



City of Nedlands

Minutes

Audit & Risk Committee Meeting

9 November 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 in the Council Chamber and online via livestream on Monday 9 November 2020 at 5.30 pm.

Audit & Risk Committee Agenda

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 C M de lacy Councillor A W Mangano Councillor R Senathirajah Councillor P N Poliwka Mr P Setchell Mr S Foley	(Presiding Member) Mayor Dalkeith Ward Melvista Ward Hollywood Ward Community Member Community Member
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Staff	Mr M A Goodlet Mrs L M Driscoll Mrs S C Gibson	Chief Executive Officer Director Corporate & Strategy PA to Director Corporate & Strategy
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Invited Guests	Ms Michelle Shafizadeh Mr D Vo Mr J Ward Mr Damien Gaughan Mr Andrew Greig	Moore Australia, Director Assurance Advisory Moore Australia, Assurance Advisory KPMG (Auditors) LGIS, Account Manager LGIS, Manager Member Services
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Leave of Absence (Previously Approved) None at distribution of agenda.

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.

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1. Public Question Time

Nil.

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

Nil.

3. 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.

4. 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.

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

Nil.

6. Confirmation of Minutes

6.1 Audit & Risk Committee Meeting 5 October 2020

Moved – Councillor R Senathirajah
Seconded – Mr P Setchell

The Minutes of the Audit & Risk Committee Meeting held 5 October 2020 be confirmed.

CARRIED UNANIMOUSLY 7/-

7. 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.

There are no matters for which the meeting may be closed.

As a result of a request by the Audit and Risk Committee at the previous Audit and Risk Committee meeting, representatives of LGIS; Mr Andrew Grieg and Mr Damien Gaughan provided a presentation to the Committee on the structure of LGIS, its relationship with WALGA and of the insurance coverage provided to the City.

The Representatives from LGIS retired from the meeting at 6 pm.

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 Internal Audit Action Log

Committee	9 November 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 – Main; and 2. Internal Audit Actions Log – Archive.
Confidential Attachments	Nil.

Regulation 11(da) – Not Applicable – Recommendation Adopted

Moved – Mr P Setchell
Seconded – Councillor R Senathirajah

That the Recommendation to Committee be adopted.

(Printed below for ease of reference)

CARRIED UNANIMOUSLY 7/-

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 apporitions 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 members 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 outcomes.

The recently updated Internal Audit Actions Log is presented to the Audit and Risk Committee members for their information. We have recently updated the log to a more optimised process. All past items 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 the measures identified within the Community Strategic Plan for great governance and civic leadership, ongoing management of internal audit items assists towards this goal. This register has improved our ability to identify and manage both audit items and potential risk.

Who benefits?

All (specify who) 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 the City's exposure to financial risks as it provides a method of management by measuring the City's actions and outcomes.

Budget/Financial Implications

Nil.

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

8.2 Review Report against the Officer of Auditor General’s Report on Local Government Information Technology

Committee	9 November 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	1. Area of Focus based on OAG Report – 25 June 2020
Confidential Attachments	Nil.

Regulation 11(da) – Not Applicable – Minor change

Moved – Councillor Senathirajah
 Seconded – Mr Setchell

Committee Recommendation

The Audit and Risk Committee;

1. Reviews the report on the City’s position in respect to the criteria defined in the Office of Auditor General’s report dated 25 June 2020; and
2. Endorses the work to be undertaken by Administration and outlined in this report.

CARRIED UNANIMOUSLY 7/-

Recommendation to Committee

The Audit and Risk Committee;

1. Reviews the report on the City’s position in respect to the criteria defined in the Office of Auditor General’s report dated 25 June 2020; and
2. Endorses the work undertaken by Administration and outlined in this report.

Executive Summary

The objective of this report is to provide the Risk and Audit Committee with background information on the OAG's (Office of Auditor General) report on Local Government IT. The Business Systems business unit has reviewed the City's IT processes and practices, using the OAG report as a guideline.

We have assessed the City's IT maturity level to be around the "Defined (3)" and moving towards "Managed and Measurable (4)". This was an exercise in preparation and discovery. It is important to be prepared for future audits, be they internal, external or by the OAG. By understanding how the City is positioned against the OAG findings, we will be in a better position to improve and provide the safety and security of the City's business systems.

Discussion/Overview

This report identifies the practices required in the 14 areas that the OAG reviewed across 10 local government entities. The OAG found significant gaps in meeting the good practice standard across several control areas. Only 4 of the local governments demonstrated that they were effective, or partially effective, in at least 7 of the 14 areas.

