



City of Nedlands

# ***Minutes***

## ***Audit & Risk Committee Meeting***

***27 November 2017***

### **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
Present and Apologies and Leave of Absence (Previously Approved) .....	3
1. Appointment of Chair .....	4
2. Public Question Time .....	4
3. Addresses By Members of the Public (only for items listed on the agenda) .....	4
4. Disclosures of Financial Interest .....	4
5. Disclosures of Interests Affecting Impartiality .....	4
6. Declarations by Members That They Have Not Given Due Consideration to Papers .....	5
7. Confirmation of Minutes .....	5
7.1 Audit & Risk Committee Meeting 19 October 2017 .....	5
8. Items for Discussion .....	5
8.1 BDO Control Audit – Payroll Review .....	6
8.2 Appointment of Community Members .....	8
9 Confidential Items .....	11
10 Date of next meeting .....	11
Declaration of Closure .....	11

## City of Nedlands

### Minutes of a meeting of the Audit & Risk Committee held in the Meeting Room at the City of Nedlands on Monday 27 November 2017 at 5:30pm.

---

#### Audit & Risk Committee Agenda

##### Declaration of Opening

The Presiding Member declared the meeting open at 5:30pm 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)

<b>Councillors</b>	Councillor I S Argyle His Worship the Mayor Councillor L J McManus	Dalkeith Ward R M C Hipkins Coastal Districts Ward
--------------------	--------------------------------------------------------------------------	----------------------------------------------------------

<b>Staff</b>	Mr G K Trevaskis Mrs L M Driscoll Mr A D Melville Mrs S C Gibson	Chief Executive Officer Director Corporate & Strategy Manager Health & Compliance PA to Director Corporate & Strategy
--------------	---------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------

<b>Guest</b>	Riaan Bronkhorst Councillor A Mangano	BDO Dalkeith Ward
--------------	------------------------------------------	----------------------

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

**Press** There were no members of the press present.

**Leave of Absence (Previously Approved)** Nil.

<b>Apologies</b>	Councillor B.G Hodsdon	Hollywood Ward
------------------	------------------------	----------------

<b>Absent</b>	Councillor G A R Hay	Melvista Ward
---------------	----------------------	---------------

## **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.

### **1. Appointment of Chair**

Committee to appoint chairperson for the Audit & Risk Committee.

Moved – Councillor Mayor  
Seconded – Councillor McManus

**The Audit & Risk Committee appoint Argyle as Chairperson.**

**CARRIED UNANIMOUSLY 3/-**

### **2. Public Question Time**

Nil

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

Nil

### **4. Disclosures of Financial 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.

### **5. 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.

**6. Declarations by Members That They Have Not Given Due Consideration to Papers**

Nil.

**7. Confirmation of Minutes**

**7.1 Audit & Risk Committee Meeting 19 October 2017**

The minutes of the Audit & Risk Committee held 19 October 2017 are to be confirmed.

Moved – Councillor McManus

Seconded – Councillor Mayor


**The minutes of the Audit & Risk Committee held 19 October 2017 be confirmed.**

**CARRIED UNANIMOUSLY 3/-**

**8. 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 BDO Control Audit – Payroll Review**

<b>Owner</b>	City of Nedlands
<b>Officer</b>	Andrew Melville - Manager Health & Compliance
<b>Director</b>	Lorraine Driscoll – Director Corporate & Strategy
<b>Director Signature</b>	
<b>Disclosure of Interest</b>	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).
<b>Attachments</b>	1. BDO Audit (WA) Pty Ltd – Payroll Review Control Audit

Moved – Councillor McManus

Seconded – Councillor Mayor

**That the Recommendation to Committee be accepted subject to the addition of a report back to the Committee, as follows:**

**With a report back to the Audit & Risk Committee at the next meeting after the implementation date noted on the Audit Report.**

**CARRIED UNANIMOUSLY 3/-**

**Committee Recommendation / Recommendation to Committee**

**The Audit and Risk Committee receives the Payroll Review Control Audit and notes the findings and recommendations of the review and the actions proposed by Administration, with a report back to the Audit & Risk Committee at the next meeting after the implementation date noted on the Audit Report.**

Recommendation to Committee

The Audit and Risk Committee receives the Payroll Review Control Audit and notes the findings and recommendations of the review and the actions proposed by Administration.

