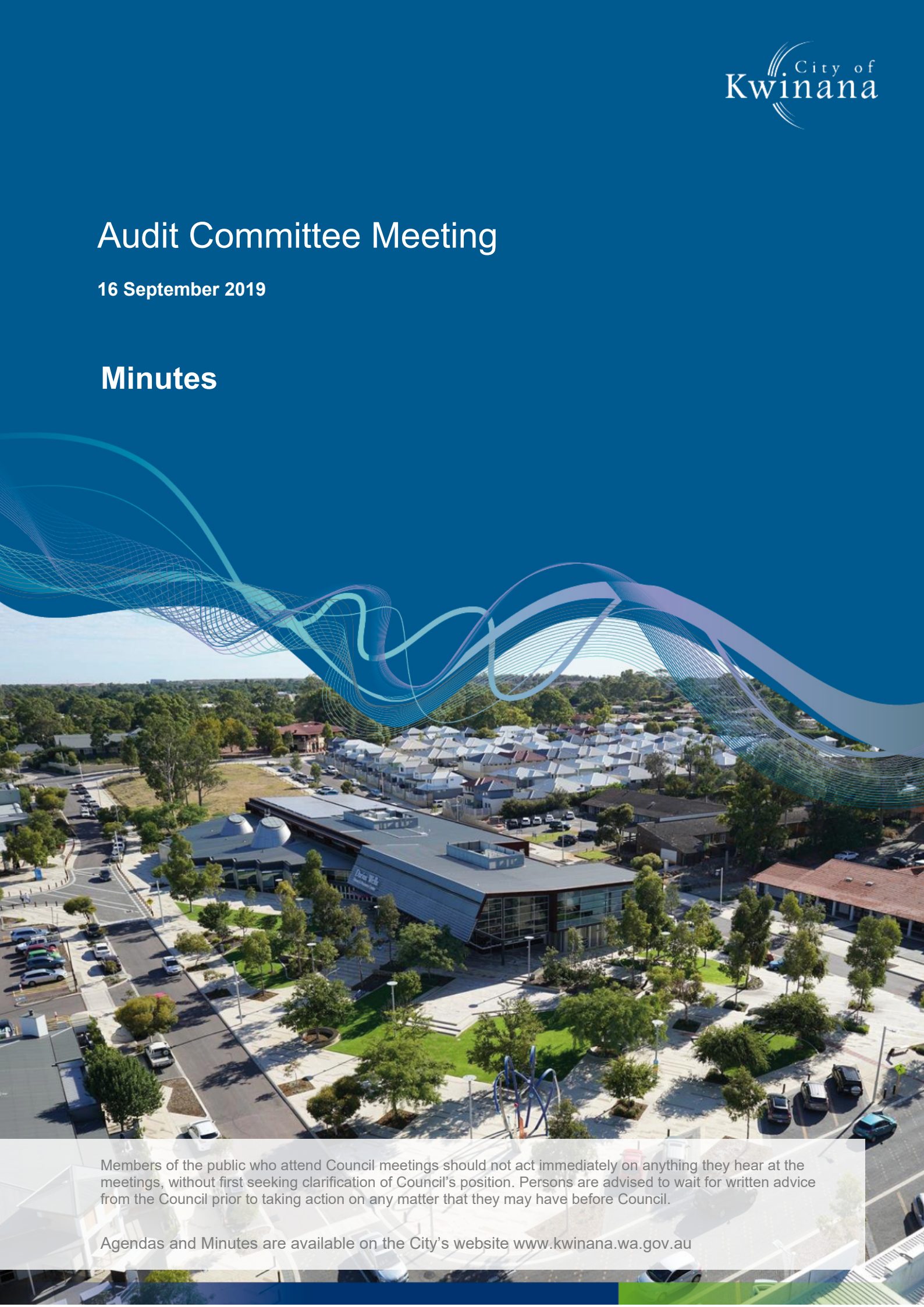


Audit Committee Meeting

16 September 2019

Minutes

An aerial photograph of a city building, likely a council or government building, with a modern design and large glass windows. The building is surrounded by greenery, trees, and parking areas. In the background, there are residential houses and more trees. The image is overlaid with a decorative graphic of blue and white wavy lines.

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. Persons are advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

Agendas and Minutes are available on the City's website www.kwinana.wa.gov.au

Vision Statement

Kwinana 2030

Rich in spirit, alive with opportunities, surrounded by nature – it's all here!



