



**City of Belmont**  
**STANDING COMMITTEE (AUDIT AND RISK)**  
**MINUTES**  
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10 November 2020

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**MINUTES OF THE STANDING COMMITTEE (AUDIT AND RISK) MEETING HELD IN THE  
FUNCTION ROOM, CITY OF BELMONT CIVIC CENTRE, 215 WRIGHT STREET,  
CLOVERDALE ON TUESDAY, 10 NOVEMBER 2020 COMMENCING AT 6.30PM**

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## MINUTES

### COMMITTEE MEMBERSHIP

Cr J Davis (Presiding Member)	South Ward
Cr P Marks (Ex Officio)	East Ward
Cr G Sekulla, JP, Deputy Mayor ( <i>arr 6.44pm</i> )	West Ward
Mr R Back	Independent Member

### IN ATTENDANCE

Mr J Christie	Chief Executive Officer
Ms M Bell	Director Corporate and Governance
Mr J Olynyk, JP	Manager Governance
Mr S Monks	Manager Finance
Mr S Morrison	Manager Works
Mr R Sharma	Acting Manager Information Technology
Mrs M Lymon	Principal Governance and Compliance Advisor
Mrs J Cherry-Murphy	Senior Governance Officer
Ms E Whiteley	Compliance Administrator

### OBSERVERS

Cr R Rossi	West Ward
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### GUESTS

Ms R Venkatraman	Director, Office of the Auditor General
Mr R Lau	Audit Manager, Office of the Auditor General

## 1. OFFICIAL OPENING

**6.30 pm** The Presiding Member welcomed all those in attendance and declared the meeting open.

The Presiding read aloud the Acknowledgement of Country.

*Before I begin I would like to acknowledge the traditional owners of the land on which we are meeting today, the Noongar Whadjuk people, and pay respect to Elders past, present and future leaders.*

## 2. APOLOGIES AND LEAVE OF ABSENCE

Cr M Bass (Absent)	East Ward
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**3. DECLARATIONS OF INTEREST THAT MIGHT CAUSE A CONFLICT**

**3.1 FINANCIAL INTERESTS**

Nil.

**3.2 DISCLOSURE OF INTEREST THAT MAY AFFECT IMPARTIALITY**

Nil.

**4. ANNOUNCEMENTS BY THE PRESIDING MEMBER (WITHOUT DISCUSSION)**

**4.1 ANNOUNCEMENTS**

Nil.

**4.2 DECLARATIONS BY MEMBERS WHO HAVE NOT GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPERS PRESENTLY BEFORE THE MEETING**

Nil.

**5. CONFIRMATION OF MINUTES**

**5.1 STANDING COMMITTEE (AUDIT AND RISK) MEETING HELD 27 JULY 2020  
(Circulated under separate cover)**

**OFFICER RECOMMENDATION**

**BACK MOVED, MARKS SECONDED**

That the Minutes of the Standing Committee (Audit and Risk) Meeting held 27 July 2020 be confirmed as a true and accurate record.

**CARRIED 3 VOTES TO 0**

**6. QUESTIONS BY MEMBERS ON WHICH DUE NOTICE HAS BEEN GIVEN  
(WITHOUT DISCUSSION)**

Nil.

**7. NEW BUSINESS OF AN URGENT NATURE APPROVED BY THE PERSON  
PRESIDING OR BY DISCUSSION**

Nil.

## **8. QUESTION BY MEMBERS WITHOUT NOTICE**

Nil.

## **9. BUSINESS ADJOURNED FROM A PREVIOUS MEETING**

Nil.

## **10. INFORMATION ITEMS**

### **10.1 PROPOSED CHANGES TO PRESENTING OFFICE OF AUDITOR GENERAL INFORMATION TO THE STANDING COMMITTEE (AUDIT AND RISK)**

#### **PURPOSE OF REPORT**

To advise the Standing Committee of:

1. The proposed changes to the presentation of Office of the Auditor General (OAG) correspondence to the Standing Committee (Audit and Risk).
2. Reports being prepared for presentation to the February 2021 Standing Committee (Audit and Risk) Meeting.

#### **SUMMARY AND KEY ISSUES**

The City receives a number of different types of information from the Office of the Auditor General (OAG) that are to be treated according to the nature of the correspondence.

The City receives the following types of correspondence from the OAG:

- Interim and Final Management Letters relating to financial audit
- Independent Auditors Report
- General Information Items for the Local Government Sector
- Financial Audit entry letters including scope, cost and plan for the audit
- Information requests
- Notification of audit (performance and focus audits)
- Summary of Findings and requests for management comments
- Advice of tabling in Parliament (performance reports)

The City is currently reviewing procedures associated with the processing of OAG correspondence and reporting through to the Standing Committee (Audit and Risk) to ensure that the Committee and Council fulfil their legislative role and obligations.

#### **STATUTORY ENVIRONMENT**

##### **Local Government Act 1995**

##### **7.12A. Duties of local government with respect to audits**

- (1) *A local government is to do everything in its power to —*
  - (a) *assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government;*
  - and*

*Item 10.1 Continued*

- (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) *A local government must —*
  - (aa) *examine an audit report received by the local government; and*
  - (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
  - (b) *ensure that appropriate action is taken in respect of those matters.*
- (4) *A local government must —*
  - (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
  - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*  
*[Section 7.12A inserted: No. 49 of 2004 s. 8; amended: No. 5 of 2017 s. 19.]*

**7.13. Regulations as to audits**

- (1) *Regulations may make provision as follows —*
  - (aa) *as to the functions of a CEO in relation to —*
    - (i) *a local government audit; and*
    - (ii) *a report (an action report) prepared by a local government under section 7.12A(4)(a); and*
    - (iii) *an audit report; and*
    - (iv) *a report on an audit conducted by a local government under this Act or any other written law;*
  - (ab) *as to the functions of an audit committee, including in relation to —*
    - (i) *the selection and recommendation of an auditor under Division 2; and*
    - (ii) *a local government audit; and*
    - (iii) *an action report; and*
    - (iv) *an audit report; and*
    - (v) *a report on an audit conducted by a local government under this Act or any other written law;*
  - (ac) *as to the procedure to be followed in selecting an auditor under Division 2;*  
*[(ad)deleted]*
  - (ae) *as to monitoring action taken in respect of any matters raised in an audit report;*
    - (a) *with respect to matters to be included in an agreement in writing (agreement) made under section 7.8(1);*
    - (b) *for notifications and reports to be given in relation to an agreement, including any variations to, or termination of an agreement;*
    - (ba) *as to a copy of an agreement being provided to the Department;*
    - (c) *as to the manner in which an application may be made to the Minister for approval as an auditor under section 7.5;*
    - (d) *in relation to approved auditors, for the following —*
      - (i) *reviews of, and reports on, the quality of audits conducted;*
      - (ii) *the withdrawal by the Minister of approval as an auditor;*
      - (iii) *applications to the State Administrative Tribunal for the review of decisions to withdraw approval;*
  - (e) *for the exercise or performance by auditors of their powers and duties under this Part;*

*Item 10.1 Continued*

- (f) *as to the matters to be addressed in an audit report;*
  - (g) *requiring an auditor (other than the Auditor General) to provide the Minister with prescribed information as to an audit conducted by the auditor;*
  - (h) *prescribing the circumstances in which an auditor (other than the Auditor General) is to be considered to have a conflict of interest and requiring an auditor (other than the Auditor General) to disclose in an audit report such information as to a possible conflict of interest as is prescribed;*
  - (i) *requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are —*
    - (i) *of a financial nature or not; or*
    - (ii) *under this Act or another written law.*
- (2) *Regulations may also make any provision about audit committees that may be made under section 5.25 in relation to committees.*

*[Section 7.13 amended: No. 64 of 1998 s. 40; No. 49 of 2004 s. 9; No. 55 of 2004 s. 700; No. 5 of 2017 s. 20.]*

**Local Government (Audit) Regulations 1996**

**16. Functions of audit committee**

*An audit committee has the following functions —*

- (a) *to guide and assist the local government in carrying out —*
  - (i) *its functions under Part 6 of the Act; and*
  - (ii) *its functions relating to other audits and other matters related to financial management;*
- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*
  - (i) *report to the council the results of that review; and*
  - (ii) *give a copy of the CEO's report to the council;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
  - (i) *regulation 17(1); and*
  - (ii) *the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) *to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) *to oversee the implementation of any action that the local government —*
  - (i) *is required to take by section 7.12A(3); and*
  - (ii) *has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
  - (iii) *has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
  - (iv) *has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.*

*[Regulation 16 inserted: Gazette 26 Jun 2018 p. 2386-7.]*

*Item 10.1 Continued*

## **BACKGROUND**

The OAG commenced auditing local governments following amendments to the *Local Government Act 1995* and associated regulations in 2017. The City of Belmont has been audited directly by the OAG for the annual financial audit since 2018.

