



City of Nedlands

# ***Agenda***

## ***Audit and Risk Committee Meeting***

***29 July 2014***

### **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.

## Table of Contents

Declaration of Opening.....	2
Present and Apologies and Leave Of Absence (Previously Approved) .....	2
1. Public Question Time.....	3
2. Addresses by Members of the Public (only for items listed on the agenda) .....	3
3. Disclosures of Financial Interest.....	3
4. Disclosures of Interests Affecting Impartiality .....	3
5. Declarations by Members That They Have Not Given Due Consideration to Papers.....	4
6. Confirmation of Minutes .....	4
6.1 Audit and Risk Committee Meeting 13 February 2014 .....	4
7. Items for Discussion.....	4
7.1 Terms of Reference – Audit and Risk Committee.....	5
7.2 Summary of Insurance Claims .....	6
7.3 Insurance Cover 2014/15.....	7
7.4 BDO – Internal Audit Plan.....	9
7.5 BDO – Internal Audit Reports.....	10
7.6 Macri Partners – External Audit Plan .....	11
7.7 External Auditor’s Interim Audit Report.....	12
Declaration of Closure .....	13

## City of Nedlands

### **Notice of a meeting of the Audit and Risk Committee to be held in the Council Meeting Room at 71 Stirling Hwy, Nedlands on Tuesday 29 July 2014 at 6.00 pm.**

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Dear Committee member

The next meeting of the Audit and Risk Committee will be held on Tuesday 29 July 2014 in the Council Meeting Room at 71 Stirling Highway, Nedlands commencing at 6 pm.



Greg Trevaskis  
Chief Executive Officer  
22 July 2014

### **Council Committee Agenda**

#### **Declaration of Opening**

The Presiding Member will declare the meeting open at 6.00 pm and will draw attention to the disclaimer below.

#### **Present and Apologies and Leave Of Absence (Previously Approved)**

**Leave of Absence**                      None.  
**(Previously Approved)**

**Apologies**                      None as at distribution of this 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.

**1. 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 direct afterwards.

Questions must relate to a matter contained within the agenda of this meeting.

**2. 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.

**3. Disclosures of Financial 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.

**4. 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). 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.

**5. 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.

**6. Confirmation of Minutes**

**6.1 Audit and Risk Committee Meeting 13 February 2014**

The minutes of the Audit and Risk Committee held 13 February 2014 are to be confirmed.

**7. 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.

<b>7.1 TERMS OF REFERENCE – AUDIT AND RISK COMMITTEE</b>
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**Background**

The purpose of the Audit and Risk Committee is 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, and
- the assessment of the adequacy of the management of risk.

A copy of the terms of reference is attached for the information and reference of the Audit and Risk Committee.

**Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee notes the terms of reference.**

**Attachment**

1. Terms of Reference

## **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

## **7.2 SUMMARY OF INSURANCE CLAIMS**

### **Background**

The Audit and Risk Committee has sought a summary of outstanding insurance claims.

A summary of claims as at 30 June 2014 is attached.

### **Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee notes the summary of insurance claims as at 30 June 2014.**

### **Attachment**

1. Summary of Insurance Claims as at 30 June 2014

<b>7.3 INSURANCE COVER 2014/15</b>
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**Background**

The City has sought quotations for the renewal of insurance for 2014/15 from Local Government Insurance Services.

The attached renewal report was received and acceptance of premiums contributions was accepted for all insurance classes previously provided. Alternative quotations were received for Corporate Practices Liability (Statutory Liability and Inquiry Costs) but this cover was not accepted.

Since accepting these quotations, the LGIS Board has determined that as the City of Nedlands is not a member of WALGA, it is not entitled to the Member benefits package. Accordingly, a 25% discount will not apply to scheme covers. The quotations for non-scheme covers remains the same.

Formal notification of the LGIS board's decision has not yet been received and further advice on this will sought when received.

