

***Minutes***

***Audit & Risk Committee Meeting***

***5 October 2020***

**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 online via livestream on Monday 5 October 2020 at 5.30 pm.**

# Declaration of Opening

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

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

Councillor A W Mangano Dalkeith Ward

Councillor R Senathirajah Melvista Ward

Councillor P N Poliwka Hollywood Ward

Mr P Setchell Community Member

**Staff** Mr M A Goodlet Chief Executive Officer

Mrs L M Driscoll Director Corporate & Strategy

Mrs S C Gibson PA to Director Corporate & Strategy

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

Mr D Vo Moore Australia, Assurance Advisory

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

**Press** There were no representatives from the press.

**Leave of Absence** C M de Lacy Mayor

**(Previously Approved)**

**Apologies** 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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The Chair (Councillor Leo McManus) ruled Councillor Mangano’s questions out of order and proceeded with the meeting.

# 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 of interest affecting impartiality.

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

Nil.

# Confirmation of Minutes

# 6.1 Audit & Risk Committee Meeting 31 August 2020

Moved – Councillor Senathirajah

Seconded – Mr Setchell

**The minutes of the Audit & Risk Committee held 31 August 2020 be confirmed subject to an amended to note that Mr Setchell’s comments regarding not reading all the papers, was due to the volume of papers and the limited time available.**

**CARRIED UNANIMOUSLY 5/-**

# 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.

Nil.

# 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 Internal Audit Action Log

|  |  |
| --- | --- |
| **Committee** | 5 October 2020 |
| **Applicant** | 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 – Archive; and 2. Internal Audit Actions Log - Main |
| **Confidential Attachments** | Nil. |

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

Moved – Councillor Senathirajah

Seconded – Mr Setchell

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

(Printed below for ease of reference)

**CARRIED UNANIMOULY 5/-**

**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 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 outcome.

The recently updated internal audit Actions Log is presented to the Audit and Risk Committee for their information. We have recently updated the log to a more optimise process. All past iteams 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 our measures identified within the SCP for Great governance and civic leadership, ongoing management of internal audit items assists towards this goal. This register has improved our ability to identification and management of both audit items and potential risk.

**Who benefits?**

All 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 our risk exposures as it provides a method of management by measuring our actions and outcomes.

**Budget/Financial Implications**

Nil.

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

# 2020/21 Insurance & Brokerage Services

|  |  |
| --- | --- |
| **Committee** | 5 October 2020 |
| **Applicant** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. LGIS Renewal Report |
| **Confidential Attachments** | Nil. |

**Regulation 11(da) – The Committee added the 3rd tiem as it wished to gain a better understanding of the insurance provision directly from LGIS.**

Moved – Mr Setchell

Seconded – Councillor Senathirajah

**Committee Recommendation**

1. **The Audit and Risk Committee receives the report and notes the information and contents of the report;**
2. **The Audit and Risk Committee receives the Insurance Renewal report and notes information and contents of the report; and**
3. **LGIS representative to attend the next Audit & Risk Committee Meeting to review the policy with the Committee.**

**CARRIED 4/1**

**(Against: Cr. Mangano)**

Recommendation to Committee

1. The Audit and Risk Committee receives the report and notes the information and contents of the report; and
2. The Audit and Risk Committee receives the Insurance Renewal report and notes information and contents of the report.

**Executive Summary**

The report is presented to the Audit and Risk Committee to outline the activities undertaken by the City’s Management regarding the Insurance Renewal for the 2020/21 year. Further, the objective of the report is to inform the Audit and Risk Committee that the City’s Management have successfully renewed the expiring Insurance Program with LGIS who were awarded the service contract as a part of tender process.

**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. Recently, the City conducted a Tender Process for Insurance & Brokerage Services and appointed Local Government Insurance Scheme (LGIS) – an Industry Based Self-Insurance service as the City’s insurance borker for the 2020/21 financial year.

Management advice to LGIS was an expectation of reduced costs and broader coverage, following thorough and productive discussions with key LGIS representatives, a renewal strategy has been agreed with the best premiums possible, pleasingly **early indications are of $90,000 + in savings in comparison to last year,** additionally, the program includes options to improve or broaden coverage.

