

Audit Committee Meeting

6 July 2020

Minutes



TABLE OF CONTENTS

1	Opening and announcement of visitors	3
2	Acknowledgement of country	3
3	Attendance, apologies, Leave(s) of absence (previously approved).....	3
4	Declarations of Interest (financial, proximity, impartiality – both real and perceived) by Members and City Officers	3
5	Confirmation of minutes.....	4
5.1	Audit Committee Meeting held on 16 March 2020:	4
6	Reports	5
6.1	Organisational Risk Report.....	5
6.2	External Audit Plan for the year ended 30 June 2020.....	8
6.3	Chief Executive Officer Review of Financial Management Systems and Procedures	11
6.4	Occupational Safety and Health (OSH) Statistical Data Report.....	16
6.5	Risk Report – OneCouncil Project.....	20
6.6	Review of Audit Committee Terms of Reference	23
7	Late and urgent Business	28
8	Confidential items	28
8.1	Internal Audit Report	28
9	Close of meeting	28

Present:

MAYOR C ADAMS
COUNCILLOR S LEE
COUNCILLOR S WOOD
COMMITTEE MEMBER G MCMATH

MR W JACK	-	Chief Executive Officer
MS M BELL	-	Director City Legal
MR D ELKINS	-	Director City Infrastructure
MRS M COOKE	-	Director City Regulation
MR R MARK	-	Governance Services Coordinator
MS S WILTSHIRE	-	Manager Human Resources
MR K TOGHER	-	Project Manager – Corporate Business System

1 Opening and announcement of visitors

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

2 Acknowledgement of country

Presiding Member read the Acknowledgement of country

"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 and we pay our respects to their Elders past and present."

3 Attendance, apologies, Leave(s) of absence (previously approved)

Apologies

DEPUTY MAYOR P FEASEY
COUNCILLOR M KEARNEY

Leave(s) of Absence (previously approved):
Nil

4 Declarations of Interest (financial, proximity, impartiality – both real and perceived) by Members and City Officers

Nil

5 Confirmation of minutes

5.1 Audit Committee Meeting held on 16 March 2020:

COMMITTEE DECISION

MOVED CM G McMATH

SECONDED CR M ROWSE

That the Minutes of the Audit Committee Meeting held on 16 March 2020 be confirmed as a true and correct record of the meeting.

**CARRIED
4/0**

6 Reports

6.1 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.*

6.1 ORGANISATIONAL RISK REPORT**FINANCIAL/BUDGET IMPLICATIONS:**

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

ASSET MANAGEMENT IMPLICATIONS:

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

ENVIRONMENTAL IMPLICATIONS:

There are no 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 – City Sustainability	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

6.1 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 M ROWSE**

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

**CARRIED
4/0**

6.2 External Audit Plan for the year ended 30 June 2020

DECLARATION OF INTEREST:

There were no declarations of interest declared.

SUMMARY:

In accordance with section 1.4 of the *Local Government Act 1995*, the Office of the Auditor General (“OAG”) will be the auditor of the City. For the 2019/2020 financial year audit, the OAG has contracted RSM Australia (RSM) to undertake the audit on their behalf.

This report presents the Audit Planning Memorandum (APM), a copy of which is attached as Attachment A. The primary purpose of the APM is to brief the Audit Committee on the proposed approach by RSM, on behalf of the OAG, to audit the financial report of the City of Kwinana (City) for the year ended 30 June 2020.

OFFICER RECOMMENDATION:

That the Audit Committee:

1. Accepts the Audit Planning Memorandum, as detailed in Attachment A;
2. Notes the Office of the Auditor General intention to maintain audit fees at 2019 levels, subject to review in September 2020.

DISCUSSION:

RSM Australia (RSM) has provided the City with its Audit Planning Memorandum (APM), a copy of which is included at Attachment A. The APM outlines the purpose and scope of the audit, explains the approach, and gives details of financial reporting responsibilities. The APM also details the key areas to be covered by the interim and final audits.

The interim audit has been completed as per the included timetable. To date, the City has not received the Interim Audit Letter, and is of the understanding that a draft of the letter is with the OAG.

It is worth noting that the APM does not include a proposed audit fee, however, the OAG have advised that to provide an element of certainty, in response to COVID-19, audit fees will be maintained at the same level as was set for the 2019 Financial Year. The OAG has also noted that this decision will be re-evaluated in September 2020.