In addition to auditing associated with the Annual Financial Statements, the OAG has also been conducting a number of performance or focus audits across the local government sector in areas such as records management and fraud control. It has been the City's process for a number of years to conduct comparison reports against any inquiry reports by the Department of Local Government, Sport and Cultural Industries (DGLSC), the Corruption and Crime Commission and in recent years, the OAG, for those reports for which the City is not involved.

The City has been involved in three performance audits. One in late 2018 and two recently completed regarding supplier master files, information systems and Waste – service delivery.

Three comparison reports, where the City was not the subject of the relevant Inquiry or performance audit are also underway and due for reporting to the Standing Committee (Audit and Risk) in February 2021. These are:

- City of Perth Inquiry;
- Shire of Toodyay; and
- Contract Variations and Extensions.

## **OFFICER COMMENT**

The City has statutory obligations to report on findings of an audit report under the *Local Government Act 1995*. An audit report includes both financial audits and performance audits. Under s7.12A, the local government is required to examine an audit report it receives and to take action on any matters raised in the audit if required. Further, if the auditor identifies any actions as significant a report must be provided to the Minister within three months and published on the website.

The OAG have recently provided advice that in relation to:

1. A financial audit: the audit report includes the independent auditor's report (included in annual report) and interim and final management letters. The OAG defines a significant matter as identified in a management letter or anything that appears in the 'Basis for Qualified Opinion' section or deficiency included in the 'Report on Other Legal or Regulatory Requirements' sections of the independent auditor's report.
2. A performance audit: the audit report is tabled in Parliament and all matters included in the recommendations in the reports tabled are considered significant. Significant matters also include items identified as significant in management letters.

The City has communicated with the Department and advice received in relation to management letters of performance audits does not align with the advice from the OAG. The City is currently seeking clarification from both entities on this matter.



*Item 10.1 Continued*

Reports are being presented to the Standing Committee (Audit and Risk) on all audits conducted under Section 7.12A of the Act, regardless of date, to ensure that the Standing Committee (Audit and Risk) are advised of the audit, any findings and required actions. Further clarification will be sought from the Department and the OAG through development of a formalised process.

There is a delay between the management letter or summary of findings being received for comment by the Local Government and the performance or focus audit report being tabled in Parliament. This means that some items may have already been identified in an action plan are dealt with prior to the formal tabling of the report in Parliament e.g. the Management of Supplier Master Files.

An outline of the process will be presented to the Standing Committee (Audit and Risk) in February 2021 for review and comment on the proposed process, for Council's consideration.

In addition, information reports outlining the progress against any actions required or opportunities for improvement arising from audit reports will also be provided to the Standing Committee (Audit and Risk) as required.

Upcoming Reports:

- City of Perth Inquiry (Ministerial)  
The recommendations and findings of the inquiry are extensive. A comparison report is in progress however, extensive consultation is required prior to finalisation and presentation to the Standing Committee (Audit and Risk) in February 2021.
- Shire of Toodyay (Departmental)  
A comparison report is in progress reporting to the Standing Committee (Audit and Risk) in February 2021.
- Contract Variations and Extensions (OAG)  
The report is undergoing final consultation and comment from stakeholders and will be presented to the Standing Committee (Audit and Risk) in February 2021.
- Review of the WA Public Sector Audit Committees Better Practice Guide (OAG)  
Review of the guidelines and the operation of the Standing Committee (Audit and Risk) is underway. Considerations and recommendations to be presented for consideration to the Standing Committee (Audit and Risk) in February 2021.

**Committee Notes**

A series of questions were asked and responded to as follows:

- The City has been involved in an increased number of focus audits this year and it was noted that some of the audit information for discussion tonight relates to the previous calendar year.
- There is no additional cost to the City for these focus audits.
- The more detailed focus audits are to give Councillors assurance of the controls in place at the City.

*Item 10.1 Continued*

**6.44pm Cr Sekulla entered the meeting.**

- The audits are designed to identify opportunities for improvement and to ensure the City is following due process and procedures and complies with legislation. Where improvements are identified, the City makes the necessary amendments to improve performance.
- The Information Systems audit identified a number of areas for improvement which forms part of the financial audit.

**OFFICER RECOMMENDATION**

**SEKULLA MOVED, BACK SECONDED**

**That the Standing Committee (Audit and Risk) note the Report and information provided and the upcoming reports to the Standing Committee (Audit and Risk).**

**CARRIED 4 VOTES TO 0**

## 11. ITEMS REQUIRING RECOMMENDATION TO COUNCIL

### 11.1 2019-2020 ANNUAL FINANCIAL REPORT AND ANNUAL AUDIT REPORT

#### BUSINESS EXCELLENCE BELMONT

##### ATTACHMENT DETAILS

<b>Attachment No</b>	<b>Details</b>
Attachment 1–Item 11.1 refers	<a href="#">Draft Annual Financial Report</a>
Confidential Attachment 1 – Item 11.1 refers	<a href="#">Exit Brief - Report to the Audit Committee</a>
Tabled Attachment 1 – Item 11.1 refers	<a href="#">Amended Draft Annual Financial Report</a>
Tabled Attachment 2 – Item 11.1 refers	<a href="#">Annual Financial Report Update Presentation</a>

Voting Requirement	:	Simple Majority
Subject Index	:	19/001–Report of Council Audit
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	N/A
Applicant	:	N/A
Owner	:	N/A
Responsible Division	:	Corporate and Governance

##### COUNCIL ROLE

- Advocacy** *When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.*
- Executive** *The substantial direction setting and oversight role of the Council eg adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.*
- Legislative** *Includes adopting local laws, local planning schemes and policies.*
- Review** *When Council reviews decisions made by Officers.*
- Quasi-Judicial** *When Council determines an application/matter that directly affect a person’s right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include local planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.*

##### PURPOSE OF REPORT

To provide the Standing Committee (Audit and Risk) with details of the outcomes of the 30 June 2020 year end process and present the draft Annual Financial Report for the period ended 30 June 2020. This incorporates an official exit meeting with the City’s auditors.

*Item 11.1 Continued*

### **SUMMARY AND KEY ISSUES**

The *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996* requires the preparation and audit of an Annual Financial Report for inclusion in the City's Annual Report each year.

This Report presents the City's Draft Annual Financial Report for consideration and acceptance. Following Standing Committee (Audit and Risk) acceptance the respective report will be signed (CEO Declaration) and finalised and a signed Audit Report provided and then presented to Council for inclusion in the Annual Report as part of the November Council meeting process.

### **LOCATION**

Not applicable.

### **CONSULTATION**

There has been no specific consultation undertaken in respect to this matter.

### **STRATEGIC COMMUNITY PLAN IMPLICATIONS**

There are no Strategic Community Plan implications evident at this time.

### **POLICY IMPLICATIONS**

There are no significant policy implications evident at this time other than the need to ensure that the Principal Accounting Policies detailed in the Annual Financial Report comply with legislative and Australian Accounting Standards requirements.

