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***Minutes***

***Audit & Risk Committee Meeting***

***5 June 2019***

**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.

**Table of Contents**

[Declaration of Opening 3](#_Toc11146946)

[Present and Apologies and Leave of Absence (Previously Approved) 3](#_Toc11146947)

[1. Public Question Time 4](#_Toc11146948)

[2. Addresses By Members of the Public (only for items listed on the agenda) 4](#_Toc11146949)

[3. Disclosures of Financial Interest 4](#_Toc11146950)

[4. Disclosures of Interests Affecting Impartiality 4](#_Toc11146951)

[5. Declarations by Members That They Have Not Given Due Consideration to Papers 4](#_Toc11146952)

[6. Confirmation of Minutes 5](#_Toc11146953)

[6.1 Audit & Risk Committee Meeting 18 February 2019 5](#_Toc11146954)

[7. Items for Discussion 5](#_Toc11146955)

[7.1 Audit & Risk Committee Dates - 2019 6](#_Toc11146956)

[7.2 External Audit Plan by Macri Partners on Behalf of Office of the Auditor General (OAG) 8](#_Toc11146957)

[7.3 City Wide Insurance Brokerage Service Tender 10](#_Toc11146958)

[7.4 Borrowing Analysis 12](#_Toc11146959)

[7.5 CEO Credit Card Transactions Update 14](#_Toc11146960)

[7.6 Purchasing of Goods & Services Council Policy 16](#_Toc11146961)

[8 Confidential Items 18](#_Toc11146962)

[8.1 Internal Audit Actions 18](#_Toc11146963)

[8.2 Exernal Audit – Fraud & Error Assessment Report 19](#_Toc11146964)

[8.3 I.T. Policies Review 20](#_Toc11146965)

[8.4 Draft Interim Audit Management Letter for the Year Ending 30 June 2019 21](#_Toc11146966)

[8.5 Data Matching Report 23](#_Toc11146967)

[8.6 Civica – Commerical in Confidence: Managed Services Agreement 23](#_Toc11146968)

[9 Date of next meeting 23](#_Toc11146969)

[Declaration of Closure 23](#_Toc11146970)

**City of Nedlands**

**Minutes of the Audit & Risk Committee meeting held in the Council Chambers at the City of Nedlands** **on Wednesday, 5 June 2019 at 5.30 pm.**

# Declaration of Opening

The Presiding Member declared the meeting open at 5.42 pm and drew 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)

**Councillors** Councillor I S Argyle Dalkeith Ward (Presiding Member)

His Worship the Mayor R M C Hipkins

Councillor L J McManus Coastal Districts Ward

Mr R Senathirajah Community Member

Mr P Setchell Community Member

**Staff** Mrs L M Driscoll Director Corporate & Strategy

 Mrs V Jayaraman Manager Financial Services

 Mr A Khetani Senior Finance Officer - Governance

Mrs S C Gibson PA to Director Corporate & Strategy

Ms A Brett A/PA to Director Corporate & Strategy

**Guests** Mr T Macri Macri Partners

 Mr S Herathmudalige Macri Partners

 Ms A Cheng Moore Stephens

**Public** There were no members of the public present.

**Press** There no representatives of the press present.

**Leave of Absence** Councillor B G Hodsdon Hollywood Ward

**(Previously Approved)**

**Apologies** Councillor G A R Hay Melvista Ward

 Mr M Goodlet Chief Executive Officer

**Absent** Ms P Perumal Office of the Auditor General (OAG)

**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 Interest

The presiding Member reminded Councillors and Staff of the requirements of Section 5.65 of the *Local Government Act 1995* 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

## Audit & Risk Committee Meeting 18 February 2019

Moved –Mr P Setchell

Seconded – Councillor McManus

**The minutes of the Audit & Risk Committee held 18 February 2019 be confirmed.**

**CARRIED UNANIMOUSLY 5/-**

# 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 Audit & Risk Committee Dates - 2019

|  |  |
| --- | --- |
| **Owner** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll |
| **Attachments** | Nil. |

**Regulation 11(da) – Not Applicable – Minor change to dates.**

Moved – Mayor Hipkins

Seconded – Mr R Senathirajah

**Committee Recommendation**

**The Audit and Risk Committee agrees to the following Audit and Risk Committee Meetings dates for the remainder of 2019:**

1. **2 September 2019; and**
2. **14 November 2019.**

**CARRIED UNANIMOULSY 5/-**

Recommendation to Committee

The Audit and Risk Committee agrees to the following Audit and Risk Committee Meetings dates for the remainder of 2019:

1. 26 August 2019; and
2. 14 November 2019.

**Executive Summary**

This report seeks the Audit and Risk Committee’s approval to set the remainding Committee dates for 2019.