Mission

*Strengthen community spirit, lead exciting growth, respect the environment
- create great places to live.*

We will do this by –

- providing strong leadership in the community;
- promoting an innovative and integrated approach;
- being accountable and transparent in our actions;
- being efficient and effective with our resources;
- using industry leading methods and technology wherever possible;
- making informed decisions, after considering all available information; and
- providing the best possible customer service.

Values

We will demonstrate and be defined by our core values, which are:

Lead from where you stand – Leadership is within us all. | Act with compassion – Show that you care. | Make it fun – Seize the opportunity to have fun. | Stand Strong, stand true – Have the courage to do what is right. | Trust and be trusted – Value the message, value the messenger. | Why not yes? – Ideas can grow with a yes.



Present:

MAYOR C ADAMS
DEPUTY MAYOR P FEASEY
COUNCILLOR S LEE
COUNCILLOR S MILLS
COMMITTEE MEMBER G MCMATH

COUNCILLOR M ROWSE (Observer)
COUNCILLOR W COOPER (Observer)

MS J ABBISS	-	Chief Executive Officer
MRS S WILTSHIRE	-	Acting Director City Business
MRS M COOKE	-	Director City Regulation
MS M BELL	-	Director City Legal
MR T HOSSEN	-	Lawyer
MRS T LAAS	-	Business Support Officer (Engineering)
MS A MCKENZIE	-	Council Administration Officer

Members of the Press	0
Members of the Public	0

1 Declaration of Opening:

Presiding Member declared the meeting open at 5:30pm and welcomed Councillors, City Officers and gallery in attendance and read the Welcome.

“IT GIVES ME GREAT PLEASURE TO WELCOME YOU ALL HERE AND BEFORE COMMENCING THE PROCEEDINGS, I WOULD LIKE TO ACKNOWLEDGE THAT WE COME TOGETHER TONIGHT ON THE TRADITIONAL LAND OF THE NOONGAR PEOPLE”

2 Apologies/Leave(s) of Absence (previously approved)

Apologies

Nil

Leave(s) of Absence (previously approved):

Councillor Merv Kearney from 14 September 2019 to 10 October 2019 inclusive.

3 Public Question Time:

Nil

4 Declarations of Interest by Members and City Officers:

Nil

5 Minutes to be Confirmed:

5.1 Audit Committee Meeting held on 1 July 2019:

COMMITTEE DECISION

MOVED CR S MILLS

SECONDED CR P FEASEY

That the Minutes of the Audit Committee Meeting held on 1 July 2019 be confirmed as a true and correct record of the meeting.

**CARRIED
5/0**

6 Reports:

6.1 2018/2019 Interim Financial Audit

DECLARATION OF INTEREST:

There were no declarations of interest declared.

SUMMARY:

The purpose of this report is to provide the Audit Committee with an overview of the 2018/2019 Interim Financial Audit as performed by the Office of the Auditor General's contractor, Moore Stephens (WA) Pty Ltd. The Office of the Auditor General is responsible for issuing the Interim Audit Management Letter to the City and is provided in Confidential Attachment A.

OFFICER RECOMMENDATION:

That the Audit Committee note the comments provided by the Office of the Auditor General, as part of the interim 2018/2019 financial audit as provided in Confidential Attachment A.

DISCUSSION:

As part of the 2018/2019 financial audit the Office of the Auditor General (OAG) contracted Moore Stephens (WA) Pty Ltd to perform an interim audit during March 2019. There is no requirement for Auditors to form an opinion or to produce a report as a result of an interim audit, however the following matters were discussed as part of the exit briefing and included within the Interim Audit Management Letter. Officers have provided comments for each item for reporting to the Audit Committee with further information provided within the Interim Audit Management Letter as contained in Attachment A.

	Auditor Note	Officer Comments
1.	<p>Lack of independent review of Family Day Care payroll report</p> <p><i>Finding:</i> During our review of internal controls surrounding creditor payments, we noted the fortnightly payroll report for the Family Day Care Centre has not been independently reviewed.</p> <p><i>Recommendation:</i> To help ensure all payments made to the Family Day Care Centre staff are bona-fide and accurate, a senior staff member independent of processing should review the fortnightly payroll report. In addition, the reviewer should sign and date the report as evidence of review.</p>	<p>Prior to the interim audit this control had been recognised as a weakness to be improved. The City's Finance team have since worked with the Family Day Care Centre (Bright Futures Children's Services) staff to ensure that the Manager Bright Futures Children's Services independently reviews the fortnightly payments to the educators prior to processing for payment. This process now aligns with the City's strong internal controls and processes for payments.</p>

