

***Minutes***

***Audit & Risk Committee Meeting***

***4 March 2021***

**ATTENTION**

**These Minutes are subject to confirmation**

This is a committee which has only made recommendations to Council. No action should be taken on any recommendation contained in these Minutes. The council resolution pertaining to an item will be made at the Ordinary Council Meeting next following this meeting.

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**City of Nedlands**

**Minutes of a meeting of the Audit & Risk Committee held in the Council Chamber and online via livestream on Thursday 4 March 2021 at 5.34 pm.**

# Declaration of Opening

The Presiding Member declared the meeting open at 5.30 pm and drew attention to the disclaimer below.

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

**Councillors** Councillor L J McManus (Presiding Member)

Councillor R Senathirajah Melvista Ward

Councillor P N Poliwka Hollywood Ward

Mr P Setchell Community Member

**Staff** Mr J Duff Acting Chief Executive Officer

Mr E Herne Director Corporate & Strategy

Mrs S C Gibson PA to Director Corporate & Strategy

Ms R Jahmeerbacus Manager Financial Services

Mr T Free Director Planning & Development

Ms J Bruce Acting Manager Health & Compliance

**Invited Guests** Ms M Shafizadeh Moore Australia, Director Assurance Advisory

Mr D Vo Moore Australia, Assurance Advisory

 Mr J Ward KPMG (Auditors)

**Leave of Absence** Nil.

**(Previously Approved)**

**Apologies** Councillor A W Mangano Dalkeith Ward

Mr S Foley Community Member

**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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# Public Question Time

Nil.

# Addresses By Members of the Public (only for items listed on the agenda)

Nil.

# Disclosures of Financial and/or Proximity Interest

The Presiding Member reminded 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.

There were no disclosures of financial interest.

# Disclosures of Interests Affecting Impartiality

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

There were no disclosures affecting impartiality.

# Declarations by Members That They Have Not Given Due Consideration to Papers

Nil.

# Confirmation of Minutes

# 6.1 Audit & Risk Committee Meeting 14 December 2020

Moved – Councillor Senathirajah

Seconded – Mr Setchell

**The minutes of the Audit & Risk Committee held 14 December 2020 be confirmed.**

**CARRIED UNANIMOUSLY 4/-**

# 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.

There are no matters for which the meeting may be closed.

# 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 Finanical Audit for Year Ended 30/06/2020 – Update on Issues and Status of the Audit

|  |  |
| --- | --- |
| **Committee** | 4 March 2021 |
| **Applicant** | City of Nedlands  |
| **Employee Disclosure under section 5.70 *Local Government Act 1995* and section 10 of the City of Nedlands Code of Conduct for Impartiality.** | Nil. |
| **Director** | Ed Herne – Director Corporate & Strategy |
| **Attachments** | Nil. |
| **Confidential Attachments** | Nil. |

**Regulation 11(da) – Not Applicable – Recommendation Adopted**

Moved – Mr P Setchell

Seconded – Councillor R Senathirajah

**That the Recommendation be adopted.**

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 4/-**

**Committee Recommendation / Recommendation to Committee**

**The Audit and Risk Committee receives the verbal update provided by KPMG regarding the Financial Audit for Year Ended 30/06/2020.**

Verbal update provided by Mr J Ward, KPMG

“There was a $26.4m overstatement in freehold land, which was caused by an administrative error in the last lot of valuations received in 2017. One item of land, leased to Shorehouse was included as Council Freehold land. Two parks adjacent to the Golf Course didn’t meet the old definition of Regulations were also included. This resulted in a material error of $26.4m.

The restatement of financials will include a note explaining the error and the account balances. A third additional balance sheet (2018) will be required to be included in the 2019/20 Annual Financial Report.

KPMG are currently wrapping up discussion with the Technical team and require a couple of weeks to allow OAG for the final review.”

**Executive Summary**

KPMG is to provide the Risk and Audit Committee with a verbal update on the issues and status of the financial audit for the year ended 30 June 2020.

There have been some delays in the audit process arising from shortcomings of the City’s accounting system reporting capabilities, changes to accounting standards which have come into effect from 1 July 2019 and further proposed amendments to the Local Government Financial Management Regulations.