**Discussion/Overview**

For the Audit and Risk Committee to fufill it’s duty to the Council, it must meet several times a year.

In scheduling the remaining meetings for 2019 around key financial and auditing dates the Audit & Risk Committee will be allowing Administration to plan reports around these dates and provide timely information to the Committee.

**Key Relevant Previous Council Decisions:**

There are no relevant previous Council decisions to consider.

**Budget/Financial Implications**

There are no Budget/Financial Implications.

# External Audit Plan by Macri Partners on Behalf of Office of the Auditor General (OAG)

|  |  |
| --- | --- |
| **Owner** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. External Audit Plan for the Year Ending 30 June 2019
 |

**Regulation 11(da) – Not Applicable – Minor addition requesting additional information.**

Moved – Mayor Hipkins

Seconded – Councillor McManus

**Committee Recommendation**

**The Audit and Risk Committee receives the External Audit Plan prepared by Macri Partners on behalf of the OAG and notes the information and contents of the report.**

**Administration to speak to the Office of the Auditor General regarding deposit/bond interest and report back to the Council by the end of July 2019.**

**CARRIED UNANIMOUSLY 5/-**

Recommendation to Committee

The Audit and Risk Committee receives the External Audit Plan prepared by Macri Partners on behalf of the OAG and notes the critical information and contents of the report.

**Executive Summary**

The report is prepared to present the External Audit Plan for the year ending 30 June 2019 prepared by the City’s External Auditor’s; Macri Partners. The External Audit Plan outlines the key information regarding the approach adopted by the Auditor’s to execute the statutory audit of the City for the current financial year.

**Discussion/Overview**

Macri Partners have been appointed as the City’s External Auditor’s by the Office of the Auditor General to conduct an independent external audit in order to enable the Auditor General to express an opinion on the financial report to the Key Stakeholders and Community of the City of Nedlands.

As part of the statutory audit, Macri Partners have provided an External Audit Plan. The plan has been prepared to inform the officers and the Audit and Risk Committee of the City of Nedlands about Macri Partners responsibilities as External Auditor’s and how Macri Partners plan to discharge them.

The plan focuses on:

* Documenting the audit approach, including:
* Audit process
* Materiality;
* Approach to auditing key financial statement risk issues; and
* Completion;
* Presenting the audit engagement team
* Highlighting relevant independence and governance matters; and
* Providing a preliminary assessment of timing.

The external audit plan is presented to the Audit and Risk Committee for their information.

**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.

# City Wide Insurance Brokerage Service Tender

|  |  |
| --- | --- |
| **Owner** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | Nil. |

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

Moved – Mayor Hipkins

Seconded – Mr P Setchell

**That the Recommendation to Committee be adopted.**

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 5/-**

**Committee Recommendation / Recommendation to Committee**

**The Audit and Risk Committee receives the report prepared by the City’s Management and notes the information and contents of the report.**

**Executive Summary**

The report is presented to advise the Audit and Risk Committee about expiration of the current Insurance Brokerage Service contract with Marsh Pty Ltd and outlining the proposed Tender activities to be undertaken by the City’s Management regarding the new Insurance Brokerage services for the next 3 years.

**Discussion/Overview**

The provision of Insurance Brokerage and Risk Management Service is a key focus area of the Strategic Plan and provides compliant governance to the Council.

Until 2013/14, the City managed its insurance service requirements through the Local Government Insurance Scheme (LGIS) – an Industry Based Self-Insurance services. However, when Council elected not to renew its membership with WALGA in 2013/14, it took the opportunity to seek its insurance coverage requirements via a competitive process.

Accordingly, Council decided to test the market via a competitive tendering process which resulted into the appointment of Willis Group for 2 years from September 2014 to September 2016 and Marsh Pty Ltd for 3 years from September 2016 to September 2019.

Since the market testing performed for the first time in 2013/14 and the departure from LGIS, the City has noted substantial savings and increased level of services for the Insurance Brokerage and Risk Management Service. Further, a substantial increment has been noted in the market competition for Local Government Insurance services in recent years. Considering the above, the City’s Management has determined to again conduct market testing for the provision of Insurance Brokerage and Risk Management Services and will execute this through a Tendering Process which is in accordance with the requirements of Local Government Act 1995 and Local Government (Functions and General) Regulations 1996.

The Management has initiated the work around Tendering process with the aim to have all formalities completed and have 2019/20 Insurance Policies in place by 30 September 2019.

**Key Relevant Previous Council Decisions:**

Nil.

**Consultation**

Nil.

**Budget/Financial Implications**

The cost and fees related to the Tendering Process will be within the City’s monetary budget limits for the 2019/20 Financial Year.