**Executive Summary**

The purpose of this report is for the Audit and Risk Committee to receive the BDO – Payroll Review Control Self-Assessment Report and note the finding and recommendation of the review and the actions proposed by Administration.

**Background:**

BDO Audit (WA) Pty Ltd are the City's appointed Internal Auditors and in accordance with the 2017/18 Internal Audit Annual Plan have facilitated a Control Self-Assessment of the City's Payroll Reivew processes.

A Control Self-Assessment is a process through which internal control effectiveness is examined and assessed. The objective is to provide a facilitated self-assessment for compliance with relevant management policies and procedures. The assessment is conducted with input from city personnel and is facilitated by the BDO Audit Team.

The attached report contains details of the issues raised and management's comments.

The Payroll Review Control Self-Assessment is presented to the Audit and Risk Committee for their information.



CITY OF NEDLANDS  
Payroll Review

November 2017





## TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	4
1.1 OBJECTIVE	4
1.2 SCOPE	4
1.3 APPROACH	4
1.4 CONCLUSION	4
1.5 SUMMARY OF KEY FINDINGS	5
1.6 ACKNOWLEDGEMENT	5
1.7 ACCEPTANCE OF REPORT	5
2. DETAILED FINDINGS & RECOMMENDATIONS	6
3. KEY ENGAGEMENT DETAILS & TIMINGS	10
4. RISK RATINGS	11
5. INHERENT LIMITATIONS	12
6. RESTRICTION OF USE	12

---







We have completed our internal audit of Payroll and have summarised assurance provided from our work in relation to the existing control environment, and our specific recommendations in the tables below.

LEVEL OF ASSURANCE - DESIGN EFFECTIVENESS (SEE SECTION 4 FOR DETAILED DEFINITIONS)	LEVEL OF ASSURANCE - OPERATIONAL EFFECTIVENESS (SEE SECTION 4 FOR DETAILED DEFINITIONS)
Limited 	Limited 

### 1.5 Summary of key findings

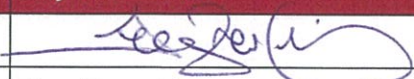

Our review identified one 'High' rated findings, two 'Medium' rated finding and one 'Low' rated findings. These are summarised in the table below. The detailed findings and recommendation are further explained in Section 2 of this report.

SUMMARY OF RECOMMENDATIONS (SEE SECTIONS 2 FOR DETAILED FINDINGS AND RECOMMENDATIONS)	RISK SIGNIFICANCE (SEE SECTION 4 FOR DEFINITIONS)
1. Improve Payroll System Access Control (Recurring Finding - Report dated 29 January 2017)	High 
2. Improve Segregation of Duties for payroll (Recurring Finding - Report dated 29 January 2017)	Medium 
3. Review, update and implement documented payroll policy and procedures (Recurring Finding - Report dated 29 January 2017)	Medium 
4. Improve leave processing process	Low 

### 1.6 Acknowledgement

We thank the staff at the City of Nedlands for their support and assistance to us in executing this review.

### 1.7 Acceptance of Report

On behalf of:	City of Nedlands	BDO
Signature:		
Name:	Greg Trevaskis	Andrew Hillbeck
Title:	Chief Executive Officer	Partner
Date:	17 Nov 2017	17 NOV 2017



## 1. EXECUTIVE SUMMARY

### 1.1 Objective

In accordance with the 2017/18 Internal Audit Annual Plan, the key objectives of this audit were to assess the design effectiveness of controls and processes within payroll to assess compliance with Payroll policies, procedures, best practices, and regulatory requirements.

### 1.2 Scope

The scope of this audit was key Payroll processes for the period from 1 January to 31 July 2017, and included:

- Existing payroll policies, procedures and practices within the city (design effectiveness)
- Compliance with policies, procedures and processes through limited sample testing (operating effectiveness). Specifically, policies, procedures and processes were:
  - Records of Delegation of Authority and Authorisation 2016-2017
  - AP- Delegation payment approval dated 12 February 2016
  - Administrative Protocol Manual 2 August 2017
  - Council Policy Manual - As at 27 June 2017
  - Procedure Manual 18 May 2017
  - Checklist - New Starter Induction
  - Payroll procedure

### 1.3 Approach

Our approach included:

- Met with the City to agree the Terms of Reference
- Obtained and reviewed copies of all relevant, authorised policies and procedures
- Conducting interviews and walkthroughs with the Manager HR, Manager of Finance and Payroll Officer and documented key processes and controls
- Evaluated the design effectiveness and adequacy of key controls identified
- Performed sample testing where appropriate
- Prepared weekly status report to provide audit status updates
- Prepared and issued our draft for management comments
- Reviewing management comments and issuing final report.