LEGAL/POLICY IMPLICATIONS:

Section 7.2. of the *Local Government Act 1995* states:

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

6.2 EXTERNAL AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2020**FINANCIAL/BUDGET IMPLICATIONS:**

Audit fees have been budgeted as per the 2018/2019 fees, in accordance with advice from the OAG.

ASSET MANAGEMENT IMPLICATIONS:

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

ENVIRONMENTAL IMPLICATIONS:

There are no 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	Non-compliance with section 7.2. of the <i>Local Government Act 1995</i>
Risk Theme	Failure to fulfil statutory regulations or compliance Providing inaccurate advice/information
Risk Effect/Impact	Financial / Reputation / Compliance
Risk Assessment Context	Operational
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 is audited per the requirements of the Act.
Rating (after treatment)	Low

6.2 EXTERNAL AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2020

COMMITTEE DECISION

MOVED CR M ROWSE

SECONDED CM McMATH

That the Audit Committee:

- 1. Accepts the Audit Planning Memorandum, as detailed in Attachment A.**
- 2. Notes the Office of the Auditor General intention to maintain audit fees at 2019 levels, subject to review in September 2020.**

**CARRIED
4/0**

6.3 Chief Executive Officer Review of Financial Management Systems and Procedures

DECLARATION OF INTEREST:

There were no declarations of interest declared.

SUMMARY:

Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 requires the Chief Executive Officer (CEO) to carry out a review of the appropriateness and effectiveness of the City of Kwinana's financial management systems and procedures (FMR) at least once in every three years and report to the local government the result of those reviews.

The Audit Committee is requested to note the method of reviewing the City's financial management systems and procedures and recommend that Council receive this report (FMR report).

OFFICER RECOMMENDATION:

That the Audit Committee recommend Council receive this report as confirmation of a review of the appropriateness and effectiveness of the financial management systems and procedures (Financial Management Review), for the period 2017 to 2020.

DISCUSSION:

The last FMR was completed in 2017, following an external review by independent auditor Moore Stephens. The 2017 external audit reviewed 26 areas, including policies, procedures and risk management. As a result of this external audit, 11 recommended improvements were made. All 11 recommendations have been implemented, so that there are no outstanding actions from this audit.

In the three years since the last FMR, a program of internal control audits has been in place, with quarterly reports to the Audit Committee. In addition, the City has had external financial audits each year, an external systems and procedures review, and has reviewed and implemented each best practice recommendation of the OAG since the 2017 FMR. The following is a list of internal and external audits and implantation of OAG recommendations occurring in the period 2017 to 2020:

1. June 2017 - 2017 Financial Management Review by external audit (previous FMR, with all recommendations resolved);
2. 2017 to 2020 - City of Kwinana Internal Audit Program, which has been a program of control audits, and reported to the Audit Committee each quarter;
3. May 2018 - Management Review against OAG Recommendations - Controls Over Corporate Credit Cards;
4. October 2018 - 2018 Review of Systems and Procedures – external audit;
5. March 2019 - Management Review against OAG Better Practice Principles - Management of Supplier Master Files;
6. March 2019 - Management Review against Recommendations - Audit Results Report - Annual 2017-18 Financial Audits of Local Government Entities;

6.3 CHIEF EXECUTIVE OFFICER REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES

7. June 2019 - Management Review against OAG Better Practice Principles - Verifying Employee Identity and Credentials;
8. August 2019 - Management Review against OAG Better Practice Principles - Fraud in Local Government;
9. September 2019 - 2019 Financial Audit – external audit;
10. October 2019 - Management Review against OAG Better Practice Principles - Local Government Procurement; and
11. March 2020 - Management Review against Recommendations - Audit Results Report - Annual 2018-19 Financial Audits of Local Government Entities.

The financial management systems and procedures reviewed through internal and external audit, between 2017 and 2020, included the following:

- Bank reconciliation and petty cash;
- Trust funds;
- Receipts and receivables;
- Rates;
- Fees and Charges;
- Purchases, payments and payables (including purchase orders);
- Payroll;
- Credit card purchases;
- Fixed assets;
- Cost and administration overhead allocations;
- Minutes and meetings;
- Budget;
- Financial reports;
- Plan for the future;
- Registers (including annual and primary returns);
- Delegations;
- Audit committee;
- Insurance;
- Storage of documents/record keeping; and
- General compliance and other matters.

