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***Agenda***

***Audit & Risk Committee Meeting***

***8 June 2020***

**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.

A Livestream link for the public is available on the City’s website.

The public can continue to participate by submitting questions and addresses via the required online submission forms at:

<http://www.nedlands.wa.gov.au/intention-address-council-or-council-committee-form>

<http://www.nedlands.wa.gov.au/public-question-time>

Mark Goodlet

Chief Executive Officer

3 June 2020

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**City of Nedlands**

**Notice of a meeting of the Audit & Risk Committee to be held on Monday 8 June 2020 at 5.30 pm online via teams. Committee Members and invited guests only, are permitted to attend in person in the Council Chamber, at 71 Stirling Highway, Nedlands.**

**To facilitate COVID-19 restrictions public attendance is via the livestream only until further notice.**

###### 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.

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

**Leave of Absence** None at distribution of agenda.

**(Previously Approved)**

**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.

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.

# 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.

# 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.

# Disclosures of Financial and/or Proximity 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.

# 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). This association is ….. (nature of the interest).

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.

# 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.

# Confirmation of Minutes

# 6.1 Audit & Risk Committee Meeting 10 February 2020

The minutes of the Audit & Risk Committee held 10 February 2020 are to be confirmed.

# 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.

# 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 Appointment of Community Member

|  |  |
| --- | --- |
| **Committee** | 8 June 2020 |
| **Applicant** | City of Nedlands  |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Audit & Risk Terms of Reference
 |
| **Confidential Attachments** | 1. Stephen Foley’s CV
 |

**Executive Summary**

The purpose of this report is to bring Stephen Foley’s application before the Audit & Risk Committee to consider his appointment as a Community Member on the Audit & Risk Committee and to make a recommendation to Council.

**Recommendation to Committee**

**That the Audit & Risk Committee recommend the appointment of Stephen Foley as Community Member for a period ending immediately prior to the next Local Government elections in 2021.**

**Discussion/Overview**

The Audit and Risk Committee assists the Council to meet its statutory audit requirements under the *Local Government Act 1995* and related regulations.

The purpose of the Audit & Risk Committee (the Committee) is to assiste the Council to discharge it’s responsibilities with regard to the exercise of due care, diligence and skill in relation to:

1. The reporting of financial information, the application of accounting policies, and the management of the financial affairs of the City, and
2. The assessment of the adequacy of the management of risks.

**Key Relevant Previous Council Decisions:**

The appointment of elected members to the Committee were confirmed at the Special Council Meeting of 5 November 2019 for a period ending immediately prior to the next Local Government elections in 2021.

Mr. P Setchell was reappointed as a Community Member of the Committee at the Ordinary Council Meeting of 26 November 2019 for a period ending immediately prior to the next Local Government elections in 2021.

Councillor Hodsdon resigned his position on the Committee on 26 March 2020 and Councillor Poliwka was appointed to replace him at the Ordinary Council Meeting of 28 April 2020.

Mr Foley has significant experience relevant to the role of Community Member of the Audit and Risk Committee as demonstrated by the attached CV. The Community Member brings a fresh perspective to the Committee and is seen as a very valuable member.

**Consultation**

The position of Community Member was advertised in the local newspaper several times, as listed below;

1. 5 October 2019;
2. 7 December 2019;
3. 28 March 2020; and
4. 11 April 2020.

**Strategic Implications**

The purpose of the Audit & Risk Committee is to determine all risks that they City might have and ensure that the Council fulfils its strategic direction in relation to risk management.

The Council and community benefit from the Audit & Risk Committee as it assists in managing and mitigating risk.

**Budget/Financial Implications**

There is no financial implication.

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

|  |  |
| --- | --- |
| **Committee** | 8 June 2020 |
| **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 2020
 |

**Executive Summary**

The report is prepared to present the External Audit Plan for the year ending 30 June 2020 prepared by the City’s External Auditor’s, KPMG. 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.

**Recommendation to Committee**

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

**Discussion/Overview**

KPMG 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, KPMG 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 KPMG responsibilities as External Auditor’s and how Macri Partners plan to discharge them.

The plan focuses on:

* KPMG’s audit responsibility
* Audit approach
* Audit scope
* Business risks relevant to the audit
* Key audit focus areas
* Timeline of the audit

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

**Key Relevant Previous Council Decisions:**

Nil.

**Consultation**

Nil.

**Strategic Implications**

The audit of the financial statements of the City is regulated by the Local Government Act 1995 and enables the City to fulfill our annual financial reporting responsibilities under the Act.

Performing the audit of the financial statements provides all stakeholders in the City to be assured that there is effective stewardship over the City assets.

There is no risk involved.