### 1.4 Conclusion

We identified improvements that can be made by implementing governance processes in various areas of the payroll function, specifically in relation to documenting policy and procedures, segregation of duties and payroll system access controls. Results from our last audit were reported on 29 January 2016 and during this audit we have identified three recurring findings where we have not been able to evidence closure of previous recommendations.

Including the recurring findings, we identified two high risk, one medium risk and two low risk findings. Please refer to the section 1.4 for a Summary of Findings and section 2 for Detailed Findings and Recommendations in this report for more details.



## 2. DETAILED FINDINGS & RECOMMENDATIONS

1. Improve Payroll System Access Control <i>(Recurring Finding - Report dated 29 January 2017)</i>			
			Risk Rating: High ▲
Finding	Risk/Impact	Recommendation	Management Comment
<p>We documented the key payroll processes in Visio and performed a control gap analysis and process walkthrough of the fortnightly payroll process.</p> <p>Through our observation and sample testing, we identified that there are 9 employees with read, write and modify (Full) access to the payroll module in Authority.</p> <p>Specifically, these roles include:</p> <ul style="list-style-type: none"> <li>• Chief Executive Officer</li> <li>• Director Corporate and Strategy</li> <li>• Acting Manager of Finance</li> <li>• Manager of Health and Compliance</li> <li>• Manager Human Resources</li> <li>• Coordinator Management Accounting</li> <li>• Payroll Officer</li> <li>• Human Resources Business Partner x 2</li> </ul>	<ul style="list-style-type: none"> <li>• Potential risk of unauthorised input, processing and changes to payroll data</li> <li>• Potential unauthorised or erroneous transaction processing</li> <li>• Manipulation of system records and or audit trails.</li> </ul>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• Management re-consider the suggested management action as outlined in the Payroll Audit Report dated 29 January 2016 finding 3.1.2.</li> <li>• Review the current user access listing for the payroll module and remove the users who do not require access to perform their duties</li> <li>• Grant specific user access to Payroll module based on “least privileged” as required based on the roles and responsibilities of the specific role</li> <li>• Implement a periodic payroll user access review to ensure the access rights granted to users are compatible with employee’s roles and responsibilities.</li> </ul>	<p><b>Management Action:</b></p> <p>Agree to remove the following positions as they are no longer required to be able the payroll module;</p> <p>Manager Health and Compliance, Coordinator Management Accounting</p> <p>Human Resource Business Partners x 2</p> <p>The audit trail addresses the other issues raised.</p> <p><b>Responsible Official:</b></p> <p>Director Corporate and Strategy</p> <p><b>Implementation Date:</b></p> <p>December 2017</p>


2. Improve Segregation of Duties for Payroll (Recurring Finding - Report dated 29 January 2017)


Risk Rating: Medium



Finding	Risk/Impact	Recommendation	Management Comment
<p>We documented the key payroll processes in Visio and performed a control gap analysis and process walkthrough of the fortnightly payroll process.</p> <p>Through our observation and discussion, in the audit period from 1 January 2017 to 30 June 2017, we identified that there was no independent review performed on the payroll processing activities performed by the Payroll Officer.</p> <p>Currently, the Payroll Officer is responsible for:</p> <ul style="list-style-type: none"> <li>• Setting up new employees in Authority</li> <li>• Modifying employees details in Authority</li> <li>• Payroll processes that include entering and processing higher duties rates form, casual and part-time employee timesheets and leave applications in the Payroll system.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential fictitious employees could be created and paid in the system</li> <li>• Potential unauthorised or erroneous transaction processing</li> <li>• Data accuracy and integrity compromises</li> <li>• Unauthorised changes to employee details</li> <li>• Potential reputational, legal and or financial losses.</li> </ul>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• Management re-consider the suggested management action as outlined in the Payroll Audit Report dated 29 January 2016 finding 3.1.1.</li> <li>• Implement processes to independently review, verify and authorise payroll processing performed by the payroll officer</li> <li>• Review system generated audit trails to ensure only authorised processing occur.</li> <li>• Implement monthly spot checks by an employee independent of the payroll officer for processes including the higher duties rates form, casual and part-time employee timesheets and leave applications which was processed against the Payroll system.</li> <li>• Sign off and date the spot checks as an evidence of reviewed performed and retained the evidence for future audit purpose.</li> </ul>	<p><b>Management Action:</b></p> <p>From 1 September 2017, an audit trail exists which identifies changes to payroll and employee particulars. This is reviewed and signed off by the Manager Finance and periodically reviewed by the Director Corporate and Strategy.</p> <p>Additionally, the Director Corporate and Strategy performs weekly spot checks off payroll reports.</p> <p>An employee from the Finance team will be performing a monthly spot check manual inputs of payroll information that was processed in the Payroll system.</p> <p><b>Responsible Official:</b></p> <p>Director Corporate and Strategy</p> <p><b>Implementation Date:</b></p> <p>December 2017.</p>