The various internal and external audits, internal control reviews, and management reviews, between 2017 and 2020, have incorporated 252 different checks of the City's financial management and risk systems and procedures. As part of the management reviews, a number of the City's policies have been updated, including the Credit Card policy, Debtor Collection policy and Elected Members and Chief Executive Officer Training and Development policy.

Based on the previous FMR being an external independent audit, and the subsequent internal and external audits, reviews and checks, it is considered that the expected standard of a review at least once every three years has been achieved. Moving forward, a program of rolling audits will continue, with guidance from the Audit Committee. However, it is expected that a greater emphasis will be placed on the use of external independent auditors in the future, to enhance the efficacy of the rolling audit and control check programs. It is recommended that the Audit Committee recommend that the Council receive this report as confirmation of meeting the standard required for a three-yearly FMR.

6.3 CHIEF EXECUTIVE OFFICER REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES

LEGAL/POLICY IMPLICATIONS:

Local Government (Financial Management) Regulations 1996:

5. CEO's duties as to financial management

(1) Efficient systems and procedures are to be established by the CEO of a local government —

- (a) for the proper collection of all money owing to the local government; and*
- (b) for the safe custody and security of all money collected or held by the local government; and*
- (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*
- (d) to ensure proper accounting for municipal or trust —*
 - (i) revenue received or receivable; and*
 - (ii) expenses paid or payable; and*
 - (iii) assets and liabilities; and*
- (e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
- (f) for the maintenance of payroll, stock control and costing records; and*
- (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*

(2) The CEO is to —

- (a) ensure that the resources of the local government are effectively and efficiently managed; and*
- (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

FINANCIAL/BUDGET IMPLICATIONS:

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

ASSET MANAGEMENT IMPLICATIONS:

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

ENVIRONMENTAL IMPLICATIONS:

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

6.3 CHIEF EXECUTIVE OFFICER REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES

STRATEGIC/SOCIAL IMPLICATIONS:

This proposal will support the achievement of the following outcome and objectives 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
		5.8 Apply best practice principles and processes to maximise efficiencies and quality

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	A review is not completed by the CEO and reported to Council, resulting in non-compliance with the requirements of the <i>Local Government (Financial Management) Regulations 1996</i> , and poses a risk that the Financial Management Systems and Procedures are inadequate for the City needs.
Risk Theme	Failure to fulfil statutory regulations or compliance requirements
Risk Effect/Impact	Compliance
Risk Assessment Context	Operational
Consequence	Moderate
Likelihood	Unlikely
Rating (before treatment)	Low
Risk Treatment in place	Reduce (mitigate the risk)
Response to risk treatment required/in place	Ensure that the CEO conducts a review of the Financial Management Systems and Procedures at least once in every three years.
Rating (after treatment)	Low

6.3 CHIEF EXECUTIVE OFFICER REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES

COMMITTEE DECISION

MOVED CR S LEE

SECONDED CR M ROWSE

That the Audit Committee recommend Council receive this report as confirmation of a review of the appropriateness and effectiveness of the financial management systems and procedures (Financial Management Review) for the period 2017 to 2020.

**CARRIED
4/0**

6.4 Occupational Safety and Health (OSH) Statistical Data Report

DECLARATION OF INTEREST:

There were no declarations of interest declared.

SUMMARY:

Workplace safety is a significant risk area for an organisation, particularly Local Government organisations where staff are working on roads, operating heavy equipment, working near water, handling a range of chemicals, and interacting with animals, among other things. Accordingly, it is appropriate for the Audit Committee, with risk within the committee remit, to oversee the efficacy of the City's safety management systems and outcomes. To introduce safety oversight to the Audit Committee, this report provides current Occupational Health and Safety (OHS) statistics, to set a starting point for considering trends in safety performance into the future.

Relevant to the management of workplace safety is the City's Safety Plan. Ultimately, this plan should be considered by the Audit Committee and, if appropriate, endorsed. In this case, Officers have determined that the current Safety Plan does not set out a suitable safety improvement strategy, and requires revision. Accordingly, a new Safety Plan will be developed, using a risk approach to direct resources to address the City's biggest risks, with an overall approach of perpetual continuous improvement. Once the draft of the new Safety Plan is finalised, it will be presented to the Audit Committee for consideration. It is the intention that both the OSH strategy and work plan will be presented at future Audit Committee meetings.