6.1 2018/2019 INTERIM FINANCIAL AUDIT

2.	<p>Interest on trust funds</p> <p><i>Finding:</i> We noted that interest earnings on trust fund moneys are not retained in trust or provided back to the entitled recipient on return of their moneys. Rather the City of Kwinana keeps these earnings as their own.</p> <p><i>Recommendation:</i> The City of Kwinana should manage and account for trust fund moneys and associated interest in accordance with the Act. The City should undertake the necessary steps to identify any obligations it has to return moneys that it has incorrectly retained from the current and previous years.</p>	<p>When the City changed banks the City's trust fund was inadvertently set up to be included in the calculation of the municipal group interest. Trust funds were only recognised as of 30 June 2017 after receiving legal advice, previously recognised as Trade Payable – Bond and Deposit Creditors. The City has actioned the removal of the Trust bank account from the group interest calculation and subsequently refunded to respective Trust holders the calculated interest on the moneys held in 2018/19.</p>
3.	<p>Classification of Banksia Park Retirement Village unit contribution payable</p> <p><i>Finding:</i> We noted the unit contribution payable balance of approximately \$19m relating to the Banksia Park Retirement Village has been incorrectly classified as a non-current liability in the City's financial report. As the City does not have an unconditional right to defer settlement of the liability beyond 12 months arising from contractual obligations, this balance should be recognised as a current liability.</p> <p><i>Recommendation:</i> To ensure compliance with standard industry practice and Australian Accounting Standards, the unit contribution balance should be re-classified as a current liability in the accounts.</p>	<p>The accounting treatment for the Banksia Park Retirement Village unit contribution is being reviewed as part of the finalisation of the Annual Financial Statements preparation for the year ended 30 June 2019. Any required adjustments to the current or prior periods will be made.</p>

During September 2019 the final audit of the Annual Financial Statements for the year ended 30 June 2019 will be conducted by the OAGs contractor, Moore Stephens (WA) Pty Ltd. The final audit report will be issued by the OAG upon completion of the audit.

6.1 2018/2019 INTERIM FINANCIAL AUDIT

LEGAL/POLICY IMPLICATIONS:

Local Government Act 1995 section 7.12AB. states:

Conducting a financial audit

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

FINANCIAL/BUDGET IMPLICATIONS:

There are no specific financial/budget implications as a result of this report.

ASSET MANAGEMENT IMPLICATIONS:

There are no specific asset management implications as a result of this report.

ENVIRONMENTAL IMPLICATIONS:

There are no specific environmental implications as a result of this report.

STRATEGIC/SOCIAL IMPLICATIONS:

This proposal will support the achievement of the following outcome and objective detailed in the Corporate Business Plan.

Plan	Outcome	Objective
Corporate Business Plan	Business Performance	5.4 Ensure the financial sustainability of the City of Kwinana into the future

COMMUNITY ENGAGEMENT:

There are no community engagement implications as a result of this report.

PUBLIC HEALTH IMPLICATIONS

There are no implications on any determinants of health as a result of this report.

RISK IMPLICATIONS:

The risk implications in relation to this proposal are as follows:

Risk Event	The City does not respond to the OAG's recommendations which affect the outcome of the final audit.
Risk Theme	Failure to fulfil statutory regulations or compliance requirements

6.1 2018/2019 INTERIM FINANCIAL AUDIT

Risk Effect/Impact	Reputation/Compliance
Risk Assessment Context	Strategic
Consequence	Minor
Likelihood	Unlikely
Rating (before treatment)	Low
Risk Treatment in place	Reduce - mitigate risk
Response to risk treatment required/in place	Ensure that the City's accounts and annual financial report are audited per the requirements of the Act.
Rating (after treatment)	Low

COMMITTEE DECISION**MOVED CR S MILLS****SECONDED CM G MCMATH**

That the Audit Committee note the comments provided by the Office of the Auditor General, as part of the interim 2018/2019 financial audit as provided in Confidential Attachment A.

**CARRIED
5/0**

6.2 Organisational Risk Report

DECLARATION OF INTEREST:

There were no declarations of interest declared.

SUMMARY:

This report is provided to the Audit Committee for noting.

Council has endorsed a Risk Management Council Policy to manage all risks that have been identified and that could impact the City if they were not managed and evaluated appropriately. At every Audit Committee Meeting, the Committee receives a report detailing identified risks and the progress of the actions to manage those risks. This report, entitled the City of Kwinana Risk Report, is enclosed as Confidential Attachment A.