### **STATUTORY ENVIRONMENT**

Section 6.4 of the *Local Government Act 1995* requires that –

*“(1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*

*(2) The financial report is to -*

*(a) be prepared and presented in the manner and form prescribed; and*

*(b) contain the prescribed information.*

*(3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor -*

*(a) the accounts of the local government, balanced up to the last day of the preceding financial year; and*

*(b) the annual financial report of the local government for the preceding financial year.”*

The *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards determine the format of the annual financial report.

*Item 11.1 Continued*

## **BACKGROUND**

The Annual Financial Report is prepared and presented to the auditor for audit by 30 September each year in accordance with the requirements of the *Local Government Act 1995*.

Regarding the 2019-2020 financial year, the Audit Report (opinion) will be provided by the Office of the Auditor General (OAG) who have directly audited the City for the second time having contracted the audit in previous financial years.

## **OFFICER COMMENT**

At the time of writing this report, there are imminent changes to the *Local Government (Financial Management) Regulations 1996* which will result in some minor wording changes to a number of accounting policies in the Annual Financial Report. The changes won't impact any of the numbers being reported. If the changes were unexpectedly to be of a material nature those changes will be subsequently reported to the Committee.

Once again, the City will be presented with a "clean" audit report (opinion) which is to be signed by the auditors following the Annual Financial Report being accepted by the Committee, gazettal of the above mentioned changes to the Local Government (Financial Management) Regulations 1996 including minor changes to the Annual Financial Report and the Statement by CEO being signed by the Chief Executive Officer (CEO) (refer [Attachment 1](#)).

An update highlighting some key aspects of the report, specifically the ratios, will be provided at the meeting.

This item also incorporates the official exit meeting with the auditor with an exit brief report highlighting aspects of the audit (refer [Confidential Attachment 1](#)) available. Findings from the recently completed information systems audit are included in the report which will ultimately result in a Management Letter that will be presented to the Committee at a future meeting.

## **FINANCIAL IMPLICATIONS**

The preparation, audit and distribution of the Annual Financial Statements are a statutory obligation. Audit fees are determined by the OAG on a cost recovery basis and are expected to be \$55,000 exclusive of GST.

## **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications associated with this report.

## **SOCIAL IMPLICATIONS**

There are no social implications associated with this report.

*Item 11.1 Continued*

### **Committee Notes**

On 6 November 2020, amendments to the *Local Government (Financial Management) Regulations 1996* were gazetted. This has resulted in changes to some accounting policies. In addition, the technical audit team at the Office of the Auditor General (OAG) advised on 9 November 2020 that the \$1.7m received from the EMRC should be treated as income and not a liability. An amended draft Annual Financial Report was circulated to Committee Members on 10 November 2020 to reflect the above (refer [Tabled Attachment 1](#)).

The Manager Finance provided the Committee with a presentation on the draft Annual Financial Report. The Annual Financial Report Update presentation included:

- Amendments to the LGA (FM) Regulations
- New Accounting Standards
- Other Significant Events: Belmont Hub
- Ratios (note 27)
- What's Next

(Refer [Tabled Attachment 2](#) for further information)

A series of questions were asked and responded to as follows:

- The key criteria for AASB15 is that the agreement should have specific performance obligations to recognise and assess revenue. Based on the OAG's review of the Distribution Deed, it is a very high level document and does not specify milestones or specific performance obligations over the course of the five year period. It was therefore assessed as falling under grant income (operating grant).
- The Manager Finance undertook to circulate the OAG's reasoning behind the assessment to the Independent Committee Member.
- If the City decides not to go ahead with the Food Organics and Garden Organics (FOGO) scheme within the five year period, the \$1.7m will become a liability.
- The OAG representative confirmed that the City's Financial Audit raised no significant matters of non-compliance or adverse trends.
- The Manager Finance undertook to refer to Note 1A within Note 30 regarding the amendments to the *Local Government (Financial Management) Regulations 1996* gazetted on 6 November 2020.

### **OFFICER RECOMMENDATION**

The Standing Committee (Audit and Risk) recommend that Council:

1. Accept the Annual Financial Report for the period ending 30 June 2020 (as detailed in [Attachment 1](#)); and
2. Approve for the Chief Executive Officer sign the Annual Financial Report for the period ending 30 June 2020 for inclusion in the City of Belmont's 2019-2020 Annual Report.

*Item 11.1 Continued*

**Note:**

Due to amendments made to the Annual Financial Report (see above), the following Amended Officer Recommendation was proposed.

**AMENDED OFFICER RECOMMENDATION**

**SEKULLA MOVED, MARKS SECONDED**

The Standing Committee (Audit and Risk):

1. Approve for the Chief Executive Officer to sign the Annual Financial Report for the period ending 30 June 2020 for inclusion in the City of Belmont's 2019-2020 Annual Report.
2. Recommend that Council:
  - a. Accept the amended Annual Financial Report for the period ending 30 June 2020 (as detailed in [Tabled Attachment 1](#)); and
  - b. Note the findings from the recently completed information systems audit as included in the exit brief report, and that a report be presented to a future Standing Committee (Audit and Risk) following receipt of the Management Letter.

**CARRIED 4 VOTES TO 0**

## 11.2 AUDIT PLAN - 2021

### ATTACHMENT DETAILS

<b>Attachment No</b>	<b>Details</b>
<b>Attachment 2 – Item 11.2 refers</b>	<a href="#"><u>Proposed Audit Plan - 2021</u></a>

Voting Requirement	:	Simple Majority
Subject Index	:	19/003 Audit and Risk Committee
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	OCM 19 November 2019 – Item 12.5
Applicant	:	N/A
Owner	:	N/A
Responsible Division	:	Corporate and Governance

### COUNCIL ROLE

- Advocacy** *When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.*
- Executive** *The substantial direction setting and oversight role of the Council eg adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.*
- Legislative** *Includes adopting local laws, local planning schemes and policies.*
- Review** *When Council reviews decisions made by Officers.*
- Quasi-Judicial** *When Council determines an application/matter that directly affect a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include local planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.*

### PURPOSE OF REPORT

To seek Council endorsement of the City's 2021 Audit Plan (refer [Attachment 2](#)).

### SUMMARY AND KEY ISSUES

The City of Belmont conducts and undertakes a range of audit activities.

The City has developed a coordinated approach to these audit activities, managed year to year by an Audit Plan. This report is for endorsement of the Audit Plan for the forthcoming year – 2021.



*Item 11.2 Continued*

### **LOCATION**

Not applicable.

### **CONSULTATION**

There has been no specific consultation undertaken in respect to this matter.

### **STRATEGIC COMMUNITY PLAN IMPLICATIONS**

In accordance with the 2020 – 2040 Strategic Community Plan:

#### **Goal 5: Responsible Belmont.**

**Strategy:** Deliver effective, fair and transparent leadership and decision-making, reflective of community needs and aspirations.

### **POLICY IMPLICATIONS**

There are no policy implications associated with this report.

### **STATUTORY ENVIRONMENT**

Section 7.2 of the *Local Government Act 1995* requires the City to conduct annual financial audits.

Regulation 14 of the *Local Government (Audit) Regulations 1996* requires that a compliance audit for the period 1 January to 31 December is completed each year in a form approved by the Minister.

Regulation 17 of the *Local Government (Audit) Regulations 1996* states the following:

**‘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.’*

*Item 11.2 Continued*

In addition, under the International Standard of ISO 9001:2015 Quality Management Systems, the City is required to conduct an annual program of internal and external audits to maintain certification of the ISO Standards.

## **BACKGROUND**

The 2021 Audit Plan is presented to the Standing Committee (Audit and Risk) for endorsement prior to consideration by Council.

## **OFFICER COMMENT**

The 2021 Audit Plan is based on:

- Internal control and legislative compliance
- Statutory audit requirements
- The Integrated Management System (IMS) Audits approach of integrating the Quality, Environment and Occupational Health & Safety management systems with other initiatives implemented by the City (such as Risk, Compliance and Records Management)
- The need to support the City's chosen governance approach
- The requirement to provide a comprehensive solution that can be undertaken with existing resources.