**Discussion/Overview**

The Auditor General (AG) is the auditor for the City since the financial year 2019. The 2019 financials were audited by Macri Partners as contractors of the AG and 2020 financials are being audited by KPMG as contractors of the AG.

The relevant legislative requirements are as follows:

The City is to submit the annual financial report to the auditor by 30 September 2020 as required by the LGA S 6.4(3).

The audit report is to be completed (signed and sent out) by 31 December 2020 as required by the LGA S 7.9.

The annual report to be accepted by Council no later than 31 December 2020. If the auditor’s report is not available in time for the annual report to be accepted by 31 December 2020, the annual report is to be accepted by the local government no later than 2 months after the auditor’s report becomes available. This is in accordance with the LGA S 5.54

A general meeting of electors is to be held once every financial year and within 56 days of Council accepting the annual report as required by the LGA S 5.27.

The audit of the 2020 financials was planned to be completed by end of October 2020 and presented to the Committee at the meeting on 7 December 2020. However there have been some delays in the audit process arising from different auditing approach applied by KPMG, shortcomings of the City’s accounting system reporting capabilities, changes to accounting standards which have come into effect from 1 July 2019 and further amendments to the Local Government Financial Management Regulations which were published in the Government Gazette on 6 November 2020.

Arising from the above issues, there are some audit procedures and reviews yet to be completed.

The completion date of the audit is not ascertained yet and is likely to be delayed. The City has informed the Department of Local Government, Sport and Cultural Industries of the expected delay and the Department has confirmed in writing that the requirement that the audited financial statement is to be accepted by the local government no later than 2 months after the auditor’s report becomes available and there is no penalty applicable.

**Strategic Implications**

**How well does it fit with our strategic direction?**

Not applicable

**Who benefits?**

Not applicable

**Does it involve a tolerable risk?**

The risk of delay is tolerable as it is highly likely that deadlines will be met.

**Do we have the information we need?**

The completion date of the audit is still not ascertained as there are some further audit procedures and reviews to be completed.

**Budget/Financial Implications**

**Can we afford it?**

There are no costs associated with this report.

# 8.2 Internal Audit Action Log

|  |  |
| --- | --- |
| **Committee** | 4 March 2021 |
| **Applicant** | City of Nedlands  |
| **Employee Disclosure under section 5.70 *Local Government Act 1995* and section 10 of the City of Nedlands Code of Conduct for Impartiality.** | Nil. |
| **Director** | Ed Herne – Director Corporate & Strategy |
| **Attachments** | 1. Internal Audit Actions Log.
 |
| **Confidential Attachments** | Nil. |

Mr J Ward retired from the meeting at 6.03 pm.

**Regulation 11(da) – Not Applicable – Recommendation Adopted**

Moved – Councillor R Senathirajah

Seconded – Councillor P Poliwka

**That the Recommendation be adopted.**

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 4/-**

**Committee Recommendation / Recommendation to Committee**

**The Audit and Risk Committee receives the 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 apportions information detailing the Log Reference, Dates – Open, Due and Closed, Business, Audit Status, Name and Action, Owner, Original and Revised Due Dates, Action, Owner and Status Comments.

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

**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 outcomes.

The recently updated Internal Audit Actions Log is presented to the Audit and Risk Committee members for their information. We have recently updated the log to a more optimised process. All past items are under the Archive tab. The log will be managed on one page which is the Main sheet of the register.

**Key Relevant Previous Council Decisions:**

Nil

**Consultation**

Nil.

**Strategic Implications**

As part of the measures identified within the Community Strategic Plan for great governance and civic leadership, ongoing management of internal audit items assists towards this goal. This register has improved our ability to identify and manage both audit items and potential risk.

**Who benefits?**

All (specify who) will benefit from a more streamlined method of capture and simpler method of filtering closed and open items.

**Does it involve a tolerable risk?**

This reduces the City’s exposure to financial risks as it provides a method of management by measuring the City’s actions and outcomes.

**Budget/Financial Implications**

Nil.