<p>3. Review, update and implement documented payroll policy and procedures (<i>Recurring Finding - Report dated 29 January 2017</i>)</p>			<p>Risk Ratings: Medium </p>
Finding	Risk/Impact	Recommendation	Management Comment
<p>We documented the key payroll processes in Visio and performed a control gap analysis and process walkthrough of the fortnightly payroll process.</p> <p>Through our discussion and observation, we identified there are no documented Payroll policies and procedures that make reference to roles, responsibilities and key controls including:</p> <ul style="list-style-type: none"> <li>• Overall payroll policy (including privacy, pay days/periods, overtime, superannuation, higher duties)</li> <li>• Payroll procedures (including changes to payroll data, tax file number declaration, termination payments, fortnightly payroll processing, terminating employees' payroll processing and payroll month end reporting)</li> </ul> <p>We acknowledge that there are work instructions for each payroll process that provides guidance on how to perform day-to-day tasks.</p>	<ul style="list-style-type: none"> <li>• Increased risk of inconsistent practise within the business that may lead to financial loss and loss of intellectual property.</li> </ul>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• Management re-consider the suggested management action as outlined in the Payroll Audit Report dated 29 January 2017 finding 3.2.1.</li> <li>• Management to develop and document policies and procedures to cover all key payroll activities.</li> </ul>	<p><b>Management Action:</b></p> <p>The City has updated its procedures since the matter was raised in the previous audit report of January 2016. Management agrees to develop and document the Payroll Policy and further update the procedures to include the areas as identified in the findings</p> <p><b>Responsible Official:</b> Manager Finance</p> <p><b>Implementation Date:</b> November 2017</p>

4. Improve Leave Processing Process			Risk Rating: Low 
Finding	Risk/Impact	Recommendation	Management Comment
<p>We documented the key payroll processes in Visio and performed a control gap analysis and process walkthrough of the fortnightly payroll process.</p> <p>Through our discussion and observation, we identified 2 leave requests that were rejected by the Payroll Officer which remained as “Rejected” in the system.</p> <ul style="list-style-type: none"> <li>• Leave request for the period 31 May 2017 to 13 June 2017</li> <li>• Leave request for the period 10 May 2017 to 11 May 2017</li> </ul> <p>These “Rejected” leave requests do not update the employee’s leave records accurately unless a new leave request is processed.</p>	<ul style="list-style-type: none"> <li>• Increased risk erroneous leave processing that may lead to incorrect leave balances.</li> </ul>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• City to assess the current leave processing system to either prevent employee in amending the “Rejected” leave request and or to be able to update request</li> <li>• Implement a procedure where all “Rejected” leave entries should be resubmitting as a new leave request.</li> </ul>	<p><b>Management Action:</b></p> <p>The issue relates to Sharepoint and will be considered during phase 2 of the project</p> <p><b>Responsible Official:</b></p> <p>Manger Human Resources</p> <p><b>Implementation Date:</b></p> <p>Late 2018</p>





### 3. KEY ENGAGEMENT DETAILS & TIMINGS

Review Period Covered 1 Jan 2017 to 30 June 2017

BDO Engagement Partner Andrew Hillbeck

Report to be issued to Client Sponsor Greg Trevaskis





Key Events	Expected Date	Actual Date	Comments on Variations
Fieldwork commencement	14 August 2017	14 August 2017	
Fieldwork completion	21 August 2017	21 August 2017	
Close out meeting	28 August 2017	25 August 2017	
Draft report sent	1 September 2017	29 August 2017	
Management Comments Received	8 September 2017	13 October 2017	
Final report issued	15 September 2017	6 November 2017	Management clarification meeting took place on the 6 November 2017.