It is recommended that the Audit Committee consider and note the safety statistics, as included in Attachment A.

OFFICER RECOMMENDATION:

That the Audit Committee note the City of Kwinana Occupational Safety and Health Statistical Data Report, as included at Attachment A.

DISCUSSION:

Recent changes within the City's Administration, with an accompanying "fresh eyes" look at a number of internal practices and processes, has resulted in the identification of a deficiency in the opportunity for the Audit Committee to oversee a significant area of risk for the City. OHS represents a significant area of organisational risk, with the management of the organisation ultimately responsible for workplace safety, including the interaction of workplace safety with members of the public, contractors and project partners. Accordingly, it is appropriate for the Audit Committee to monitor the management of this risk, and to maintain satisfaction that this risk is being effectively managed. As a starting point, the Audit Committee is asked to note the OHS safety statistics for the fourth quarter.

Ultimately, to demonstrate the efficacy of the City's safety systems, safety trends should be monitored. In the development of a suitable reporting format, it was determined that the data collection needs to align with the National Standards for Workplace Injury and Recording, being AS 1885.1, in order to allow for industry benchmarking. After reviewing

6.4 OCCUPATIONAL SAFETY AND HEALTH (OSH) STATISTICAL DATA REPORT

the City's recording format, it was concluded that there are several components of data that are currently not been collected, and the recording system did not allow an easy

translation into the AS 1885.1 format. As a result, it has been necessary to reset the collection of safety data, this will allow for future benchmarking and trend analysis.

In addition to the assessment of the incident reporting process, a review of the City's Safety plan was undertaken. It has also been determined that the plan requires an update to include the measurement of OHS performance, and to prioritising improvement efforts, and continuous improvement of the City's safety systems through the further development and enhancement of a risk based approach.

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:

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

ASSET MANAGEMENT IMPLICATIONS:

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

ENVIRONMENTAL IMPLICATIONS:

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

6.4 OCCUPATIONAL SAFETY AND HEALTH (OSH) STATISTICAL DATA 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	7.1 Attract and retain a high quality, motivated and empowered workforce so as to position the organisation as an "Employer of Choice"

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 OSH Statistical Data Report
Risk Theme	Inadequate safety and security practices
Risk Effect/Impact	People/Health Reputation Compliance
Risk Assessment Context	Operational
Consequence	Moderate
Likelihood	Unlikely
Rating (before treatment)	Moderate
Risk Treatment in place	Reduce - mitigate risk
Risk Treatment in place	OSH Statistical Data 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 safety and health requirements
Rating (after treatment)	Low

6.4 OCCUPATIONAL SAFETY AND HEALTH (OSH) STATISTICAL DATA REPORT

COMMITTEE DECISION

MOVED CM G MCMATH

SECONDED CR S LEE

That the Audit Committee note the City of Kwinana Occupational Safety and Health Statistical Data Report, as included at Attachment A.

**CARRIED
4/0**

6.5 Risk Report – OneCouncil Project

DECLARATION OF INTEREST:

There were no declarations of interest declared.

SUMMARY:

The City's current corporate business system has been in place for a number of years. At the time of initial installation, and through subsequent requests to the developer, the current corporate business system has been modified substantially. As a result of these modifications, the system does not easily allow for the drilling down of financial data, and is difficult for the software developer to support. The challenges with the system setup results in many system work-arounds, and an increased need for manual entry or manual processes.

In response to the deficiencies of the current corporate business system, the Council approved a process to go to market to consider a replacement system. As a result of this process, the City entered into a contract with Technology One for the supply, implementation and support of their OneCouncil solution. This package increases automation and integration, and adds record management to the primary business system.

Relevant to the Audit Committee, is the risk associated with a whole of organisation implementation of a replacement corporate business and records system. To manage this risk, Officers have completed a project plan, with project schedule, and have completed a project risk assessment, including identification of risk mitigators. A copy of the risk report is included at Attachment A. A copy of the project schedule is included at Attachment B. Note, the planned 'go live' date is 1 July 2021, to align with the start of a new financial year.

The Audit Committee is asked to note and to provide comment on any issues identified in the Risk Report, project schedule and planned go live date of 1 July 2021.

OFFICER RECOMMENDATION:

That the Committee

1. Note and provide comment on the corporate business system implementation project Risk Report detailed in Attachment A; and
2. Note the simplified corporate business system implementation project schedule, as detailed in Attachment B, including the proposed 'go-live' date of 1 July 2021.