The City's approach to internal audit is currently under review. The proposed Audit Plan for 2021 ([Attachment 2](#)) outlines the audits as proposed at the current time. Following any formalised change to the process or schedule for the internal audit function, notification will be provided.

There are a number of focus audits that any area of the City can potentially be subject to each year, these could be conducted as internal audits, operational comparison reports, or by external third parties, the Department of Local Government, Sport and Cultural Industries, the Corruption and Crime Commission, Public Sector Commission or the Western Australian Auditor General. As these audits are carried out as required, they are not identified on the Audit Plan.

An outline of the actual audits undertaken in 2020 will be reported to the February 2021 Standing Committee (Audit and Risk).

## **FINANCIAL IMPLICATIONS**

There are no financial implications evident at this time.

*Item 11.2 Continued*

**ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications associated with this report.

**SOCIAL IMPLICATIONS**

There are no social implications associated with this report.

**OFFICER RECOMMENDATION**

**SEKULLA MOVED, MARKS SECONDED**

That the Standing Committee (Audit and Risk) recommend that Council endorse the City of Belmont 2021 Audit Plan as outlined in [Attachment 2](#).

**CARRIED 4 VOTES TO 0**

### 11.3 WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT – MANAGEMENT OF SUPPLIER MASTER FILES

#### ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 3 – Item 11.3 refers	<a href="#">Western Australian Auditor General's Report – Management of Supplier Master Files Report 16: March 2019</a>
Confidential Attachment 2 – Item 11.3 refers	<a href="#">Focus Audit – Management of Supplier Master Files</a>
Confidential Attachment 3– Item 11.3 refers	<a href="#">Presentation Focus Audit – Management of Supplier Master Files</a>

Voting Requirement : Simple Majority  
Subject Index : 19/005  
19/001  
Location/Property Index : N/A  
Application Index : N/A  
Disclosure of any Interest : N/A  
Previous Items : Standing Committee (Audit and Risk) 25 February  
2019 Item 11.1  
Applicant : N/A  
Owner : N/A  
Responsible Division : Corporate and Governance

#### COUNCIL ROLE

- Advocacy** *When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.*
- Executive** *The substantial direction setting and oversight role of the Council eg adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.*
- Legislative** *Includes adopting local laws, local planning schemes and policies.*
- Review** *When Council reviews decisions made by Officers.*
- Quasi-Judicial** *When Council determines an application/matter that directly affect a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include local planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.*

#### PURPOSE OF REPORT

The Auditor General's Report *Management of Supplier Master Files Report 16: March 2019* ([Attachment 3](#)) was tabled in Parliament in March 2019. The City of Belmont was a participant in the Audit, and in accordance with section 7.12A of the *Local Government Act 1995* the Committee is to consider the recommendations of the report as tabled.

*Item 11.3 Continued*

The findings and management responses were provided to the City in a management letter and were considered by the Standing Committee (Audit and Risk) on 25 February 2019 and are contained in [Confidential Attachment 2](#). This report provides further information on the status of actions identified in the focus audit regarding the management of supplier master files carried out by the Office of the Auditor General (OAG) during October 2018.

### **SUMMARY AND KEY ISSUES**

The OAG conducted a focus audit on the management of supplier master files in five State and five local government entities. The City of Belmont was a participant.

The recommendations from the tabled report are that entities should:

- a. Have policies and procedures that include comprehensive guidance for employees to effectively manage supplier master files.
- b. Ensure that all additions or amendments to supplier master files are subject to a formal independent review to confirm validity and correctness.
- c. Regularly review employees' access to create or amend supplier master files to prevent any unauthorised access, and ensure adequate segregation of duties between those amending the master files and those approving payments.
- d. Ensure all key information is input at the time of creating a new supplier record.
- e. Apply consistent naming conventions for supplier records, to avoid suppliers being registered under multiple names.
- f. Ensure that documentary evidence is retained for all additions and amendments to supplier master files and there is a record of the reason for amending the supplier record.
- g. Include a requirement for a formal and periodic internal review to identify incomplete, incorrect, duplicate or redundant supplier records.
- h. Ensure any actual, potential or perceived conflicts of interest are declared and effectively managed, and that relevant employees are not involved in the procurement from, or management of supplier records in response of their related suppliers.

### **LOCATION**

Not applicable.

### **CONSULTATION**

There has been no specific consultation undertaken in respect to this matter.

*Item 11.3 Continued*

## **STRATEGIC COMMUNITY PLAN IMPLICATIONS**

In accordance with the 2020 – 2040 Strategic Community Plan:

### **Goal 5: Responsible Belmont.**

**Strategy:** Manage the City's assets and financial resources in a responsible manner and provide the best possible services for the community.

## **POLICY IMPLICATIONS**

Operational policy: Supplier Master File Policy

## **STATUTORY ENVIRONMENT**

### **Local Government Act 1995**

#### **7.12A. Duties of local government with respect to audits**

- (1) *A local government is to do everything in its power to —*
  - (a) *assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and*
  - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) *A local government must —*
  - (aa) *examine an audit report received by the local government; and*
  - (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
  - (b) *ensure that appropriate action is taken in respect of those matters.*
- (4) *A local government must —*
  - (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
  - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

*[Section 7.12A inserted: No. 49 of 2004 s. 8; amended: No. 5 of 2017 s. 19.]*

*Item 11.3 Continued*

**7.13. Regulations as to audits**

- (1) *Regulations may make provision as follows —*
- (aa) *as to the functions of a CEO in relation to —*
    - (v) *a local government audit; and*
    - (vi) *a report (an action report) prepared by a local government under section 7.12A(4)(a); and*
    - (vii) *an audit report; and*
      - (viii) *a report on an audit conducted by a local government under this Act or any other written law; (ab) as to the functions of an audit committee, including in relation to —*
    - (vi) *the selection and recommendation of an auditor under Division 2; and*
    - (vii) *a local government audit; and*
    - (viii) *an action report; and*
    - (ix) *an audit report; and*
    - (x) *a report on an audit conducted by a local government under this Act or any other written law;*
  - (ac) *as to the procedure to be followed in selecting an auditor under Division 2;*
  - ~~[(ad)deleted]~~
  - (ae) *as to monitoring action taken in respect of any matters raised in an audit report;*
    - (a) *with respect to matters to be included in an agreement in writing (agreement) made under section 7.8(1);*
    - (b) *for notifications and reports to be given in relation to an agreement, including any variations to, or termination of an agreement;*
    - (ba) *as to a copy of an agreement being provided to the Department;*
    - (c) *as to the manner in which an application may be made to the Minister for approval as an auditor under section 7.5;*
    - (d) *in relation to approved auditors, for the following —*
      - (i) *reviews of, and reports on, the quality of audits conducted;*
      - (ii) *the withdrawal by the Minister of approval as an auditor;*
      - (iii) *applications to the State Administrative Tribunal for the review of decisions to withdraw approval;*
    - (e) *for the exercise or performance by auditors of their powers and duties under this Part;*
    - (f) *as to the matters to be addressed in an audit report;*
    - (g) *requiring an auditor (other than the Auditor General) to provide the Minister with prescribed information as to an audit conducted by the auditor;*
    - (h) *prescribing the circumstances in which an auditor (other than the Auditor General) is to be considered to have a conflict of interest and requiring an auditor (other than the Auditor General) to disclose in an audit report such information as to a possible conflict of interest as is prescribed;*
  - (i)

*Item 11.3 Continued*

*requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are —*

- (i) of a financial nature or not; or*
  - (ii) under this Act or another written law.*
- (2) Regulations may also make any provision about audit committees that may be made under section 5.25 in relation to committees.*

*[Section 7.13 amended: No. 64 of 1998 s. 40; No. 49 of 2004 s. 9; No. 55 of 2004 s. 700; No. 5 of 2017 s. 20.]*

**Local Government (Audit) Regulations 1996**

**16. Functions of audit committee**

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —*
  - (i) its functions under Part 6 of the Act; and*
  - (ii) its functions relating to other audits and other matters related to financial management;*
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*
  - (i) report to the council the results of that review; and*
  - (ii) give a copy of the CEO's report to the council;*
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
  - (i) regulation 17(1); and*
  - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) to oversee the implementation of any action that the local government —*
  - (i) is required to take by section 7.12A(3); and*
  - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
  - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
  - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.*

*[Regulation 16 inserted: Gazette 26 Jun 2018 p. 2386-7.]*



*Item 11.3 Continued*

## **BACKGROUND**

The OAG advised the City on the 27 September 2018 that the City had been selected for a focus audit regarding the management of supplier master files. In total five State agencies and five local governments were selected.