### Engagement participants




Name	Title
<b>City of Nedlands</b>	
Andrew Melville	Manager of Health and Compliance
Shelley Mettam	Human Resource Manager
Vanaja Jayaraman	Acting Manager of Finance
Dimple Kaur	Payroll Officer
Jonathan Filippone	Systems and Network Administrator
<b>BDO</b>	
Andrew Hillbeck	Partner
Riaan Bronkhorst	Manager
Jessica Chiang	Senior Consultant



#### 4. RISK RATINGS

LEVEL OF ASSURANCE	DESIGN of internal control framework	
	Findings from review	Design Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.
None 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	No system of internal control.

#### Risk Significance

High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.



## 5. INHERENT LIMITATIONS


Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure within which the control procedures that are subject to internal audit operate is not reviewed in its entirety and, therefore, no opinion or view is expressed as to the effectiveness of the greater internal control structure. An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are done on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this internal audit report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, client management and personnel. We have indicated within this internal audit report the sources of the information provided. We have not sought to verify those sources independently unless otherwise noted within the internal audit report. We are under no obligation in any circumstance to update this internal audit report, in either oral or written form, for events occurring after the internal audit report has been issued in final form unless specifically agreed with management.

## 5. RESTRICTION OF USE

This report is intended solely for the use of management, the City of Nedlands Council, the external auditors, regulatory agencies or the City's legal counsel and cannot be used by, circulated, quoted, disclosed, or distributed to third parties without BDO's prior written consent.

## 8.2 Appointment of Community Members

<b>Owner</b>	City of Nedlands
<b>Officer</b>	Stacey Gibson – PA to Director Corporate & Strategy
<b>Director</b>	Lorraine Driscoll – Director Corporate & Strategy
<b>Director Signature</b>	
<b>Disclosure of Interest</b>	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).
<b>Attachments</b>	<ol style="list-style-type: none"> <li>1. Terms of Reference;</li> <li>2. Amended Terms of Reference;</li> <li>3. Mr Ken Eastwood’s CV – Confidential Attachment;</li> <li>4. Mr Rajah Senathirajah’s CV – Confidential Attachment;</li> <li>and</li> <li>5. Mr Paul Setchell’s CV – Confidential Attachment</li> </ol>

*The BDO representative departed the meeting at 5.54 pm.*

Moved – Councillor Mayor  
 Seconded – Councillor McManus

**That the Recommendation to Committee be accepted subject to the addition of the Manager Health & Compliance role in the staff required to attend section in the Terms of Reference.**

**CARRIED UNANIMOUSLY 3/-**

### **Recommendation to Committee / Committee Recommendation**

**Council:**

- 1. Amends the Terms of Reference to:**
  - i. allow up to 3 Community Members on the Audit & Risk Committee; and**
  - ii. add the Manager Health and Compliance role to the staff required to add committee meetings;**
- 2. Council appoints Mr Ken Eastwood, Mr Rajah Senathirajah and Mr Paul Setchell as Community Members on the Audit and Risk Committee.**



## Recommendation to Committee

### Council:

1. Amends the Terms of Reference to allow up to 3 Community Members on the Audit & Risk Committee; and
2. Council appoints Mr Ken Eastwood, Mr Rajah Senathirajah and Mr Paul Setchell as Community Members on the Audit and Risk Committee.

## Executive Summary

The Purpose of this report is to consider amending the terms of Reference and to consider nominations for appointing of community members to the Audit & Risk Committee.

## Discussion/Overview

### Background:

At the Ordinary Council Meeting of 24 October 2017, Council resolved to appoint up to two community members of the Audit & Risk Committee. An advertisement calling for nominations to the Committee was advertised in the local press.

### Discussion:

In response to an advertisement in the local press Administration received three expressions of interest from Residents.

The following nominations from residents are presented for consideration:

- Mr Ken Eastwood:
- Mr Rajah Senathirajah; and
- Mr Paul Setchell.

Copies of their CVs have been provided to Committee Members under confidential cover.

### Legislative Requirement:

*Local Government Act 1995* sets out the requirements for the establishment of the Audit Committee and provides for community members.