The deployment of the agreed strategy resulted in the following:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| PARTICULARS | 2019/20 ACTUAL TOTAL PREMIUM | 2020/21 BUDGETTED TOTAL PREMIUM | 2020/21 ACTUAL TOTAL PREMIUM | PRO-RATA TOTAL PREMIUM – 1 OCT 2020 TO 30 JUNE 2020 | REDUCTION (%) IN 2019/20 ACTUAL PREMIUM  TO 2020/21 ACTUAL PREMIUM |
|  | ($) | ($) | ($) | ($) |  |
|  |  |  |  |  |  |
| Insurance Premiums | 595,129.74 | 634,917.00 | 505,681.59**\*** | 379,260.68**\*** | 15% |
|  |  |  |  |  |  |
| **TOTAL PREMIUM** | **595,129.74** | **634,917.00** | **505,681.59** | **379,260.68** | **15%** |

\* **INDICATIVE COST** – The costs are indicative as the Motor Fleet class Insurance will be finalised before 30 September 2020. LGIS have advised that change will be insignificant and won’t drastically impact the indicated total premium.

The clear direction provided by the City and the successful implementation of the agreed strategy by LGIS, resulted in the significant reduction of premiums compared to last year. Further, the City managed to obtain an optimum program providing far better overall coverage and reduced claims deductibles compared to the current insurance program. This represents a very positive outcome for the City particularly in the prevailing insurance environment.

**Key Relevant Previous Council Decisions:**

Ordinary Meeting of Council 25 August 2020, Item 12.4 Report No. CPS17.20

**“Council:**

1. **accepts the City’s recommendation to award the contract for RFT 2020-21.01 - Brokerage, Management and Consultancy Services to LGIS for the initial term of 24 months with the option of a further 12 months to be awarded at the sole discretion of the City; and**
2. **authorises the CEO to enter into a contract with the accepted tenderer.”**

**Consultation**

Nil.

**Strategic Implications**

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

The provision of Insurance Brokerage and Risk Management Service is a key focus area of the Strategic Plan and assists Council to be compliant with good governance and risk management requirements.

**Who benefits?**

The City and wider community will benefit from implementing an enhanced insurance program to manage the operational, strategic and financial risks faced by the City in the challenging times.

**Does it involve a tolerable risk?**

As a part of insurance program renewal strategy, the City conducted thorough evaluation process for the Insurance Program. Accordingly, the City has identified an optimum program to replace the existing insurance program and thus reducing inherent risk. Further, management will liaise with LGIS to manage and mitigate residual risk associated with each insurance coverage.

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

Yes.

**Budget/Financial Implications**

**Can we afford it?**

The cost of insurance premiums and brokerage fees are within the City’s existing monetary budget limits for the 2020/21 Financial Year.

**How does the option impact upon rates?**

The implemented insurance program has resulted in significant savings to the City and has an overall positive impact on the City’s financial performance. Accordingly, the new insurance program will not result in the increment of rates levied to the ratepayers.

# Internal Auditor Status Update

|  |  |
| --- | --- |
| **Committee** | 5 October 2020 |
| **Applicant** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | No officer involved in the preparation of this report had any interest which required it to be declared in accordance with the provisions of the Local Government Act (1995). |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Audit & Risk Committee Agenda Paper – Memorandim from Moore Australia; 2. Request for Quotation Review of Risk, Internal Control Systems and Legislative Compliance; and 3. Transparency Report: Current Status of WA Health’s Covid-19 Response Preparedness. |
| **Confidential Attachments** | Nil. |

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

Moved – Mr Setchell

Seconded – Councillor Senathirajah

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

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 5/-**

**Committee Recommendation / Recommendation to Committee**

**The Audit & Risk Committee Notes:**

1. **the status update of Moore Australia detailed below ;**
2. **quote for the Review of Risk, Internal Control systems and Legislative Compliance (attachment 1); and**
3. **the transparency Report: Current Status of WA Health’s Covid-19 Response Preparedness (attachment 2).**

**Executive Summary**

The objective of this report is to deliver the Risk and Audit Committee with background information on the updated status from the firm who carries out our internal audits, Moore Australia.

**Discussion/Overview**

Moore Australia are the City’s Internal Auditors, whose role is to better prepare the City and address issues as they are identified.

**Draft Payroll Report**

The draft Internal Audit Report Payroll Report was provided to Management on 25 August 2020. We are awaiting comments to be provided to finalise this report. It is planned to present it at the next Audit and Risk Committee meeting after the report has been finalised.

**Strategic Internal Audit Plan**

A draft Strategic Internal Audit Plan is being prepared for the years ending 30 June 2021 to 2023. The audit topic of revenue has been agreed with Management. Moore Australia are currently liaising with Management to determine additional proposed audit topics.

**Regulation 17 Proposal**

Moore Australia has prepared a revised Regulation 17 proposal for the City of Nedlands. Moore Australia are committed to the same fee that was proposed to the City of Nedlands in September 2019. Please refer to Appendix 1.

**Internal Audit Team**

Anne Cheng has resigned from Moore Australia. Michelle Shafizadeh and Duy Vo will be the main contact for the internal audit for the City of Nedlands.