The focus audit was undertaken during late October 2018 with the final management letter, following management feedback, received on the 5 December 2018.

Although the management of the supplier master file, which includes specific supplier information such as bank details, has been reviewed during past financial audits no significant matters had been identified. The OAG undertook a very focused, intensive and detailed audit to assess that suitable policies, procedures and controls were in place.

The management letter from the OAG was considered by the Standing Committee (Audit and Risk) at the meeting held 25 February 2019 ([Confidential Attachment 2](#)) and a presentation provided to address the findings ([Confidential Attachment 3](#)).

The OAG advised that audit findings / recommendations of individual agencies and local governments are only reported to those respective entities. The collective general results of the audits are contained in the OAG Report *Management of Supplier Master Files* which was tabled in Parliament in March 2019.

## **OFFICER COMMENT**

As a result of the findings and recommendations listed in the management letter received from the OAG there were a number of changes to current processes and procedures that were required to be implemented by 31 March 2019. The required changes are included in the 'Management Comments' section of the attached letter ([Confidential Attachment 2](#)).

These can be summarised as:

1. Following the finalisation of process/procedural changes they will be documented and subject to internal audits.
2. A more robust review/approval process will be introduced when amending supplier details, particularly bank details.
3. Periodic (at least semi-annual) reviews of the supplier master files will be undertaken.
4. Procurement documents and procedures will be reviewed and updated to improve existing controls regarding conflicts of interest.

At the Standing Committee (Audit and Risk) meeting on 25 February 2019 the results of the focus audit as advised in the management letter from the OAG were presented.

All actions outlined in the presentation were completed as a matter of priority in March 2019 (refer [Confidential Attachment 3](#)). The Supplier Master File Policy was adopted in March 2019 and upgrades to the procurement processes requiring declaration of conflict of interests were also completed. The OAG Report Management of Supplier Master Files tabled in Parliament contained no recommendations identified as significant. In September 2019, the OAG provided clarification to local governments in relation to recommendations contained in performance audit reports tabled in Parliament. This was in response to feedback from local governments. The OAG advised that the reference to s7.12A would appear in the recommendations that the OAG considered significant.

*Item 11.3 Continued*

A defined process is being established by the City following OAG correspondence pertaining to local government and audits. An outline of the process will be presented to the Standing Committee (Audit and Risk) in February 2021 for review and recommendation of the proposed process, whether the City is a participant of the audit or not, for Council consideration. Information reports pertaining to progress against any actions required or opportunities for improvement arising from audit reports will also be provided to the Standing Committee (Audit and Risk) as required.

**FINANCIAL IMPLICATIONS**

There are no financial implications evident at this time.

**ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications associated with this report.

**SOCIAL IMPLICATIONS**

There are no social implications associated with this report.

**OFFICER RECOMMENDATION**

**BACK MOVED, MARKS SECONDED**

That the Standing Committee (Audit and Risk) recommend that Council receive the Office of the Auditor General's Focus Audit Report Management of Supplier Master Files ([Attachment 3](#)) and note the actions that have been undertaken in response to the report.

**CARRIED 4 VOTES TO 0**

**11.4 WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT – WASTE MANAGEMENT – SERVICE DELIVERY**

**ATTACHMENT DETAILS**

<b>Attachment No</b>	<b>Details</b>
Attachment 4– Item 11.4 refers	<a href="#"><u>Auditor General's Report Waste Management – Service Delivery Report 3: 2020-2021</u></a>
Attachment 5 – Item 11.4 refers	<a href="#"><u>Waste Management Service Delivery Action Plan</u></a>

Voting Requirement : Simple Majority  
 Subject Index : 19/005 Audits – Office of the Auditor General  
 Location/Property Index : N/A  
 Application Index : N/A  
 Disclosure of any Interest : N/A  
 Previous Items : N/A  
 Applicant : N/A  
 Owner : N/A  
 Responsible Division : Corporate and Governance

**COUNCIL ROLE**

- Advocacy** *When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.*
- Executive** *The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.*
- Legislative** *Includes adopting local laws, local planning schemes and policies.*
- Review** *When Council reviews decisions made by Officers.*
- Quasi-Judicial** *When Council determines an application/matter that directly affect a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include local planning applications, building licences, applications for other permits/licences (e.g. under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.*

**PURPOSE OF REPORT**

To provide information on the recent performance audit carried out by the Office of the Auditor General (OAG) into waste management, to assist the Committee in examining and considering the findings from the Auditor General's 'Waste Management – Service Delivery Report 3: 2020-21 (the Report)' (refer [Attachment 4](#)) as required by the *Local Government Act 1995*. The City of Belmont was a participant in the audit.

*Item 11.4 Continued*

## **SUMMARY AND KEY ISSUES**

The Office of the Auditor General (OAG) conducted a performance audit into whether local government entities plan and deliver effective waste services to their communities and whether the State Government provide adequate support to local governments relating to local waste planning and service delivery.

The audit was focussed on local government waste management and progress towards achieving the objectives and targets of the State Government's *Waste Avoidance and Resource Recovery Strategy 2030 (Waste Strategy 2030)* and the previous 2012 strategy the *Western Australian Waste Strategy: Creating the Right Environment*. The audit also followed up on the recommendations made to State Government entities following the OAG's *Western Australian Waste Strategy: Rethinking Waste* audit in 2016. This involved auditing the Department of Water and Environmental Regulation (DWER), the Waste Authority and the Department of Local Government, Sport and Cultural Industries (DLGSC).

The report found that:

- Local government entities deliver essential waste collection and drop-off services but few are likely to meet State and community expectations to avoid and recover waste.
- State and local waste planning and data capture is inadequate.
- Wider uptake of existing better practice waste management methods could be key to improving waste recovery.
- The State Government has made good progress since 2016 but local government entities need more support to address local challenges.

The report contained 10 recommendations of which four are specific to local government. They are that local government entities should:

- Provide regular community updates on efforts to recover waste and meet Waste Strategy 2030 targets and seek community feedback where appropriate.
- Consider preparing waste plans, which demonstrate how the local government will contribute to relevant Waste Strategy 2030 headline strategies. These plans should be publicly available.
- Include performance measures in contracts with service providers to recover more waste without adding significant costs.
- Consider providing incentives for the community to minimise waste production.

## **LOCATION**

Not applicable.

## **CONSULTATION**

There has been no specific consultation undertaken in respect to this matter.

## **STRATEGIC COMMUNITY PLAN IMPLICATIONS**

In accordance with the 2020 – 2040 Strategic Community Plan:

### **Goal 3: Natural Belmont.**

**Strategy:** Promote energy and water efficiency, renewable energy sources, and reduce emissions and waste.

*Item 11.4 Continued*

## **POLICY IMPLICATIONS**

There are no policy implications associated with this report.