**Strategy Plan:**

KFA: Governance

The Audit and Risk Committee is a legislative requirement and the Terms of Reference have been prepared to ensure compliance with statutory requirements and guidelines.

**Conclusion:**

The current terms of reference allow up to two community members of the Audit and Risk Committee. It is recommended that the terms of reference are amended to allow up to three community members as all three applicants are well qualified for the position of community member.

**Consultation**

The Audit and Risk Committee is being consulted prior to formal Consideration by Council.

**Budget/Financial Implications**

Not Applicable.

## **Audit and Risk Committee**

### **Terms of Reference of Audit & Risk Management Committee**

#### **Purpose**

To assist the Council to discharge its responsibilities with regard to the exercise of due care, diligence and skill in relation to:

- the reporting of financial information, the application of accounting policies, and the management of the financial affairs of the City,
- the assessment of the adequacy of the management of Risk.

#### **Scope**

The committee shall have as its primary duties and responsibilities the following tasks:

#### **Audit**

1. To consider and approve the brief for the provision of audit services;
2. To evaluate the responses to the request for the provision of audit services and to make a recommendation to Council on the appointment of an auditor;
3. To meet with Council's external auditors and review the Audit Plan prior to the conduct of the interim audit each year;
4. To ensure that the audit is being conducted in accordance with the brief and the terms of appointment and that matters of concern to the Council and/or the Committee are being addressed;
5. Ensure that the Council's financial affairs and systems and processes are being managed and reported in accordance with statutory requirements and Australian Accounting Standards;
6. Ensure that relevant financial information is reported to Council in a form that meets the needs and expectations of Council, clearly setting out the key relevant financial data, such that the Council can confidently understand the financial performance of the Council's affairs;
7. Review the audit report and make appropriate recommendations to Council; and
8. Where appropriate and with the approval of Council seek advice and/or assistance in relation to matters pertaining to the audit or financial affairs of the City.



## **Risk Management**

1. At least once every year consider a report in relation to the management of risk within the City of Nedlands, and satisfy itself that appropriate controls and processes are in operation, and are adequate for dealing with the risks that impact on the City.
2. To address any specific requests referred to it from Council in relation to issues of risk and risk management.

## **Membership**

1. The membership of the committee shall comprise the Mayor and one Councillor from each ward with the Councillors being determined by nomination and if necessary a ballot conducted at a Council Meeting and up to two non-Councillor Members, being residents of The City of Nedlands
2. Council may if it considers it appropriate appoint deputies to the members of the committee.
3. If a vacancy on the committee occurs for whatever reason then Council shall appoint a replacement in accordance with the same arrangements as for the original appointment set out in 1 above.
4. The quorum for a meeting shall be when at least 50% of the eligible members are present.
5. The term of membership expires with the expiry of the committee immediately prior to the next ordinary Council election.
6. The presiding member shall be determined by election amongst the members of the committee. The election will take place at the first meeting following the reconstitution of the committee after each ordinary Council election. The Mayor is eligible to vote for a presiding member but is not eligible to sit as the presiding member.
7. The term of the presiding member expires with the expiry of the committee immediately prior to the next ordinary Council election; and
8. Should the elected presiding member not be present during a meeting of the committee then a temporary presiding member shall be elected in accordance with 3 above.
9. Community members shall have appropriate qualifications in Audit and/or Risk.

## **Staff**

The following staff will attend committee meetings to provide technical support and advice:

- Chief Executive Officer;
- Director of Corporate and Strategy; and
- Manager Finance.

Other staff may attend committee meetings when requested by the Committee through the Chief Executive Officer:

## **Invitees/Attendees**

The committee may invite relevant persons to attend and address or advise the committee, within the ambit of its scope and where necessary with the approval of Council (eg if authorisation of funding is required), as it sees fit including but not limited to:

- the external auditor or his/her representative,
- internal auditors,
- relevant consultants.

## **Meetings**

The Committee shall have flexibility in relation to when it needs to meet, but as a minimum shall meet twice a year. It is the responsibility of the presiding member to call the meetings of the committee. As a minimum the following business shall be conducted either at each or collectively over the two meetings:

- meet with the internal auditor with regards to the Audit Plan;
- consider a report in relation to the management of risk and review the insurance requirements of the City of Nedlands; and
- meet with the auditor with regards to the Annual Audit and the issue of the interim and/or final Audit Report.