DISCUSSION:

Nil

6.5 RISK REPORT – ONECOUNCIL PROJECT**LEGAL/POLICY IMPLICATIONS:**

There are no legal/policy implications as a result of this report.

FINANCIAL/BUDGET IMPLICATIONS:

The implementation and ongoing costs of the new corporate business system has been allowed for in the Long Term Financial Plan. The project implantation carries some financial risk, which is noted in the project risk register.

Over time, the new corporate business system may allow of rationalisation of support services, or the availability of resources for the pursuit of new projects or to develop detailed cost models of the organisation.

ASSET MANAGEMENT IMPLICATIONS:

The new corporate business system will provide a software solution for managing the City's asset portfolio. Asset modelling is predominately currently completed using spreadsheet formulas. Accordingly, the new system will improve the understanding of the performance of the City's assets.

ENVIRONMENTAL IMPLICATIONS:

There are no 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	5.4.8 Implement the Corporate Business System Project for the City of Kwinana

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.

6.5 RISK REPORT – ONECOUNCIL PROJECT**RISK IMPLICATIONS:**

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

Risk Event	The Audit Committee does not receive the OneCouncil project 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
Response to risk treatment required/in place	Risk Report will be presented to the Audit Committee at the next Audit Committee Meeting.
Rating (after treatment)	Low

COMMITTEE DECISION

MOVED CM G McMATH

SECONDED CR S LEE

That the Committee

- 1. Note and provide comment on the corporate business system implementation project Risk Report detailed in Attachment A; and**
- 2. Note the simplified corporate business system implementation project schedule, as detailed in Attachment B, including the proposed 'go-live' date of 1 July 2021.**

**CARRIED
4/0**

6.6 Review of Audit Committee Terms of Reference

DECLARATION OF INTEREST:

There were no declarations of interest declared.

SUMMARY:

One of the functions of the Audit Committee includes reviewing the effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance of the local government. This is achieved in part by the development of a robust set of Terms of Reference for the Audit Committee to identify the Committee's responsibilities.

The current Audit Committee Terms of Reference have been reviewed and is provided to the Audit Committee with a view to present to Council for adoption. The reviewed document is at Attachment A.

OFFICER RECOMMENDATION:

That the Audit Committee recommend that Council adopt the reviewed Terms of Reference at Attachment A noting the following changes:

- a. Change of name from Audit Committee to Audit and Risk Committee
- b. Appointment of two independent members to the Audit and Risk Committee
- c. Appointment of an Independent Chairperson.

DISCUSSION:

The Audit Committee Terms of Reference were last reviewed in October 2017 and whilst they are not required to be reviewed for four years it is timely to review the Terms of Reference to ensure the best practice operation of the Audit Committee.

Audit Committees have a valuable contribution to make in improving the governance, performance and accountability of public entities. Committees are typically referred to as Audit and Risk committees given the focus of their work is to provide guidance and advice to Councillors on the council's financial reporting, risk management, system of internal controls, and external and internal audit matters. Importantly, the Committee can provide different and independent perspectives on the risks, issues, and challenges councils face. It is recommended that the name of the Audit Committee is changed to the Audit and Risk Committee to reflect the focus of the committee.

Effective Audit and Risk Committees help provide assurance to Councillors and Management on councils' financial management and main systems and controls. They can also provide assurance that the council's strategies and plans are achieving their strategic objectives.

Independence is a key principle for an Audit and Risk Committee. Reports from the Office of Auditor General note that independent and external perspectives, experience, and knowledge enable Audit and Risk Committees to test and challenge councils. Similarly, they consider that Audit and Risk Committees require independent members – in particular, independent Chairpersons – to be able to give truly independent advice.

6.6 REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE

Best practice is to have two independent members on an Audit and Risk Committee to provide a mix of skills and experience and a variety of perspectives to enable the Committee to scrutinise and debate issues.

Accordingly the revised Terms of Reference recommends two independent members be appointed to the Audit and Risk Committee with one of those members to be appointed as the independent Chairperson.

The Terms of Reference that councils set for it's Audit and Risk Committees are important.

A scope that is too narrow, meetings that are too few, or vague areas of focus could undermine the effectiveness of the Audit and Risk Committee in identifying and managing risks or scrutinising non-financial performance.