**Internal Audit Recommendations**

Further internal audit recommendations have not been verified since our last Audit and Risk Committee attendance. These will be performed in October 2020.

**Strategic Implications**

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

This course of action will keep the city in the best position regarding our readiness for any audits.

**Who benefits?**

This service has enabled to the City to provide a better outcome to the city and the community, providing continuing audit support and services.

**Does it involve a tolerable risk?**

All services have a level of risk due to change. To mitigate that risk the city engaged Moore Australia to carry out internal audits in preparation of external audits. This engagement strategy has been put in place to maximize the service and to keep abreast with our position to all our audits.

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

Yes, we have regular meeting at which we plan on going areas of concern regarding audit issues as they arise.

**Budget/Financial Implications**

**Can we afford it?**

Yes, we can afford the services as this is a budgeted item.

**How does the option impact upon rates?**

Nil.

# 2019/20 Year end Results

|  |  |
| --- | --- |
| **Committee** | 5 October 2020 |
| **Owner** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | Nil. |
| **Confidential Attachments** | Nil. |

Lorraine Driscoll, Director Corporate & Strategy provided an update during the meeting of the draft 2019/20 results and matters relating to Accounting Standards. Also advised that the Draft Statements had been submitted on 30th September as required and that the City had not yet received the Management Letter.

# Urgent Business Approved By the Presiding Member or By Decision

Nil.

# Confidential Items

The Committee did not vote to go behind closed doors.

# Business Platform (Finance) and Outsourced Payroll Services

|  |  |
| --- | --- |
| **Committee** | 5 October 2020 |
| **Applicant** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | Nil. |
| **Confidential Attachments** | Nil. |

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

Moved – Councillor Senathirajah

Seconded – Mr Setchell

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

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 5/-**

**Committee Recommendation / Recommendation to Committee**

**The Committee notes that Administration will be carrying out the following process:**

1. **Initiate market research under the WALGA panel of suppliers of these services ;**
2. **Preparation of Tender documentation for the business platform (Finance);**
3. **Preparation of Tender Documentation for outsourced payroll services;**
4. **Submission to the WALGA Panel (Business Platform) and a Request for Tender to the open market (Payroll Services);**
5. **Evaluate Respondents; and**
6. **Submit recommendations to CEO/ Council.**

**Post meeting update; The City will be exempt from the requirement to go to tender should it identify an appropriate supplier from its market research of members of the WALGA panel.**

**Discussion/Overview**

The City’s business platform is out of date and not meeting the it’s needs. The 2020/21 budget inlcuded funds for a replacement finance system. It is intended to go to market to obtain a new service for the next 5-7 years. To do this the City is investigating options and seeking a solution to meet it’s needs now and into the future. Based on what is found a request for quote (RFQ) to the WALGA preferred suppliers of financial systems.

Once an evaluation of all respondents is complete, a recommendation will be provided to the CEO followed by Council. Upon acceptance a contract will be entered into for a period of 5-7 years and it is hoped to have the solution implemented by the new financial year.

Regarding the payroll function the City is seeking to tender to the open market for outsourcing of these services. Upon receipt of the tender respondents an evaluation will then be carried out and a recommendation to the CEO folloed by Council.

Otsourcing of payroll aligns with the CEO’s Key Results Area for reducing employee numbers and costs.

**Strategic Implications**

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

This course of action will enable the City to obtain the best solution from the selection that is on offer under the WALGA Panel and open market. It is hoped that it will provide a better outcome to the activities around the business, finance and pay. Improving efficiency and productivity.

**Who benefits?**

The new platform will enable to the City to provide a better outcome to the community, providing a more up to date platform to carryout our work.

**Does it involve a tolerable risk?**

All new systems have a level of risk due to change. This is tolerable and to mitigate any risk we intend to utilize out staff in the implementation. Increasing the City’s understanding of the solution while backfilling with contractors in day to day work. There will be a period of parallel running to ensure all systems are working as expected before then going live in the new financial year.

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

The City has been carrying out investigations around the different solutions available guided by a Manager Business Systems in place to better position the City to understand the technical aspects of adoption of new solutions.

**Budget/Financial Implications**

**Can we afford it?**

There is an approved budget to obtain and implement the proposed solutions. On appointment of the contract there will be a need for to Council to allocate an annual budget to maintain the service over a period of the contract. It is likely that the solution will be provided as a service, Platform as a Service (PaaS).

# Date of next meeting

The next meeting of the Audit & Risk Committee will be held on 9 November 2020 at 5.30 pm.

# Declaration of Closure

There being no further business, the Presiding Member declared the meeting closed at 6.29 pm.