The Audit Plan is prepared by KPMG and all information has been provided

**Budget/Financial Implications**

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

# Office of the Auditor General (OAG) Audit Results Report – Annual 2018/19 Financial Auditsof Local Governament Entities

|  |  |
| --- | --- |
| **Committee** | 8 June 2020 |
| **Applicant** | City of Nedlands  |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Audit Results Report – Annual 2018/19 Financial Audits of Local Government Entitties
 |

**Executive Summary**

The key purpose of this report is to present the Audit Results Report – Annual 2018/19 Financial Audits of Local Government Entities prepared by the Office of the Auditor General (OAG). The report comprises findings and other key details from the 2018/19 annual financial audits of the WA local governments and regional councils performed by the Office of the Auditor General (OAG). The report covers the matters relating to annual financial audits of 112 WA entities.

**Recommendation to Committee**

**The Audit & Risk Committee:**

1. **receives the Audit Results Report – Annual 2018/19 Financial Audits of Local Government Entities; and**
2. **notes and review the information and contents of the report.**

**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. Accordingly, the Office of the Auditor General conducted the annual financial audit of the WA local governments and prepared this report under section 24 of the Auditor General Act 2006 to be presented to the State Parliament. The report was tabled in State Parliament on 11 March 2020. The report incorporates overview of the various findings and relevant recommendations made by the OAG as a part of their auditing of 112 WA Local Governments. Further, the report includes other improvement recommendations for the wider Local Government Industry in the following areas:

* Opportunities to minimize the cost of preparation of financial reporting and auditing in the future.
* Opportunities for the Department of Local Government, Sport and Cultural Industries (DLGSC) to reassess the principle of cost and benefit of performing perodic valuations of non-current assets.
* Department of Local Government, Sport and Cultural Industries (DLGSC) should exploure the opportunity of facilitating a shared service of internal audit function for the councils who do not have their own internal audit function.

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**

Nil.

# Internal Audit Actions Log

|  |  |
| --- | --- |
| **Committee** | 8 June 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** | 1. 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, Audit Item 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 is not allocated to an existing budget will be considered by Council during budget deliberations.

# City Wide Insurance Brokerage Services Tender

|  |  |
| --- | --- |
| **Committee** | 8 June 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** | Nil |

**Executive Summary**

The report is presented to the Audit and Risk Committee outlining the proposed Tender activities to be undertaken by the City’s Management regarding the new Insurance Brokerage services for the next 3 years.

**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.**

**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 had the opportunity to seek its insurance coverage requirements via a competitive process.

Since the market testing performed for the first time in 2013/14 and the departure from LGIS, the City has noted a substantial increment in the market competition for Local Government Insurance services in the recent years. Based on the above facts and the expiration of previous Insurance Brokerage and Risk Management Service contract, the City’s Management performed a market evaluation last year through Tender Process. The outcome of this process resulted in Council awarding contract to Marsh Pty Ltd with a contract term of 1 year with renewal option of 1year + 1year .

For 2020/21, the City’s management has determined to retest the market for the provision of Insurance Brokerage and Risk Management Services and will execute this through it’s Tendering Process in accordance with the requirements of Local Government Act 1995 and Local Government (Functions and General) Regulations 1996.

Management has initiated the process with the aim to have all formalities completed and have 2020/21 Insurance Policies in place by 30 September 2020. Based on last year’s Council resolution, the Tender process will be performed in house, unlike prior years, without any assistance from the external expert.

**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

|  |  |
| --- | --- |
| **Committee** | 8 June 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. Borrowings Analysis Report 30 April 2020 |

**Executive Summary**

The report is prepared to present the borrowings analysis report as at 30 April 2020. The City has total borrowings of $6,228,991 as at 30 April 2020 at various interest rates ranging from 2.78% 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 30 April 2020, the City has a total of 11 borrowings, as follows:

|  |  |  |
| --- | --- | --- |
| **Purpose** | **Number of loans** | **Value of loans** |
| Capital works | 6 | $3,428,403 |
| Underground Power Project - City | 1 | $1,995,170 |
| Self-supporting – Dalkeith Bowling Club | 1 | $82,262 |
| Underground Power Projects – West Hollywood, Alfred Rd & Alderbury Res | 3 | $723,156 |
| **Total** | **11** | **$6,228,991** |

**Key Relevant Previous Council Decisions:**

Nil.

**Consultation**

Nil.

**Strategic Implications**

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.

# 2019/20 Year End Forecast and Impact of COVID-19

|  |  |
| --- | --- |
| **Committee** | 8 June 2020 |
| **Applicant** | City of Nedlands  |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | Nil |

This will be a verbal update on the 2019/20 year end forecast and impact of COVID-19.

# Urgent Business Approved By the Presiding Member or By Decision

Any urgent business to be considered at this point.

# Confidential Items

There are no confidential reports.

# Date of next meeting

The next meeting of the Audit & Risk Committee will be held on 5 October 2020 at 5.30 pm.

# Declaration of Closure

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