The Terms of Reference have been updated to reflect the scope of the work for the Committee and a focus on risks and emerging risks as well as the following areas:

- the robustness of the internal control framework;
- the integrity and appropriateness of external reporting, and accountability arrangements within the organisation for these functions;
- the robustness of risk management systems, process and practices;
- internal and external audit;
- accounting policy and practice;
- significant projects and programs of work focussing on the appropriate management of risk;
- compliance with applicable laws, regulations, standards and best practice guidelines for public entities; and
- the establishment and maintenance of controls to safeguard the Council's financial and non-financial assets.

LEGAL/POLICY IMPLICATIONS:

Local Government Act 1995

2.7. Role of council

- (1) *The council —*
 - (a) *governs the local government's affairs; and*
 - (b) *is responsible for the performance of the local government's functions.*
- (2) *Without limiting subsection (1), the council is to —*
 - (a) *oversee the allocation of the local government's finances and resources; and*
 - (b) *determine the local government's policies.*

5.103. Codes of conduct

- (1) *Every local government is to prepare or adopt a code of conduct to be observed by council members, committee members and employees.*

5.104. Other regulations about conduct of council members

- (1) *Regulations may prescribe rules, to be known as the rules of conduct for council members, that council members are required to observe.*
- (6) *The rules of conduct do not limit what a code of conduct under section 5.103 may contain.*

6.6 REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE

LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996 - REG 16**16. Audit committee, functions of**

An audit committee —

- (a) *is to provide guidance and assistance to the local government —*
 (i) *as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act.*

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 at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

FINANCIAL/BUDGET IMPLICATIONS:

There are no specific financial or 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 outcomes and objectives detailed in the Corporate Business Plan.

Plan	Outcome	Objective
Corporate Business Plan	Civic Leadership	5.1 An active and engaged Local Government, focussed on achieving the community's vision
Corporate Business Plan	Civic Leadership	5.3 Maintain and improve risk management

6.6 REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE

COMMUNITY ENGAGEMENT:

Community engagement may be required via advertising in a state-wide newspaper if a decision is made to seek appointment of a new external audit committee member.

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	Poor decision making due to inadequate policies
Risk Theme	Failure to fulfil statutory regulations or compliance requirements
Risk Effect/Impact	Reputation
Risk Assessment Context	Strategic
Consequence	Minor
Likelihood	Possible
Rating (before treatment)	Moderate
Risk Treatment in place	Reduce - mitigate risk
Response to risk treatment required/in place	Ensure that adequate policies are in place and reviewed regularly.
Rating (after treatment)	Low

6.6 REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE

COMMITTEE DECISION

MOVED CR S LEE

SECONDED CR M ROWSE

That the Audit Committee recommend that Council adopt the reviewed Terms of Reference at Attachment A noting the following changes:

- a) Change of name from Audit Committee to Audit and Risk Committee**
- b) Appointment of two independent members to the Audit and Risk Committee**
- c) Appointment of an Independent Chairperson from one of the two independent members of the Audit and Risk Committee.**

**CARRIED
4/0**

Committee amended the Officer Recommendation part c, to include clarification around the appointment of the Independent Chairperson from one of the two independent members of the Audit and Risk Committee.

7 Late and urgent Business

Nil

8 Confidential items

8.1 Internal Audit Report

COMMITTEE DECISION

MOVED CM G McMATH

SECONDED CR M ROWSE

1. **Defer items 1, 2 and 3 of the officer recommendation to be presented to the next Audit Committee Meeting.**
2. **Revised Internal Audit Plan for Quarter Four of 2019/2020, comprising internal control and internal audit to be presented to the Committee in the interim the following auditable units are to progress:**
 - a) **City Legal – Leases/Property Management**
 - b) **City Strategy – Records**
3. **Agree that a workshop be convened prior to the next Audit Committee Meeting, whereby consideration will be given to changes to the nature and structure of the City's internal auditing.**

**CARRIED
4/0**

Committee amended the Officer Recommendation Point 1 to defer items 1, 2 and 3 to be presented to the next Audit Committee Meeting. Point 2 Officer Recommendation has been amended to enable preparation of a Revised Internal Audit Plan for Quarter Four of 2019/2020 and remove auditable units 2c and 2d and progress auditable units 2a and 2b in the interim.

9 Close of meeting

The Mayor declared the meeting closed at 6:56pm.