	Actual YTD 31 JULY 2019				
	Principal 01-Jul-19 \$	New loans \$	Principal Repayment \$	Principal 31-Jul-19 \$	Interest(YTD) \$
6.04%	654,992	0	0	654,992	3,297
5.91%	498,901	0	0	498,901	2,457
4.67%	649,125	0	0	649,125	2,526
2.78%	1,031,607	0	0	1,031,607	2,390
3.12%	921,181	0	(32,096)	889,085	2,395
3.12%	435,974	0	(15,190)	420,784	1,134
2.64%	2,464,759	0		2,464,759	5,422
3.07%	645,499	0		645,499	1,683
3.07%	94,279	0		94,279	246
3.07%	66,956	0		66,956	175
	0	0		0	
	7,463,273	0	(47,287)	7,415,986	21,724
3.07%	92,445	0	0	92,445	237
				0	
	<b>7,555,718</b>	<b>0</b>	<b>(47,287)</b>	<b>7,508,431</b>	<b>21,961</b>

Adopted Budget 2019/20		
New loans \$	Principal 30-Jun-20 \$	Interest \$
0	539,211	36,972
0	256,766	24,184
0	398,479	25,967
0	871,357	27,018
0	791,286	27,231
0	374,498	12,888
0	1,831,084	58,831
0	578,626	18,277
0	84,512	2,669
0	60,019	1,896
0	0	0
0	5,785,838	235,933
0	78,815	2,682
<b>0</b>	<b>5,864,653</b>	<b>238,615</b>



**8.2 Office of the Auditor General (OAG) Performance Audit - Fraud Prevention in Local Government Report**

<b>Owner</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Director</b>	Lorraine Driscoll – Director Corporate & Strategy
<b>CEO</b>	Mark Goodlet
<b>Attachments</b>	1. CONFIDENTIAL - Fraud Prevention in Local Government Report

**Executive Summary**

The objective of this report is to present the Fraud Prevention in Local Government Report issued by the Office of the Auditor General (OAG). The Office of Auditor General (OAG) conducts Performance Audits to assess Local Governments against common business practices to identify good practices, control weaknesses and exposures so that local governments, including those not audited, can evaluate their own performance.

The OAG undertook a narrow-scope performance audit regarding the Fraud Prevention Management capabilities of the Local Governments within the State. The audit was conducted on a selection basis and the City was selected for inclusion in the audit.

**Recommendation to Committee**

**The Audit & Risk Committee:**

- 1. receives the Fraud Prevention in Local Government Report;**
- 2. notes and accepts the responses provided by the Chief Executive Officer specific to the City within the Report; and**
- 3. recommends Council:**
  - a. approves the responses of the Chief Executive Officer; and**
  - b. instructs the Chief Executive Officer to provide Report implementation progress updates to the Audit and Risk Committee at appropriate intervals.**

## **Discussion/Overview**

The Local Government Amendment (Auditing) Act 2017 made legislative changes to the Local Government Act 1995 to provide for the auditing of Local Governments by the Auditor General. Under section 18 of the Auditor General Act 2006, the OAG can conduct Performance Audit of the Local Government within the State. Accordingly, the OAG executed a narrow-scope performance audit in relation to the Fraud Prevention Management within the Local Government sector. In general, the core objective of the narrow scope performance audit is to evaluate entities compliance with legislation, public sector policies and accepted good practice.

The key purpose of the Fraud Prevention in Local Government performance audit was to assess whether selected Local Governments have taken appropriate steps to prevent fraud within the organisation and have appropriate controls in place. The City along with 4 other local governments were included in the audit.

Based on the results of their audit, OAG issued a Summary of Findings report detailing their observations across all the 5 audited local governments. Further, the report made recommendations in relations to the findings identified as a part of the audit. The Chief Executive Officer (CEO) was invited to provide feedback and management responses in relation to each recommendation made in the report. Accordingly, the CEO made comments providing further explanations and implementation of the audit recommendations where applicable. The Office of the Auditor General (OAG) Performance Audit – Fraud Prevention in Local Government Report was tabled in the WA Parliament on 15 August 2019.