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

# 8.3 Annual Compliance Audit Return 2020

|  |  |
| --- | --- |
| **Committee** | 4 March 2021 |
| **Applicant** | City of Nedlands |
| **Employee Disclosure under section 5.70 *Local Government Act 1995* and section 10 of the City of Nedlands Code of Conduct for Impartiality.** | Nil. |
| **Director** | Ed Herne – Director Corporate & Strategy |
| **Attachments** | 1. Compliance Audit Return 2020
 |
| **Confidential Attachments** | Nil. |

**Regulation 11(da) – Not Applicable – Recommendation Adopted**

Moved – Councillor R Senathirajah

Seconded – Mr P Setchell

**That the Recommendation be adopted.**

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 4/-**

**Committee Recommendation / Recommendation to Committee**

**The Audit and Risk Committee:**

1. **receives the completed 2020 Annual Compliance Audit Return and review the information and contents of the return**;

1. **report the results of the review to the Council; and**
2. **recommends Council to support the adoption of the 2020 Annual Compliance Audit Return**

**Executive Summary**

The 2020 Compliance Audit Return is an annual return that is required to be reviewed and adopted by Council prior to submission to the Department of Local Government, Sport and Cultural Industries by 31 March 2021. The Audit and Risk Committee are required to review the return and is to submit results of that review to Council.

**Discussion/Overview**

Local governments are required to complete the annual Compliance Audit Return. The attached return for the City of Nedlands is for the period 1 January 2020 to 31 December 2020. It is required to be considered and adopted by Council, and submitted to the Department of Local Government, Sports and Cultural Industries by 31 March 2021. The Audit and Risk Committee is required to review the return and is to submit the results of that review to Council.

In accordance with Regulation 14 and 15 of the Local Government (Audit) Regulations 1996 the 2020 Annual Compliance Audit Return must be:

1. Presented to the Audit and Risk Committee for review and then presented to Council;
2. Adopted by Council;
3. Recorded in the minutes of the meeting at which it was adopted; and
4. A certified copy of the return, along with a copy of the minutes recording its adoption, to be submitted to the Department by 31 March 2021.

The City’s 2020 Compliance Audit Return was completed in February by Management following a review and assessment of:

* Council meeting agendas and minutes;
* Performance plans, media advertisements, procedures and policies, registers, delegation records, local laws; and
* Interviews with responsible officers.

**Key Relevant Previous Council Decisions:**

Nil.

**Consultation**

The Audit and Risk Committee is required to review the return and is to submit the results of that review to Council.

**Budget/Financial Implications**

The 2020 Compliance Audit Return has been conducted using internal resources and there are no other financial impacts.

# 8.4 Emergency Management Obligations

|  |  |
| --- | --- |
| **Committee** | 4 March 2020 |
| **Applicant** | City of Nedlands |
| **Employee Disclosure under section 5.70 *Local Government Act 1995* and section 10 of the City of Nedlands Code of Conduct for Impartiality.** | Nil. |
| **Director** | Tony Free – Director Planning & Development |
| **Attachments** | 1. List of requirements of the City of Nedlands Under the Emergency Management Act 2005
 |
| **Confidential Attachments** | Nil. |

**Regulation 11(da) – Not Appliable – Recommendation Adopted**

Moved – Mr P Setchell

Seconded – Councillor R Senathirajah

**That the Recommendation be adopted.**

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 4/-**

**Committee Recommendation / Recommendation to Committee**

**The Audit and Risk Committee receives the List of Requirements of the City of Nedlands Under the Emergency Management Act 2005 (Attachment 1) and notes the information.**

**Executive Summary**

The City of Nedlands has certain responsibilities under the Emergency Management Act 2005 (EMA) and its associated Regulations and Policies. The purpose of this report is to outline those obligations and what the City of Nedlands is doing to comply with those requirements.

**Discussion/Overview**

The Western Australian State Government has adopted a comprehensive and integrated approach to Emergency Management. This approach encompasses the concept that it is impossible to create separate plans for every incident but that it is possible to have a single set of management arrangements capable of encompassing all hazards. Dealing with the identified risks to community safety requires a range of programs encompassing the Prevention, Preparedness, Response, Recovery (PPRR) framework as described below:

* Prevention – measures to eliminate or reduce the incidence or severity of emergencies.
* Preparedness – measures to ensure that, should an emergency occur, communities, resources and services are capable of coping with the effects.
* Response – measures taken in anticipation of, during and immediately after an emergency to ensure its effects are minimised.
* Recovery – measures which support emergency-affected individuals and communities in the reconstruction of the physical infrastructure and restoration of emotional, economic, environmental, and physical wellbeing.