# Borrowing Analysis

|  |  |
| --- | --- |
| **Owner** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Borrowings Analysis Report 30th April 2019
 |

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

Moved – Mr P Setchell

Seconded – Mr R Senathirajah

**That the Recommendation to Committee be adopted.**

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 5/-**

**Committee Recommendation / Recommendation to Committee**

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

**Executive Summary**

The report is prepared to present the borrowings analysis report as at 30th April 2019. The City has total borrowings of $7,901,351 as at 30th April 2019 at various interest rates ranging from 2.48% to 6.04%. With additional borrowings of $1m as per the 2018/19 budget, the balance at year end is estimated to be $8,463,272.

**Discussion/Overview**

As at 30th April 2019, the City has a total of 11 borrowings, as follows:

|  |  |  |
| --- | --- | --- |
| **Purpose** | **Number of loans** | **Value of loans** |
| Capital works | 6 | $4,378,240 |
| Underground Power Project | 1 | $2,620,590 |
| Self-supporting – Dalkeith Bowling Club | 1 | $95,787 |
| Self-supporting Underground Power Projects | 3 | $806,734 |
| Total | 11 | $7,901,351 |

The 2018/19 budget included new borrowings of $4.4 M including $2.47 M for underground power projects based on the assumption that 75% of the owners would opt for a 10-year loan. However, only 23% of owners opted for the 10-year loan, thus reducing the loan requirement for the owners’ portion to $806,000. This has effectively reduced borrowings for the year by $1.66 M with an estimated total outstanding borrowing of $8.5 M at year end compared to the budget of $10 M.

**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 2018/19 Financial Year.

# CEO Credit Card Transactions Update

|  |  |
| --- | --- |
| **Owner** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | Nil. |

**Regulation 11(da) – Committee agreed that the word “critical” wasn’t necessary.**

Moved – Mr P Setchell

Seconded – Mr R Senathirajah

**Committee Recommendation**

**The Audit and Risk Committee:**

1. **receives this report and notes the information and contents of the report**; **and**
2. **recommends Council to support the proposed reporting requirements for the CEO’s Credit Card expenditure.**
3. **remove the word “critical” from all the recommendations.**

**CARRIED UNANIMOUSLY 5/-**

Recommendation to Committee

The Audit and Risk Committee:

1. receives this report and notes the critical information and contents of the report; and

1. recommends Council to support the proposed reporting requirements for the CEO’s Credit Card expenditure.

**Executive Summary**

The report is presented to the Audit and Risk Committee to advise them about the decision made by the City’s Executive Management Team regarding the presentation of the CEO’s Credit Card Expenditure list to the Council on a quarterly basis as a part of the Ordinary Council Meeting Standing Agenda Item.

**Discussion/Overview**

At present the reporting of the City’s Credit Cards and Purchasing Cards expenditure is done on a monthly basis through the Ordinary Council Meeting Agenda’s standing item called *List of Accounts Paid.*

However, from a good Governance perspective, the City’s Executive Management Team has made the decision to implement a further reporting requirement for the expenditure incurred on the CEO’s credit card. In order to be more compliant, accountable and transparent, the decision has been made to report the CEO’s credit card expenditure on a quarterly basis as a standing Agenda Item of the Ordinary Council Meeting. The proposed process will enhance the governance, probity and assurance aspect of the expenditure incurred on behalf of the City. Further, this approach will provide more transparent oversight of the expenditure incurred by the CEO on the credit card.

**Key Relevant Previous Council Decisions:**

Nil.

**Consultation**

Nil.

**Budget/Financial Implications**

Nil.

# Purchasing of Goods & Services Council Policy

|  |  |
| --- | --- |
| **Owner** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Purchasing of Goods & Services Council Policy
 |

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

Moved – Mayor Hipkins

Seconded – Mr P Setchell

**That the Recommendation to Committee be adopted.**

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 5/-**

**Committee Recommendation / Recommendation to Committee**

**The Audit and Risk Committee:**

1. **receives this report and notes the information and contents of the report**; **and**

1. **recommends Council’s adoption of the enhanced Purchasing of Goods & Services Council Policy.**

**Executive Summary**

The Purchasing of Goods & Services Council Policy has been updated to incorporate recommendations made as part of the Procurement and Accounts Payable Process Audit conducted by the City’s Internal Auditors earlier this year. The report is presented to inform the Audit and Risk Committee about these amendments and enable them to review the changes made.

**Discussion/Overview**

To meet the requirements of the Regulation 17 of the Local Government (Audit) Regulations 1996, Moore Stephens have been appointed as the City’s Internal Auditors. As a part of the scope of the work to be performed for the first year, the Internal Auditors performed an audit on the City’s Procurement and Accounts Payable Process. The audit work on these functions was completed in January 2019 and the detailed report was issued by Moore Stephens highlighting their audit findings and recommendations. At the time, the City’s Management reviewed those findings and provided appropriate comments for each finding and recommendation.