## **STATUTORY ENVIRONMENT**

### **Local Government Act 1995**

#### **7.12A. Duties of local government with respect to audits**

- (1) *A local government is to do everything in its power to —*
    - (a) *assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and*
    - (b) *ensure that audits are conducted successfully and expeditiously.*
  - (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
  - (3) *A local government must —*
    - (aa) *examine an audit report received by the local government; and*
    - (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
    - (b) *ensure that appropriate action is taken in respect of those matters.*
  - (4) *A local government must—*
    - (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
    - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
  - (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*
- [Section 7.12A inserted: No. 49 of 2004 s. 8; amended: No. 5 of 2017 s. 19.]*

#### **7.13. Regulations as to audits**

- (1) *Regulations may make provision as follows —*
  - (aa) *as to the functions of a CEO in relation to —*
    - (ix) *a local government audit; and*
    - (x) *a report (an action report) prepared by a local government under section 7.12A(4)(a); and*
    - (xi) *an audit report; and*
    - (xii) *a report on an audit conducted by a local government under this Act or any other written law;*
  - (ab) *as to the functions of an audit committee, including in relation to —*
    - (xi) *the selection and recommendation of an auditor under Division 2; and*
    - (xii) *a local government audit; and*
    - (xiii) *an action report; and*
    - (xiv) *an audit report; and*
    - (xv) *a report on an audit conducted by a local government under this Act or any other written law;*
  - (ac) *as to the procedure to be followed in selecting an auditor under Division 2;*
  - [(ad)deleted]
  - (ae) *as to monitoring action taken in respect of any matters raised in an audit report;*
    - (a) *with respect to matters to be included in an agreement in writing (agreement) made under section 7.8(1);*
    - (b) *for notifications and reports to be given in relation to an agreement, including any variations to, or termination of an agreement;*

*Item 11.4 Continued*

- (ba) *as to a copy of an agreement being provided to the Department;*
  - (c) *as to the manner in which an application may be made to the Minister for approval as an auditor under section 7.5;*
  - (d) *in relation to approved auditors, for the following —*
    - (i) *reviews of, and reports on, the quality of audits conducted;*
    - (ii) *the withdrawal by the Minister of approval as an auditor;*
    - (iii) *applications to the State Administrative Tribunal for the review of decisions to withdraw approval;*
  - (e) *for the exercise or performance by auditors of their powers and duties under this Part;*
  - (f) *as to the matters to be addressed in an audit report;*
  - (g) *requiring an auditor (other than the Auditor General) to provide the Minister with prescribed information as to an audit conducted by the auditor;*
  - (h) *prescribing the circumstances in which an auditor (other than the Auditor General) is to be considered to have a conflict of interest and requiring an auditor (other than the Auditor General) to disclose in an audit report such information as to a possible conflict of interest as is prescribed;*
  - (i) *requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are —*
    - (i) *of a financial nature or not; or*
    - (ii) *under this Act or another written law.*
- (2) *Regulations may also make any provision about audit committees that may be made under section 5.25 in relation to committees.*

*[Section 7.13 amended: No. 64 of 1998 s. 40; No. 49 of 2004 s. 9; No. 55 of 2004 s. 700; No. 5 of 2017 s. 20.]*

## **Local Government (Audit) Regulations 1996**

### **16. Functions of audit committee**

*An audit committee has the following functions —*

- (a) *to guide and assist the local government in carrying out —*
  - (i) *its functions under Part 6 of the Act; and*
  - (ii) *its functions relating to other audits and other matters related to financial management;*
- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*
  - (i) *report to the council the results of that review; and*
  - (ii) *give a copy of the CEO's report to the council;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
  - (i) *regulation 17(1); and*
  - (ii) *the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) *to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) *to oversee the implementation of any action that the local government —*
  - (i) *is required to take by section 7.12A(3); and*
  - (ii) *has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
  - (iii) *has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*

*Item 11.4 Continued*

- (iv) *has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.*

*[Regulation 16 inserted: Gazette 26 Jun 2018 p. 2386-7.]*

## **BACKGROUND**

The OAG conducted a performance audit into whether local government entities plan and deliver effective waste services to their communities and whether the State Government provides adequate support to local governments relating to local waste planning and service delivery.

The audit encompassed both Local, Regional and State government entities. The City of Belmont was audited along with the following:

- City of Bunbury
- City of Kalgoorlie-Boulder
- City of Kwinana
- City of Melville
- City of Broome
- Mindarie Regional Council
- Department of Water and Environmental Regulation
- Waste Authority
- Department of Local Government, Sport and Cultural Industries.

The City of Belmont was notified of the intention of the OAG to audit the City on 5 July 2019 with the audit entry meeting being conducted on 11 July 2019. Subsequent information was sought by and provided to the OAG and a series of meetings were held with relevant City staff. The OAG provided the City with the summary of findings on 31 July 2020 and provided the City with the opportunity to comment on the findings and recommendations contained within the draft report.

The final report was tabled in Parliament on 20 August 2020. The City's response is contained at Appendix 3 of the Report (refer [Attachment 4](#)).

## **OFFICER COMMENT**

The City appreciated the opportunity to participate and contribute to the audit into waste management.

The report contained a number of findings and below are comments relating to the first three as it relates to Belmont.

1. Local government entities deliver essential waste collection and drop-off services but few are likely to meet State and community expectations to avoid and recover waste.

The following waste services are provided by the City of Belmont and are tabled in context of the OAG Report. The verge-side bulk and green waste collections are provided through a skip bin service to residents and businesses. This entitles most residents to four bulk bins to dispose of household waste or garden waste. The choice of bin is at the discretion of the resident and one bin can be exchanged for a tip pass for the Red Hill Waste Management facility which is equivalent to a 6x4 trailer.

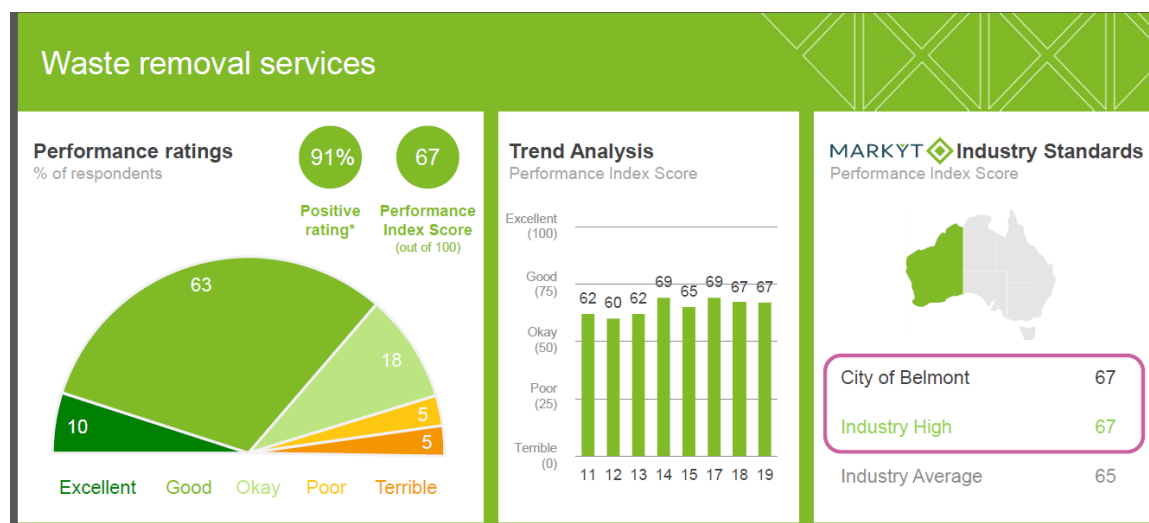
Item 11.4 Continued

Waste Service	
Kerbside Waste	✓
Kerbside recycling	✓
Kerbside garden organics (GO)	✗
Kerbside food organics and garden organics (FOGO)	✗
Vergeside bulk waste	✓
Vergeside green waste	✓
Drop-off	✓

In addition to the City's White Goods and Hazardous Materials drop off days, the City through its contractor Suez, allows for the on demand kerbside collection of white goods and other large items on a booking basis.

The City has consistently scored high rates of community satisfaction with the bin and bulk bin services as identified through the CATALYSE community and business scorecards as shown below.