The OAG's conclusion was that local governments should understand and assess their risks unique to their business activities and environment that would inform their strategy and to assess their controls against good business practice standards.

Using both International Organisation for Standardisation (ISO) standards and Information Technology Infrastructure Library (ITIL), Administration has carried out an assessment and believes the City is in a good position. Some minor gaps have been identified, which will be address in on-going work to continually improve the City's processes.

Strategic Implications

How well does it fit with our strategic direction?

The processes and practices highlighted will better enable Business Systems in the delivery of Information Communication Technology Services. As well as meeting our compliance and demonstrating our governance practices.

Who benefits?

The City of Nedlands Administration and Council will benefit from a better awareness within the organisation. The Business Systems business unit will be better able to carry out its role in the supply and support of ICT Services.

Does it involve a tolerable risk?

This review of the City's processes against the report by the OAG helps to reduce risk by ensuring the City's process meet the standards outlined in the report.

Do we have the information we need?

Yes, the report informed us of areas to be aware of and of what has been discovered by the OAG in their work with other Local Governments.

Budget/Financial Implications

Can we afford it?

There are no costs associated with this report.

8.3 Moore Australia – Payroll Internal Audit Report

Committee	9 November 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	1. Moore Australia – Agenda Paper; 2. City of Nedlands Payroll Audit (FINAL) (16 October 2020); and 3. City of Nedlands Potential Internal Audit Topics.
Confidential Attachments	Nil.

Regulation 11(da) – The Committee added the 4th item as it wished to gain an understanding of the cost of benefits of increased sampling of payroll.

Moved – Councillor R Senathirajah
Seconded – Mr S Foley

Committee Recommendation

The Audit & Risk Committee:

- 1. reviews the Final Payroll Internal Audit;**
- 2. endorses the Report;**
- 3. receives the Potential Internal Audit Topics report; and**
- 4. the CEO investigates the cost and benefits of increased sampling for payroll.**

CARRIED UNANIMOUSLY 7/-

Recommendation to Committee

The Audit & Risk Committee:

1. reviews the Final Payroll Internal Audit;
2. endorses the Report; and
3. receives the Potential Internal Audit Topics report.

Executive Summary

The objective of this report is to deliver the Risk and Audit Committee with background information on the Moore Australia (Internal Auditor's) Payroll Report and a copy of the final report for endorsement.

Discussion/Overview

This report identified five key observations and recommendations (three High and two Medium). The procedural recommendations have now been adopted, of the two technical one has been adopted. The other is being address with the work on obtaining a new business platform and an RFT for a payroll service.

In relation to the Detailed Observations and Recommendations, management has agreed will all recommendations. The actions where possible have been taken now or will be taken in the coming months. Many of the other issues should be covered and reviewed once the new platform is in place.

Strategic Implications

How well does it fit with our strategic direction?

The processes and practices highlighted will better inform implementation of the new platform. This will bring us more in line with current technology offerings and provide better performance and automation.

Who benefits?

The City will benefit from an understanding that our current practices are well founded, the areas identified have been addressed or will be addressed further once the new platform is in place.

Finance and Business Systems business units have benefitted from this report. It has made staff aware of issues that needed to be addressed. This will better prepare us for implementing a new solution.

Does it involve a tolerable risk?

This report reduces financial risk by highlighting areas that can be improved or easily rectified.

Do we have the information we need?

Yes, the report informed us to act upon, and where needed clarify and correctly move forward with how we manage payroll.

Budget/Financial Implications

Can we afford it?

There is an approved budget to obtain this service to prepare for our external audit.

Councillor Mangano left the Chamber at 7.16 pm and returned 7.17 pm.

8.4 Financial Audit for Year Ended 30 June 2020 – Update on Issues and Status of the Audit

Committee	9 November 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	<ol style="list-style-type: none"> 1. Update from Auditors, KPMG on the status of the audit; 2. Update from the Auditor General on the status of the audit; and 3. Update from the Department of Local Government Sport and Cultural Industries on the proposed amendments to the Financial Management Regulations.
Confidential Attachments	Nil.

Regulation 11(da) – Not Applicable – Recommendation Adopted

Moved – Councillor R Senathirajah
 Seconded – Mayor C de Lacy

That the Recommendation to Committee be adopted.
 (Printed below for ease of reference)

CARRINED UNANIMOUSLY 7/-

Committee Recommendation / Recommendation to Committee

The Audit and Risk Committee notes and reviews the issues and status of the financial audit for the year ended 30 June 2020.