Some of these findings and recommendations were related to the existing adopted Council’s Purchasing of Goods & Services Policy. Accordingly, Management implemented those recommendations and updated the existing adopted policy to further enhance and make it more compliant from legislative and internal controls perspective. Additional revision (above those by recommended by the Auditors) were made by Management to make the policy comprehensive, precise and adaptive to the City’s operational requirements.

The report and the revised Policy are presented to the Audit and Risk committee for their review and support.

**Key Relevant Previous Council Decisions:**

Nil.

**Consultation**

Nil.

**Budget/Financial Implications**

Nil.

# Confidential Items

# Internal Audit Actions

|  |  |
| --- | --- |
| **Owner** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Internal Audit Actions Log **CONFIDENTIAL**
 |

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

Moved – Councillor McManus

Seconded – Mr P Setchell

**That the Recommendation to Committee be adopted.**

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 5/-**

**Committee Recommendation / Recommendation to Committee**

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

# Exernal Audit – Fraud & Error Assessment Report

|  |  |
| --- | --- |
| **Owner** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Fraud & Error Assessment Form for the Year Ending 30 June 2019 **CONFIDENTIAL**
 |

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

Moved – Councillor McManus

Seconded – Mayor Hipkins

**That the Recommendation to Committee be adopted.**

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 5/-**

**Committee Recommendation / Recommendation to Committee**

**The Audit and Risk Committee:**

1. **receives the completed Fraud & Error Assessment Form prepared by the City’s Management;**
2. **observes and considers the responses provided by the Management and confirms the responses provided on behalf of the Committee; and**
3. **the Committee authorise the Chairman to sign off the Fraud & Error Assessment Form.**

# I.T. Policies Review

|  |  |
| --- | --- |
| **Owner** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. I.T. Policies Review – Final 28.05 **CONFIDENTIAL**
 |

**Regulation 11(da) – Not Applicable – Minor addition.**

Moved –Mayor Hipkins

Seconded – Mr P Setchell

**Committee Recommendation**

**The Audit and Risk Committee:**

1. **receives the IT Policies Review report and notes the information and contents of the report**;

1. **observes and considers the comments provided by the Management for the Audit Findings; and**
2. **adopts the recommendations in the Auditors report (which will form part of the Audit Log).**

**CARRIED UNANIMOUSLY 5/-**

Recommendation to Committee

The Audit and Risk Committee:

1. receives the IT Policies Review report and notes the critical information and contents of the report; and

1. observes and considers the comments provided by the Management for the Audit Findings.

# Draft Interim Audit Management Letter for the Year Ending 30 June 2019

|  |  |
| --- | --- |
| **Owner** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Interim Audit Management Letter for the Year Ending 30 June 2019 **CONFIDENTIAL**
 |

**Regulation 11(da) – Not Applicable – Minor additional clauses.**

Moved – Councillor McManus

Seconded – Mayor Hipkins

**Committee Recommendation**

**The Audit & Risk Committee:**

1. **receives the Draft Interim Audit Management Letter for the year ending 30 June 2019, pending a follow up by the Director Corporate & Strategy on item 12 and 13;**
2. **observes and considers the responses provided by Management for the Draft Interim Audit Findings;**
3. **Director Corporate and Strategy to liase with Macri regarding Management comments provided for items 12 & 13;**
4. **recommends Council to support the Management responses subject to the 3 significant findings being resolved by 30th September 2019; and**
5. **notes that Administration are continuing to review the Civica Contract and commit to continue making it a priority.**

**CARRIED UNANIMOUSLY 5/-**

Recommendation to Committee

The Audit & Risk Committee:

1. receives the Draft Interim Audit Management Letter for the year ending 30 June 2019;
2. observes and considers the responses provided by the Management for the Draft Interim Audit Findings; and
3. recommends Council to support the Management responses.

# Data Matching Report

The Director Corporate & Strategy, Lorraine Driscoll provided a verbal update at the meeting.

# Civica – Commerical in Confidence: Managed Services Agreement

The Director Corporate & Strategy, Lorraine Driscoll provided a verbal update at the meeting.

**The Audit & Risk Committee would like to record the superior service that this committee has received from Mr Ken Eastwood who has resigned, and recognise the support his has provided to the Council in general and his earnest contribution over his many years of service to the City of Nedlands.**

**The Audit & Risk Committee would also like to record their well wishes to Stacey Gibson as she departs on maternity leave, the Chair acknowledged her good work and support to the Committee and is looking forward to welcoming her back when she returns in 2020.**

# Date of next meeting

The next Audit & Risk Committee Meeting will be held on 2 September 2019.

# Declaration of Closure

There being no further business, the Presiding Member declared the meeting closed at 7.20 pm.