The City is currently investigating options in relation to the implementation of a three bin system to support the separation and processing of green waste, and expects to meet the targeted implementation of 2025 as outlined within the Waste Strategy 2030.



Source: Markyt Business Scorecard June 2019

2. State and local waste planning and data capture is inadequate.

The need for a State waste infrastructure plan was identified in 2012, however to date it is yet to be developed by DWER. The development of this plan would assist local governments to plan and develop long term appropriate waste infrastructure. The lack of the plan means that some infrastructure that is developed by local government may become redundant in that it cannot meet the requirements of the Waste Strategy 2030.

The report recommends that further guidance be provided by DWER to local governments in respect to the capture of waste costs. It also found that verification of data by local governments, their contractors and DWER is not regularly undertaken therefore data may be inaccurate. The City's waste services contractor provides high quality monthly reports that provide the data required to complete the annual waste census as required by DWER.



*Item 11.4 Continued*

It is recommended that contracts contain performance criteria in relation to recovery targets. The City's current contractor (SUEZ) was contracted in 2018 for an initial term of 5 years, with a 5 year extension option. The current contract only identifies a particular range of items to be recycled. Future contracts could include KPI's to meet the City's desired targets however some targets will not relate to KPI's for the contractor, as the contents of the recyclable bin is beyond the control of the contractor and relate to the customer and their diligence to correctly separate at the source.

DWER have provided waste plan templates and guidance for local governments and it is a requirement that all Perth, Peel and major regional centres have an individual waste plan by March 2021.

The City's draft Waste Plan is being finalised at present and will be presented to Council at the November Ordinary Council Meeting. Following Council endorsement the plan will be submitted to DWER by 31 March 2021.

The implementation plan of the City's draft Waste Plan contains the following tasks to improve the effective delivery of waste management services and to meet the targets of the Waste Strategy 2030:

- Introduction of a three bin kerbside collection by 2025.
  - Continue to improve data collection with emphasis on illegal dumping.
  - Improve awareness and benefits of separation for customers through consistent messaging and education programmes.
3. Wider uptake of existing better practice waste management methods could be key to improving waste recovery.

As mentioned above, the City is finalising the Waste Plan which will align with practices which have proved to be beneficial in assisting local governments improve waste recovery through the provision of a three bin kerbside collection and continued education and community engagement.

The current contract with SUEZ does have provision for the supply of education services of up to 60 hours per annum.

The report outlined that the State Government has made good progress since 2016 but local government entities need more support to address local challenges.

As required under the *Local Government Act 1995* s7.12A an Action Plan (refer [Attachment 5](#)) has been developed addressing the recommendations and is attached for endorsement. The Action Plan is to be provided to the Minister for Local Government within three months of the City receiving the report. The Action Plan must also be published on the City's website within 14 days of the letter being forwarded to the Minister.

## **FINANCIAL IMPLICATIONS**

There are no financial implications evident at this time.

## **ENVIRONMENTAL IMPLICATIONS**

A coordinated strategy across State and Local Governments through the implementation of Waste Plans that align to the State Waste Strategy will benefit the environment through improved resource recovery of items.

*Item 11.4 Continued*

The Waste Strategy 2030 and the City of Belmont Waste Plan address the issues of illegal dumping and littering and contain actions to reduce both which will benefit the environment.

**SOCIAL IMPLICATIONS**

There are no social implications associated with this report.

**OFFICER RECOMMENDATION**

**MARKS MOVED, BACK SECONDED**

That the Standing Committee (Audit and Risk) recommend that Council:

1. Receive the Western Australian Auditor General's Report Waste Management – Service Delivery ([Attachment 4](#));
2. Endorse the attached City of Belmont Waste Management Service Delivery Action Plan ([Attachment 5](#)) addressing the recommendations;
3. Authorise the Chief Executive Officer to advise the Minister for Local Government of the City of Belmont's proposed actions; and
4. Request that the Chief Executive Officer provide a report at the next Standing Committee (Audit and Risk) Meeting detailing progress of actions outlined in the Action Plan ([Attachment 5](#)).

**CARRIED 4 VOTES TO 0**

**11.5 WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT – INFORMATION SYSTEMS AUDIT REPORT 2020 – LOCAL GOVERNMENT ENTITIES (CONFIDENTIAL MATTER IN ACCORDANCE WITH LOCAL GOVERNMENT ACT 1995 SECTION 5.23(2)(F)(II))**

**ATTACHMENT DETAILS**

<b><u>Attachment No</u></b>	<b><u>Details</u></b>
Confidential Attachment 4 – Item 11.5 refers	<a href="#">Report Item - Western Australian Auditor General's Report – Information Systems Audit Report 2020 – Local Government Entities</a>

**OFFICER RECOMMENDATION**

**BACK MOVED, MARKS SECONDED**

That the Standing Committee (Audit and Risk) receive the report and recommend that Council:

1. Receive the Western Australian Auditor General's *Information Systems Audit Report 2020- Local Government Entities* ([Confidential Attachment 5](#));
2. Endorse the City of Belmont Action Plans ([Confidential Attachment 8](#) and [Confidential Attachment 9](#)) addressing the recommendations;
3. Authorise the Chief Executive Officer to advise the Minister for Local Government of the City of Belmont's proposed actions; and
4. Request that the Chief Executive Officer provides an information report to the next Standing Committee (Audit and Risk) Meeting outlining progress of actions outlined in the Action Plan.

**CARRIED 4 VOTES TO 0**

**11.6 OPERATIONAL COMPARISON – WESTERN AUSTRALIAN AUDITOR GENERAL’S REPORT –  
REGULATION OF CONSUMER FOOD SAFETY BY LOCAL GOVERNMENT ENTITIES**

**ATTACHMENT DETAILS**

<b><u>Attachment No</u></b>	<b><u>Details</u></b>
Attachment 6 – Item 11.6 refers	<a href="#"><u>OAG Report 28 Regulation of Consumer Food Safety by Local Government Entities</u></a>

Voting Requirement	:	Simple Majority
Subject Index	:	32/001 Operational/Strategic Planning
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	N/A
Applicant	:	N/A
Owner	:	N/A
Responsible Division	:	Corporate and Governance

**COUNCIL ROLE**

- Advocacy** *When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.*
- Executive** *The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.*
- Legislative** *Includes adopting local laws, local planning schemes and policies.*
- Review** *When Council reviews decisions made by Officers.*
- Quasi-Judicial** *When Council determines an application/matter that directly affect a person’s right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include local planning applications, building licences, applications for other permits/licences (e.g. under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.*

**PURPOSE OF REPORT**

This report presents an assessment of the City of Belmont’s (the City) operations in comparison with findings from the Auditor General’s Report 28 ‘Regulation of Consumer Food Safety by Local Government Entities’ (refer [Attachment 6](#)).

*Item 11.6 Continued*

## **SUMMARY AND KEY ISSUES**

The Office of the Auditor General (OAG) conducted a performance audit into whether local government entities effectively regulate consumer food safety within food businesses in their local government areas. Local governments are responsible for the regulation and enforcement action under the *Food Act 2008*.

The scope and size of the audit changed due to the COVID-19 pandemic. The OAG indicated in the report that the Department of Health's framework for monitoring consumer food safety would be the subject of a future report after the scope of the original audit was amended due to the pandemic.

The OAG found that the two local government entities audited did not have an effective risk based approach to regulation of food businesses in their regions. It was found that many inspections were overdue, record keeping was poor and there was an inconsistent approach to compliance and enforcement.

## **LOCATION**

Not applicable.

## **CONSULTATION**

There has been no specific consultation undertaken in respect to this matter.

## **STRATEGIC COMMUNITY PLAN IMPLICATIONS**

In accordance with the 2020 – 2040 Strategic Community Plan:

**Goal 5: Responsible Belmont.**

**Strategy:** Deliver effective, fair and transparent leadership and decision-making, reflective of community needs and aspirations.

## **POLICY IMPLICATIONS**

There are no policy implications associated with this report.