The tabled report is presented to the Audit and Risk Committee for their information and consideration.

### **Key Relevant Previous Council Decisions:**

Nil.

### **Consultation**

Nil.

### **Budget/Financial Implications**

The OAG Performance Audits are funded by Parliamentary appropriation and has nil financial implications for the City.

### 8.3 Office of the Auditor General (OAG) Final Interim Audit Results Letter

<b>Owner</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Director</b>	Lorraine Driscoll – Director Corporate & Strategy
<b>CEO</b>	Mark Goodlet
<b>Attachments</b>	1. CONFIDENTIAL - OAG Final Interim Audit Results Letter for the Year Ended 30 June 2019

#### Executive Summary

This report is prepared to present the Final Interim Audit Results Letter issued by the Office of the Auditor General (OAG) which was drafted by the External Auditors; Macri Partners (OAG Contractor) for the year ended 30 June 2019. As part of the statutory audit requirements, each year the External Auditors undertake an interim audit to ascertain the effectiveness of the established controls and examination of certain compliance matters to form an opinion on the City's Financial Statements.

At the Audit Committee Meeting held on 5 June 2019, the Draft Interim Audit Results Letter was presented as it was in the process of being finalised by the Office of the Auditor General.

#### Recommendation to Committee

**The Audit & Risk Committee:**

- 1. receives the Final Interim Audit Results Letter for the year ended 30 June 2019;**
- 2. observes and considers the responses provided by Management for the Final Interim Audit Findings; and**
- 3. recommends Council supports the responses of Management.**

#### Discussion/Overview

Macri Partners have carried out an interim audit of the City which covered a review of the accounting and internal control procedures in operation, as well as testing of transactions in numerous areas as outlined in the final interim audit results letter.

Based on the results of their interim audit, Macri Partners issued a draft interim results letter detailing their findings, the rating and their recommendations. Management made comments providing further explanations and implementation of the audit recommendations where applicable.

The interim audit results letter was in the process of being finalised by the Office of the Auditor General. At the time, the City was advised that while the essence of the findings would remain the same as the draft letter, the format, wording and rating were being edited to ensure that they were consistent with other Local Governments. Further, it was indicated that the Office of Auditor General would include one additional finding regarding the interest received on the City's trust bank account in the final letter. However, this finding hasn't been included in the final letter as the City had raised the concern around the validity of the finding. The similar view has been observed by the other Local Governments as well.

The final interim audit results letter is presented to the Audit and Risk Committee for their information and consideration.

**Key Relevant Previous Council Decisions:**

Nil.

**Consultation**

Nil.

**Budget/Financial Implications**

The cost of External Audit fees was within the City's existing monetary budget limits for the 2018/19 Financial Year.

## 8.4 Internal Audit Actions Log

<b>Owner</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Director</b>	Lorraine Driscoll – Director Corporate & Strategy
<b>CEO</b>	Mark Goodlet
<b>Attachments</b>	1. CONFIDENTIAL - Internal Audit Actions Log

### Executive Summary

The attached Internal Audit Actions Log contains details of the matters raised by the auditors during the City's Internal Audit program. The list apporitions information detailing the Log Reference, Audit Name, Original and Revised Due Dates, Action Owner details, Item Status, Status Comments and Rating.

The recently updated internal audit Actions Log is presented to the Audit and Risk Committee for their information.

### Recommendation to Committee

**The Audit and Risk Committee receives the internal audit Actions Log.**

### Discussion/Overview

An audit is a process through which internal control effectiveness is examined and assessed. The objective is to provide an audit for compliance with relevant management policies and procedures. Each internal audit undertaken results in actions being recommended to the City's Administration. These actions are monitored for completion using the internal audit Actions Log.

The attached list contains details of the Actions raised and outcome.