## **Delegated Authority**

The Audit and Risk Committee will have delegated authority to meet with the auditor in accordance with Section 7.12A(2) of the Local Government Act 1995

## **Audit and Risk Committee**

### **Terms of Reference of Audit & Risk Management Committee**

#### **Purpose**

To assist the Council to discharge its responsibilities with regard to the exercise of due care, diligence and skill in relation to:

- the reporting of financial information, the application of accounting policies, and the management of the financial affairs of the City,
- the assessment of the adequacy of the management of Risk.

#### **Scope**

The committee shall have as its primary duties and responsibilities the following tasks:

#### **Audit**

1. To consider and approve the brief for the provision of audit services;
2. To evaluate the responses to the request for the provision of audit services and to make a recommendation to Council on the appointment of an auditor;
3. To meet with Council's external auditors and review the Audit Plan prior to the conduct of the interim audit each year;
4. To ensure that the audit is being conducted in accordance with the brief and the terms of appointment and that matters of concern to the Council and/or the Committee are being addressed;
5. Ensure that the Council's financial affairs and systems and processes are being managed and reported in accordance with statutory requirements and Australian Accounting Standards;
6. Ensure that relevant financial information is reported to Council in a form that meets the needs and expectations of Council, clearly setting out the key relevant financial data, such that the Council can confidently understand the financial performance of the Council's affairs;
7. Review the audit report and make appropriate recommendations to Council; and
8. Where appropriate and with the approval of Council seek advice and/or assistance in relation to matters pertaining to the audit or financial affairs of the City.

## Risk Management

1. At least once every year consider a report in relation to the management of risk within the City of Nedlands, and satisfy itself that appropriate controls and processes are in operation, and are adequate for dealing with the risks that impact on the City.
2. To address any specific requests referred to it from Council in relation to issues of risk and risk management.

## Membership

1. The membership of the committee shall comprise the Mayor and one Councillor from each ward with the Councillors being determined by nomination and if necessary a ballot conducted at a Council Meeting and up to ~~two~~ three non-Councillor Members, being residents of The City of Nedlands
2. Council may if it considers it appropriate appoint deputies to the members of the committee.
3. If a vacancy on the committee occurs for whatever reason then Council shall appoint a replacement in accordance with the same arrangements as for the original appointment set out in 1 above.
4. The quorum for a meeting shall be when at least 50% of the eligible members are present.
5. The term of membership expires with the expiry of the committee immediately prior to the next ordinary Council election.
6. The presiding member shall be determined by election amongst the members of the committee. The election will take place at the first meeting following the reconstitution of the committee after each ordinary Council election. The Mayor is eligible to vote for a presiding member but is not eligible to sit as the presiding member.
7. The term of the presiding member expires with the expiry of the committee immediately prior to the next ordinary Council election; and
8. Should the elected presiding member not be present during a meeting of the committee then a temporary presiding member shall be elected in accordance with 3 above.
9. Community members shall have appropriate qualifications in Audit and/or Risk.

## Staff

The following staff will attend committee meetings to provide technical support and advice:

- Chief Executive Officer;
- Director of Corporate and Strategy; ~~and~~
- Manager Finance; and-
- Manager Health & Compliance

Other staff may attend committee meetings when requested by the Committee through the Chief Executive Officer:

## Invitees/Attendees

The committee may invite relevant persons to attend and address or advise the committee, within the ambit of its scope and where necessary with the approval of Council (eg if authorisation of funding is required), as it sees fit including but not limited to:

- -the external auditor or his/her representative,
- internal auditors,
- relevant consultants.

## Meetings

The Committee shall have flexibility in relation to when it needs to meet, but as a minimum shall meet twice a year. It is the responsibility of the presiding member to call the meetings of the committee. As a minimum the following business shall be conducted either at each or collectively over the two meetings:

- meet with the internal auditor with regards to the Audit Plan;
- consider a report in relation to the management of risk and review the insurance requirements of the City of Nedlands; and
- meet with the auditor with regards to the Annual Audit and the issue of the interim and/or final Audit Report.

## Delegated Authority

The Audit and Risk Committee will have delegated authority to meet with the auditor in accordance with Section 7.12A(2) of the Local Government Act 1995

**9 Confidential Items**

Nil.

**10 Date of next meeting**

The date of the next meeting of this Committee is to be advised.

**Declaration of Closure**

There being no further business, the Presiding Member declared the meeting closed at 6.03 pm.