## **STATUTORY ENVIRONMENT**

### ***Food Act 2008***

Multiple sections of the *Food Act 2008* relate to the regulatory inspection and enforcement actions associated with consumer food safety.

*Item 11.6 Continued*

## **BACKGROUND**

To stay abreast of industry best practice and as part of its commitment to continuous improvement, the City of Belmont conducts internal audits and comparison reports in response to inquiries or audits that may be relevant to the organisation. Previous comparisons have been conducted on reports issued by the Department of Local Government, Sport and Cultural Industries (DGLSCI), the Corruption and Crime Commission (CCC), Public Sector Commission (PSC) and the Western Australian Auditor General (OAG). The Minister for Local Government has recently commended the City on its proactive response to issues using these comparison reports following the Minister's receipt of the comparison reports into the Shire of Perenjori and City of Melville.

The OAG conducted the performance audit into the regulation of food safety as local governments have key responsibilities for the inspection and enforcement of consumer food safety. The scope of the report was limited due to the restrictions of the COVID-19 pandemic.

The OAG found that local governments should ensure that inspection frequencies are prioritised and carried out according to their risk classification and that changes to the frequencies are only in relation to previous compliance outcomes and are appropriately documented.

Poor record keeping and inconsistent procedures were also identified.

## **OFFICER COMMENT**

This comparison report represents an assessment of the practices and procedures associated with the regulation of consumer food safety at the City of Belmont (the City) against the findings from the recent performance audit conducted by the OAG as outlined in its report.

The timeframe for the audit was for regulatory actions carried out in the financial year 2018-2019 to align with the timeframes represented in the OAG performance audit.

In 2018-2019, the City had 423 food businesses within its jurisdiction, including those located at Perth Airport. The table below shows the breakdown via risk rating.

<b>Risk Rating</b>	<b>No of Businesses</b>
High	19
Medium	277
Low	52
Exempt	75
<b>Total</b>	<b>423</b>

Of the above businesses, 14 are subject to 3.3.1 of the Australia New Zealand Food Standards Code, which relates to food premises that prepare food for vulnerable persons. This standard requires that these businesses have a verified audited food safety program.

*Item 11.6 Continued*

The methodology used to determine the City's rating against the findings raised was through review of the City's current processes and documentation, sampling of inspection reports, and discussions of controls and risk assessments with relevant officers.

In line with the recommendations of the report the questions posed for the operational comparison were:

1. Does the City have risk based approach to food inspections?
2. Are inspections completed when due?
3. Does the City have processes in place to ensure that follow-ups are completed?
4. Does the City have appropriate reporting mechanisms in place?

The Officers believe that the responses presented are an accurate indication of the City's current practices.

The City of Belmont responses and assessment scores have been compiled following internal review and verification, reflecting consideration of the recommendations of the Auditor General's report.

While it is recommended that priority be given to areas scoring below four, it is considered equally important to consider all matters contained within the report and also address those scoring a five to scope for potential opportunities for improvement and prevent complacency.

Score	Assessment Criterion
5	Fully complies with OAG expectations
4	Mostly complies with OAG expectations – good process in place
3	Partially complies with OAG expectations – reasonable process in place
2	Some compliance with OAG expectations – requires review of process
1	Does not comply with OAG expectations

## 1. Issues arising from the OAG Report

### 1.1 Does the City have risk based approach to food inspections?

The City has a risk-based approach to classification of premises and inspection frequency. Information for the public on the approach taken by the City is contained within the document "*Food Business Design, Construction and Operation Guidelines*" and is available on the City's website. In the publication, it outlines to prospective operators what is expected under the Australia New Zealand Food Safety Standards and how the Standard can be met.

When an application to register a food business is received, the Environmental Health Officer (EHO) carries out a Food Business Risk Assessment that is based on a Department of Health tool and City of Belmont historical data. The risk assessment determines the frequency of inspections.

Overall Assessment	5
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*Item 11.6 Continued*

## **1.2 Are inspections completed when due?**

All applications relating to Food Business Applications are recorded in the City's business system, Pathway, with the frequency of inspections included in the program. The system automatically advises EHO's of inspections due. The Coordinator Environmental Health monitors this and any inspections not carried out by the due date are identified by the system as being overdue, and followed up accordingly.

Additionally, the City's Health Section provides monthly inspection reports to the Executive Leadership Team which include the number of inspections due, completed and any that are not completed.

Overall Assessment	4
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## **1.3 Does the City have processes in place to ensure that follow-ups are completed?**

Eight hundred and seventy three (873) inspections were carried out in the comparison period of 2018-2019. No inspections were outstanding greater than 28 days at the end of the comparison period.

The City has processes and monitoring procedures in place to ensure that inspections are carried out within the required timeframes. Where an inspection is not completed when due, a comment is required to be entered against the premises and priority is given to outstanding inspections the next month. During the comparison period, the City experienced difficulties in sourcing appropriately qualified EHO's which did affect inspections at times.

Pathway treats each inspection separately as one record. A follow-up inspection on the same premises is treated as a new inspection. If an inspection is carried out and there are no issues then it is marked as complete. If a follow-up is required, this is entered onto the system, notes made and the due date for the follow-up inspection. This is then monitored through the process outlined above in 1.2 above. This is repeated until no further action is required.

The City of Belmont carried out five hundred and sixty nine (569) inspections during the 2019-2020 financial year. Five food premise inspections were overdue at the end of the year and have been followed up according to the process.

The current processes are consistent with those identified throughout the comparison period. Fewer inspections were carried out during 2019-2020 due to a combination of COVID-19 restrictions, premises closing and a re-assessment of the risk classifications for food businesses resulting in a reduction in the required frequency for inspections on some businesses.

Overall Assessment	4.5
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Item 11.6 Continued

**1.4 Does the City have appropriate record keeping and reporting mechanisms in place?**

The City has appropriate record keeping and reporting mechanisms in place. The City uses a tablet based inspection program. The report is automatically generated by the system and recorded in the City's electronic record management system, ECM. The report is also emailed to the customer through the system to the email linked to the business registration. The EHO's are able to provide additional comments on the report.

As mentioned previously, there is an appropriate reporting mechanism within Pathway, which provides the EHO individually with a dashboard of due, overdue and completed inspections. The Coordinator has an overarching view of all EHO dashboards. Monthly inspection reports are provided to management with comments on enforcement activity undertaken within the month in relation to Food inspections e.g., improvement notices.

The City also reports to the Department of Health annually as required by the *Food Act 2008*.

Overall Assessment	5
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**2 Conclusion**

The comparison report findings have found that the City has a number of well established procedures relating to the regulation of consumer food safety. These areas comply with the expectations outlined within the OAG report although regular review and monitoring of overdue inspections is required to ensure continued compliance.

Score	Number Assessed at
5	2
4	2
3	0
2	0
1	0
<b>Total</b>	<b>4</b>

As stated in the OAG report the regulation of consumer food safety is an important responsibility of local governments. The City of Belmont has appropriate procedures and systems in place to ensure that this regulation is carried out in accordance with business risk rating and to the required Standard.

**FINANCIAL IMPLICATIONS**

There are no financial implications evident at this time.

**ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications associated with this report.

**SOCIAL IMPLICATIONS**

There are no social implications associated with this report.

*Item 11.6 Continued*

**Committee Notes**

- The City has stringent processes in place and goes above and beyond the requirements and is in a very good position with regard to these particular issues in comparison to other local governments.

**OFFICER RECOMMENDATION**

**SEKULLA MOVED, BACK SECONDED**

That the Standing Committee (Audit and Risk) recommend that Council receive the Western Australian Auditor General's Report 28: Regulation of Consumer Food Safety by Local Government Entities ([Attachment 6](#)).

**CARRIED 4 VOTES TO 0**

**12. NEXT MEETING**

The next meeting of the Standing Committee (Audit and Risk) will be held on 22 February 2021.

**13. CLOSURE**

There being no further business the Presiding Member thanked everyone for their attendance and closed the meeting at 7.33 pm.