The recently updated internal audit Actions Log is presented to the Audit and Risk Committee for their information.

### Key Relevant Previous Council Decisions:

Nil.

### Consultation

Nil.

## **Budget/Financial Implications**

Nil.

Any actions requiring expenditure that are not allocated to an existing budget will be considered by Council during budget deliberations.

## 8.5 Moore Stephens Draft Strategic Internal Audit Plan for 2nd Year

<b>Owner</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Director</b>	Lorraine Driscoll – Director Corporate & Strategy
<b>CEO</b>	Mark Goodlet
<b>Attachments</b>	1. CONFIDENTIAL - Moore Stephens – Draft Strategic Audit Plan

### Executive Summary

This report is prepared to present the Draft Strategic Internal Audit Plan prepared by the City's Internal Auditors Moore Stephens. The objective of the Draft Strategic Internal Audit Plan is to inform the Audit and Risk Committee about the internal audit areas covered in 2018/19 Financial Year and provide an outline of the areas considered to be of priority for the review in 2019/20 Financial Year. The areas to be considered in the 2019/20 Financial Year have been endorsed by the CEO.

### Recommendation to Committee

**The Audit and Risk Committee:**

- 1. receives the Draft Strategic Internal Audit Plan prepared by the City's Internal Auditors Moore Stephens; and**
- 2. the Committee observe and consider the Draft Strategic Internal Audit Plan and support the CEO's endorsement of the internal audit areas to be covered in the 2019/20 Financial Year.**

### Discussion/Overview

Regulation 17 of the Local Government (Audit) Regulations 1996 requires the CEO to conduct a triennial review of the appropriateness and effectiveness of a Local Government's systems and procedures in relation to risk management, legislative compliance and internal control. Internal audit is an essential function in meeting the requirements of this regulation.

The internal audit function facilitates continuous improvement and positive change within the City. This independent review and advice service assists management in improving the City's business performance and in achieving desired outcomes.

The internal auditor reports functionally to the Audit Committee and administratively to the CEO. In accordance with section 5.41 of the Local Government Act 1995, the CEO is responsible for the day to day management of council activities which implicitly includes the internal audit function.

The Draft Strategic Internal Audit Plan has been designed to ensure that the activities of Internal Audit are focused on the risks that matter to the Council. Further, the plan has been prepared with input from the Executive Management, Senior Staff and the Internal Auditor. The plan seeks to adapt to the changing environment the City operates in and be flexible and responsive to the City's needs. This high-level plan has been developed and designed to:

- Strategically align with existing IT projects;
- Support governance focus;
- Provide an end to end review providing assurance around compliance, adequacy of controls and efficiency of processes;
- Identify increased risks due to high value capital projects, initiatives, large scale changes to legislative requirements, etc.; and
- Identify any areas which will provide the Council with greater value add from Internal Audit scrutiny.

Where matters of higher priority arise over the course of the three year plan, they will be considered and the detail of the plan may be revised to accommodate the new risk and the changes will be communicated where necessary.

The internal audit areas considered to be of priority for the review in 2019/20 Financial Year are:

1. Accounts Receivables End to End Process Review;
2. Business Continuity Review (carried forward from Year 1); and
3. Payroll Compliance Audit.

**Key Relevant Previous Council Decisions:**

Nil.

**Consultation**

Nil.

**Budget/Financial Implications**

The cost of External Audit fees was within the City's existing monetary budget limits for the 2019/20 Financial Year.



**8.6 City Wide Insurance Brokerage Service Tender**

Verbal update by Director Corporate & Strategy

**9. Reports by the Chief Executive Officer**

Nil.

**10. Urgent Business Approved By the Presiding Member or By Decision**

Any urgent business to be considered at this point.

**11. Confidential Items**

Nil.

**12. Date of next meeting**

The next meeting of the Audit & Risk Committee will be held on 14 November 2019 at 5.30 pm.

**Declaration of Closure**

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