In the interim, the following increases for scheme covers are noted:

Insurance Class	Initial 2014/15	Revised 2014/15	Change
Contract Works	\$8,712	\$8,712	Nil
Councillors and Officers Liability	\$11,095.34	\$11,095.34	Nil
Journey Cover	\$475.75	\$475.75	Nil
Motor Vehicle	\$54,869.39	\$54,869.39	Nil
Personal Accident and Travel	\$1,980	\$1,980	Nil
Total	\$57,359.14	\$57,359.14	
Fidelity Guarantee	\$1,933.43	\$2,577	\$643.57
Casual Hirers	\$3,927	\$5,236	\$1,309.00
LGIS Property	\$125,149.35	\$166,865	\$41,715.65
LGIS Liability	\$175,714.11	\$234,283	\$58,568.89
LGIS WorkCare	\$222,851.08	\$297,132	\$74,280.92
Total	\$529,574.97	\$706,093	\$176,518.03

The CEO will be arranging the appointment of a suitably qualified insurance broker to source alternative cover for scheme covers and a report will be presented back to the Audit and Risk Committee in due course.

**Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee notes:**

- a. the renewal report from LGIS for 2014/15;
- b. the subsequently adjusted premiums for LGIS scheme covers for 2014/15; and
- c. the CEO has sought the services of a suitably qualified insurance broker to source quotations for the balance of the 2014/15 with a further report on the outcomes to be submitted in due course.

**Attachment**

1. LGIS Insurance Renewal Report

<b>7.4</b>	<b>BDO – INTERNAL AUDIT PLAN</b>
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**Background**

BDO was appointed as Internal Auditors for a period of three years. An audit plan has been prepared in consultation with Administration and is presented to the Audit and Risk Committee for consideration.

Representatives from BDO will be present at the Committee meeting to answer any questions on the audit plan and consider feedback provided by the Committee.

**Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee notes the Audit Plan from BDO.**

**Attachments**

1. BDO – Audit Plan

<b>7.5 BDO – INTERNAL AUDIT REPORTS</b>
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**Background**

In accordance with the 2014/15 Internal Audit Plan, BDO undertook an internal audit of the Cash and Bank processes as operated by the City of Nedlands in May 2014.

The overall rating for the review is “Satisfactory” – defined by the Auditor as “Overall a control framework is in place. Some improvements would improve the control environment.”

The findings and recommendations are in the Internal Audit Report, together with Management’s comments. The report also gives a time-frame for the implementation of the accepted recommendations.

**Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee receives the Internal Audit Report and notes the actions by Management to improve the controls already in place.**

**Attachments**

1. City of Nedlands – Cash and Bank Review

<b>7.6 MACRI PARTNERS – EXTERNAL AUDIT PLAN</b>
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**Background**

Macri Partners are the City's appointed External Auditors.

An Audit Plan has been submitted to inform the Audit and Risk Committee of the Auditors responsibilities and how they plan to discharge them.

The Audit Plan sets out:

- a. Scope of Audit
- b. Financial Reporting Responsibilities
- c. Audit Approach
- d. Impact of Fraud on the Financial Report
- e. Inquiries related to Risks of Fraud
- f. Highlights for 2013/14
- g. Materiality
- h. Audit Engagement Team
- i. Communications Plan and Timetable
- j. Independence
- k. Disclaimer

Representatives from Macri Partners will be present at the Committee meeting to answer any questions on the External Audit Plan and consider feedback provided by the Committee.

**Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee notes the External Audit Plan.**

**Attachments**

- 1. Macri Partners – External Audit Plan



<b>7.7</b>	<b>EXTERNAL AUDITOR'S INTERIM AUDIT REPORT</b>
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### **Background**

The City's External Auditors Macri Partners, carried out an interim audit during May 2014 and covered a review of accounting and internal control procedures in operation.

In addition, the interim audit also tested transactions in the following areas:

- a. Bank reconciliations
- b. Investment of Surplus Funds
- c. Purchases
- d. Payment and Creditors
- e. Rate Receipts and Rate Debtors
- f. Receipts and Sundry Debtors
- g. Stores and Depot
- h. General Accounting (Journal etc)
- i. IT Controls
- j. Property, Plant and Equipment
- k. Registers (Tenders Register etc)
- l. Minutes Review

The interim audit report identified a number of recommendations and management has commented. All matters raised in the report have been addressed and will be attended to prior to the completion of the final audit.

### **Recommendation to the Audit and Risk Committee**

**The Audit and Risk Committee notes the interim audit report.**

### **Attachments**

1. Macri Partner – Interim Audit Report

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 will declare the meeting closed.

A handwritten signature in black ink, appearing to read 'Greg Trevaskis', with a long horizontal flourish extending to the left.

Greg Trevaskis  
Chief Executive Officer