The EMA contains a three-tier approach to Emergency Management throughout the state and places certain duties upon the:

* State (State Emergency Management Committee),
* Districts throughout the state (District Emergency Management Committees); and
* Local Governments (Local Emergency Management Committees).

Local Governments’ role in the PPRR process does not involve the Response phase but does involve the Planning, Preparedness and Recovery elements. Local Governments are required under the EMA to provide the following responsibilities (Sections 36 to 43 of the Act):

* Establish and operate a Local Emergency Management Committee.
* Prepare and maintain Local Emergency Management Arrangements to support Hazard Management Agencies in time of Emergency.
* Manage the Recovery phase of an emergency.
* Appoint a Local Recovery Coordinator.

The City of Nedlands has established a Local Emergency Management Committee which has been operating jointly, and in cooperation with:

* City of Subiaco,
* Shire of Peppermint Grove,
* Town of Cambridge,
* Town of Claremont,
* Town of Cottesloe,
* Town of Mosman Park: and
* City of Vincent.

This Western Suburbs Local Emergency Management Committee (WC-LEMC) structure was approved by the State Emergency Management Committee on 18 May 2005.

The Western Central Local Emergency Management Arrangements have been developed to effectively prepare to support Hazard Management Agencies and Recovery during and after an emergency event. These arrangements were presented to Council in report PD 42-18 at the Council Meeting of 28 August 2018. It was subsequently acknowledged by the State Emergency Management Committee by letter dated 9 October 2020.

These arrangements also include a Local Recovery Plan which further addresses the restoration of emotional, social, economic, and physical wellbeing of a community, appointment of a Local Recovery Coordinator, the reconstruction of infrastructure, and the provisions of support services following an emergency.

**Key Relevant Previous Council Decisions:**

The Western Central Local Emergency Management Arrangements prepared and adopted by the WC-LEMC on the 7 June 2018 and the City of Nedlands on the 28 August 2018 Res. No. PD 42-18.

**Consultation**

In a WC-LEMC meeting held 5 March 2020, it was resolved that the WC-LEMC Executive Officer arrange an information session for the WESROC CEO’s regarding the roles and responsibilities of Local Governments under the EMA and associated policy.

This information session was presented to the WESROC CEO’s on the 3 December 2020 which resolved to have emergency management responsibilities to be drafted for elected members for presentation to respective Audit and Risk Committees.

**Strategic Implications**

**How well does it fit with our strategic direction?**

The City’s Strategic Community Plan Nedlands 2018-2028 identified Council’s overall strategic priorities which includes *Working with neighboring Councils to achieve the best outcomes for the Western Suburbs as a whole.* The City of Nedlands partnering with other Western Suburbs councils ensures the most effective use of resources and skills required for the benefit of the region.

In conjunction to this, the City of Nedlands Corporate Business Plan Nedlands 2023 Making it Happen 2013-2017 also identifies Activity Objects for emergency management ensuring that the City coordinates a response in the event of an emergency that affects the City of Nedlands locality.

The City is providing the agreed level of service by participating in quarterly WC-LEMC meetings, maintaining an emergency management plan, and monitoring and responding to potential hazards.

**Who benefits?**

The City and wider community benefit through this process by ensuring the City’s preparedness to deal with the identified emergencies should they arise. The process requires a risk assessment be undertaken for hazards that might likely occur within the District, along with risk treatment strategies being identified to reduce the impact of those hazards should they eventuate.

**Does it involve a tolerable risk?**

These responsibilities are tasked to Local Governments under the Emergency Management Act 2005. There is always a risk of emergencies and natural disasters. It is the purpose of this exercise to manage these emergencies via prevention, preparedness and recovery programs which will assist in minimising impacts of emergencies where possible.

**Budget/Financial Implications**

Nil.

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

Ms J Bruce retired from the meeting at 6.22 pm.

# Reports by the Chief Executive Officer

An update on the Procurement of a New Finance Solution memo was sent out to the Committee Members on Thursday 4 March 2021. A copy of the memo is attached to these minutes.

# Urgent Business Approved By the Presiding Member or By Decision

Nil.

# Confidential Items

Nil.

# Date of next meeting

The next meeting of the Audit & Risk Committee is to be confirmed.

# Declaration of Closure

There being no further business, the Presiding Member declared the meeting closed 6.58 pm.