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***Minutes***

***Audit & Risk Committee Meeting***

***8 June 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 8 June 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.

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

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

 Her Worship the Mayor, C M de Lacy (from at 5.32 pm)

 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

Mr M Dimmick Manager Business Systems

Ms V Jayaraman Manager Financial Services

Mrs S C Gibson PA to Director Corporate & Strategy

**Invited Guests** Ms A Cheng Moore Stephens

 Mr J Ward KPMG

 Ms P Perumal Office of the Auditor General

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

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

**Leave of Absence** Nil.

**(Previously Approved)**

**Apologies** Nil.

**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

There were no public questions.

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

There were no addresses by members of the public.

# 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 10 February 2020

Moved – Councillor Mangano

Seconded –Councillor Senathirajah

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

**CARRIED UNANIMOUSLY 6/-**

# Matters for Which the Meeting May Be Closed

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 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
 |

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

Moved – Councillor Mangano

Seconded – Councillor Senathirajah

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

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 6/-**

**Committee Recommendation / 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.**

**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.

**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
 |

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

Moved – Councillor Senathirajah

Seconded – Councillor Mangano

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

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 6/-**

**Committee Recommendation / 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.**

**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.

**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
 |

**Regulation 11(da) – Not Applicable – Minor addition requesting that the CEO notes the recommendations in the report and carefully implements the recommendations as necessary.**

Moved – Councillor McManus

Seconded – Councillor Poliwka

**That the Recommendation to Committee be adoped subject to adding a clause 3 as follows:**

1. **instructs the CEO to note the recommendations in this report and carefully implement the recommendations as necessary.**

**CARRIED UNANIMOUSLY 6/-**

**Committee Recommendation**

**The Audit & Risk Committee:**

1. **receives the Audit Results Report – Annual 2018/19 Financial Audits of Local Government Entities;**
2. **notes and review the information and contents of the report; and**
3. **instructs the CEO to note the recommendations in this report and carefully implement the recommendations as necessary.**

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.

**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.

**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.

Ms P Perumal retired from the meeting at 6.16 pm.

# 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
 |

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

Moved – Councillor Mangano

Seconded – Councillor Senathirajah

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

(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 6/-**

**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, 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.

**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.

Mr M Goodlet left the room at 6.37 pm and returned at 6.40 pm.

# 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 |

**Regulation 11(da) – Not Applicable – Minor addition requesting that the CEO investigate and if needed engage an insurance procurement specialist to assist with the renewal of insurance for 2020-21 and beyond.**

Moved – Councillor Senathirajah

Seconded – Mr Setchell

**That the Recommendation to Committee be adopted subject to the addition of clause 2 as follows:**

1. **instructs the to investigate and if needed engage an insurance procurement specialist to assist with the renewal of the insurance for 2020–21 and beyond.**

**CARRIED 5/1**

**(Against: Cr. Mangano)**

**Committee Recommendation**

**That the Audit & Risk Committee:**

1. **receives the report prepared by the City’s Management and notes the information and contents of the report; and**
2. **instructs the CEO to investigate and if needed engage an insurance procurement specialist to assist with the renewal of the insurance for 2020–21 and beyond.**

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 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.

**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 |

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

Moved – Councillor Mangano

Seconded – Councillor Senathirajah

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

(Printed below for ease of reference)

**CARRIED UNANIMOULSY 6/-**

**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 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.

**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

There was no urgent business.

# 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 declared the meeting closed at 7.12 pm.