OFFICER RECOMMENDATION:

That the Audit Committee note the City of Kwinana Risk Report detailed in Confidential Attachment A.

DISCUSSION:

The Organisational Risk Report is provided to the Audit Committee at each Audit Committee Meeting. The City accepts the taking of calculated risks, the use of innovative approaches and the development of new opportunities to improve service delivery and achieve its objectives, provided that the risks are properly identified, evaluated and managed.

LEGAL/POLICY IMPLICATIONS:

Regulation 17 of the Local Government (Audit) Regulations 1996 provides:

17. *CEO to review certain systems and procedures*
- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
 - (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
 - (3) *The CEO is to report to the audit committee the results of that review.*

FINANCIAL/BUDGET IMPLICATIONS:

The actions that have been identified in this report have been costed for inclusion in the budget and Long Term Financial Plan.

6.2 ORGANISATIONAL RISK REPORT**ASSET MANAGEMENT IMPLICATIONS:**

Asset management plans will be updated to incorporate asset management implications identified as a result of this report or recommendation.

ENVIRONMENTAL IMPLICATIONS:

No environmental implications have been identified as a result of this report or recommendation.

STRATEGIC/SOCIAL IMPLICATIONS:

This proposal will support the achievement of the following outcome and objective detailed in the Corporate Business Plan.

Plan	Outcome	Objective
Corporate Business Plan	Civic Leadership	5.3 Maintain and improve risk management

COMMUNITY ENGAGEMENT:

There are no community engagement implications as a result of this report.

PUBLIC HEALTH IMPLICATIONS

There are no implications on any determinants of health as a result of this report.

RISK IMPLICATIONS:

The risk implications in relation to this proposal are as follows:

Risk Event	The Audit Committee does not receive the Organisational Risk Report.
Risk Theme	Failure to fulfil statutory regulations or compliance requirements
Risk Effect/Impact	Compliance
Risk Assessment Context	Strategic
Consequence	Major
Likelihood	Unlikely
Rating (before treatment)	Moderate
Risk Treatment in place	Reduce - mitigate risk

6.2 ORGANISATIONAL RISK REPORT

Response to risk treatment required/in place	Risk Report will be presented to the Audit Committee at each Audit Committee Meeting to ensure compliance with the <i>Local Government (Audit) Regulations 1996</i> for the CEO to have systems and processes in place for risk management.
Rating (after treatment)	Low

COMMITTEE DECISION**MOVED CR S LEE****SECONDED CR P FEASEY****That the Audit Committee note the City of Kwinana Risk Report detailed in Confidential Attachment A.****CARRIED
5/0**

7 Urgent Business:

Nil

8 Response to Previous Questions:

Nil

9 Matters Behind Closed Doors

COMMITTEE DECISION

MOVED CR P FEASEY

SECONDED CR S MILLS

That in accordance with Sections 5.23(2)(d) of the *Local Government Act 1995*, the Audit Committee move behind closed doors to allow discussion of the Matters Behind Closed Doors items.

CARRIED
5/0

The Council Chambers doors were closed at 5:46pm.

9.1 Internal Audit Report

COMMITTEE DECISION

MOVED CR S LEE

SECONDED CM G MCMATH

That the Audit Committee:

1. Note the action status update for any outstanding actions from previous internal audit findings as detailed in Attachment A.
2. Receive the internal audit findings for the period Quarter Four of 2018/2019, and establish actions as detailed in Attachment B.
3. Include established actions for Quarter Four of 2018/2019 from Attachment B as part of the next quarter's action status update.
4. Endorse the Internal Audit Plan for Quarter One of 2019/2020, as detailed in Attachment C, to be undertaken during the period 16 September 2019 to 18 November 2019 for the following auditable units:
 - a) City Strategy – Strategic Corporate Planning;
 - b) City Strategy – Long Term Financial Plan (LTFP);
 - c) ICT - Cloud;
 - d) ICT – Software / IT asset management; and
 - e) ICT – Data Loss Prevention and Privacy.

CARRIED
5/0

COMMITTEE DECISION

MOVED CR P FEASEY

SECONDED CR S MILLS

That the Audit Committee return from Behind Closed Doors.

CARRIED
5/0

The Council Chambers doors were reopened at 6:07pm.

10 Next Meeting

The next Audit Committee Meeting is scheduled to be held on 18 November 2019.

11 Meeting Closure:

The Mayor declared the meeting closed at 6:08pm.

Chairperson:

25 September 2019