Executive Summary

The objective of this report is to provide the Audit and Risk Committee with an update on the issues and status of the financial audit for the year ended 30 June 2020.

There have been some delays in the audit process arising from shortcomings of the City’s accounting system reporting capabilities, changes to accounting standards which have come into effect from 1 July 2019 and further proposed amendments to the Local Government Financial Management Regulations.

Discussion/Overview

The Auditor General (AG) has been the auditor for the City since the financial year 2019. The 2019 financials were audited by Macri Partners as contractors of the AG and 2020 financials are being audited by KPMG as contractors of the AG.

The relevant legislative requirements are as follows:

The City is to submit the annual financial report to the auditor by 30 September 2020 as required by the LGA S 6.4(3).

The audit report is to be completed (signed and sent out) by 31 December 2020 as required by the LGA S 7.9.

The annual report to be accepted by Council no later than 31 December 2020. If the auditor's report is not available in time for the annual report to be accepted by 31 December 2020, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available. This is in accordance with the LGA S 5.54.

A general meeting of electors is to be held once every financial year and within 56 days of Council accepting the annual report as required by the LGA S 5.27. However this requirement has been suspended for the declared COVID-19 emergency period.

The audit of the 2020 financials was planned to be completed by end of October 2020 and presented to the Committee at the meeting on 9 November 2020. However there have been some delays in the audit process arising from shortcomings of the City's accounting system reporting capabilities, changes to accounting standards which have come into effect from 1 July 2019 and further proposed amendments to the Local Government Financial Management Regulations.

The completion date of the audit is not ascertained yet and is likely to be delayed until the regulation amendments are gazetted.

The tabled report is presented to the Committee for their information and consideration.

Strategic Implications

How well does it fit with our strategic direction?

The Annual Financial Report, reports on the previous years financial activity which will allow the City to predict where funds need to be spent the following year to align with the strategic direction.

Who benefits?

The City of Nedlands community benefits from the Annual Financial Report, as it is a public document that they can view, to see how the City of Nedlands has allocated funds.

Does it involve a tolerable risk?

The risk of delay is tolerable as it is highly likely that deadlines will be met.

Do we have the information we need?

At the present time, there is some uncertainty surrounding the date of the regulation amendments to be gazetted which will affect the date of completion of the audit.

Budget/Financial Implications

Can we afford it?

There are no costs associated with this report.

8.5 Audit & Risk Committee Dates for 2021

Committee	9 November 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) – The Committee add an extra meeting, 7 December 2020 to discuss the end of year financial report.

Moved – Councillor A Mangano

Seconded – Councillor R Senathirajah

Committee Recommendation / Recommendation to Committee

The Audit & Risk Committee agrees to the following Audit & Risk Committee Meeting Dates for the year 2021:

- 1. Monday, 7 December 2020**
- 2. Monday, 15 February 2021;**
- 3. Monday, 14 June 2021;**
- 4. Monday, 20 September 2021; and**
- 5. Monday, 08 November 2021.**

Note: these dates are subject to change and extra meetings may be scheduled if the need arises.

CARRIED UNANIMOUSLY 7/-

Executive Summary

This report seeks the Audit & Risk Committee's approval to set the Committee dates for 2021.

Discussion/Overview

For the Audit and Risk Committee to fulfill its duty to the Council, it must meet several times a year.

In scheduling the meetings for 2021 around key financial and auditing dates the Audit & Risk Committee will be allowing Administration to plan reports around these dates and provide timely information to the Committee.

Key Relevant Previous Council Decisions:

There are no relevant previous Council decisions to consider.

Consultation

Nil.

Strategic Implications

How well does it fit with our strategic direction?

Scheduling the Audit and Risk Committee meetings for 2021 around key financial and auditing dates will manage the City of Nedlands' risk, which fits with the strategic direction.

Who benefits?

The Audit & Risk Committee members benefit from the dates for 2021 being set at the end of this calendar year. The organisation also benefits from having a schedule of meetings that enables it to ensure financial deadlines are met.

Does it involve a tolerable risk?

There is no risk associated with the recommendation.

Do we have the information we need?

All required information has been provided to the Committee.

Budget/Financial Implications

This does not have any financial implications

9. Reports by the Chief Executive Officer

There are no reports by the Chief Executive Officer.

10. Urgent Business Approved By the Presiding Member or By Decision

There is no urgent Business.

11. Confidential Items

There are no confidential items.

12. Date of next meeting

The next meeting of the Audit & Risk Committee is to be held on 7 December 2020.

Declaration of Closure

There being no further business, the Presiding Member will declare the meeting closed at 7.21 pm.