



Standing Committee (Audit and Risk)

Minutes

Monday 24 July 2023

BELMONT
CITY OF OPPORTUNITY



CITY OF BELMONT

Standing Committee (Audit and Risk)

Minutes

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Attachments Index

Attachment 11.2.1 – Item 11.2 refers

Confidential Attachments Index

- Confidential Attachment 10.1.1 – Item 10.1 refers
- Confidential Attachment 11.1.1 – Item 11.1 refers
- Confidential Attachment 11.1.2 – Item 11.1 refers

Minutes of the Standing Committee (Audit and Risk) held in the Rivervale Room, City of Belmont Civic Centre, 215 Wright Street, Cloverdale on Monday 24 July 2023 commencing at 6.26pm.

Minutes

Present

Cr P Marks, Mayor (Ex Officio)
Cr B Ryan
Cr R Rossi
Mr R Back

East Ward
East Ward
West Ward
Independent Member

In attendance

Mr J Christie
Mr S Downing
Mr B Godfrey
Ms S Jessop
Mr M Smith
Ms A Bird
Ms M Phillips

Chief Executive Officer
Director Corporate and Governance
Internal Auditor
Manager Finance
Manager Information Technology
Manager Governance, Strategy and Risk
Governance Officer

I Official Opening

6.26pm The Director Corporate and Governance welcomed all those in attendance and declared the meeting open.

The Director Corporate and Governance read aloud the Acknowledgement of Country.

Acknowledgement of Country

Before I begin, I would like to acknowledge the Whadjuk Noongar people as the Traditional Owners of this land and pay my respects to Elders past, present and emerging.

I further acknowledge their cultural heritage, beliefs, connection and relationship with this land which continues today.

2 Apologies and leave of absence

Cr J Davis (leave of absence) South Ward

Due to the leave of absence of Cr Davis and resignation of former Cr Bass, it was necessary to appoint a Presiding Member for this meeting.

Cr Marks was nominated to preside the meeting.

Committee Resolution

Ryan moved, Rossi seconded

In accordance with s5.14 of the *Local Government Act 1995* Cr Marks be appointed Presiding Member of this meeting.

Carried Unanimously 4 votes to 0

For: Back, Marks, Rossi, Ryan

Against:



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 8 May 2023

Officer Recommendation

Rossi moved, Mr Back seconded

That the Minutes of the Standing Committee (Audit and Risk) Meeting held on 8 May 2023 be confirmed as a true and accurate record.

Carried Unanimously 4 votes to 0

For: Back, Marks, Rossi, Ryan

Against:

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 decision

Nil.

8 Questions by members without notice

Nil.

9 Business adjourned from a previous meeting

Nil.

10 Information items

10.1 Audit Logs

An Audit Log (refer Confidential Attachment) has been developed to capture and report on progress of all recommended actions from previous audit reports as requested by the Standing Committee (Audit and Risk).

The Audit Log will be included for information on all Standing Committee (Audit and Risk) Agendas. Questions from Committee Members are welcome.

A question was asked and responded to as follows:

- Outstanding actions are currently being addressed.

Attachment details

Attachment No and title	
1.	CONFIDENTIAL REDACTED - Audit Log - Office of the Auditor General and other Audits (Confidential Matter in accordance with the Local Government Act 1995 Section 5.23(2)(f)(ii)) [10.1.1 - 19 pages]

10.2 2023 Asset Revaluation Update

In accordance with regulation 17A *Local Government (Financial Management) Regulations 1996*, local governments are required to revalue non-financial assets whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount.

Following on from the 2021-2022 financial year audit, a commitment was made to revalue a number of asset classes in the 2022-2023 financial year. These included the following:

- Land
- Buildings
- Parks
- Roads and carparks
- Footpaths and drainage

Independent valuers have been appointed to undertake these valuations for inclusion in the 2022-2023 Annual Financial Statements. A summary of the valuation movement to date is provided as follows.

Asset Class	Prior to revaluation				Per Revaluation				Movement			
	Cost	Acc Dep	Dep P/A	WDV	Cost	Acc Dep	Dep P/A	WDV	Cost	Acc Dep	Dep P/A	WDV
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Land	165.6	0.0	0.0	165.6	214.9	0.0	0.0	214.9	49.3	0.0	0.0	49.3
Buildings	150.5	26.6	2.3	123.9	181.8	57.5	3.3	124.4	31.3	30.8	1.1	0.5
Parks	26.3	11.7	1.3	14.6	26.2	11.1	1.5	15.1	(0.1)	(0.6)	0.2	0.5
Roads	189.3	27.5	2.5	161.9	First draft currently under review				Minimal movement in replacement cost anticipated as this was assessed in 2021/22. Useful lives to be amended to align with those included in the City's Road Asset Management Plan.			
Carparks	6.7	2.4	0.1	4.3								
Paths	26.8	9.8	0.6	17.0	Draft report anticipated mid-August				Increase in replacement cost anticipated due to recent market cost increases			
Drains	93.4	24.4	1.0	69.1								

Questions were asked and responded to as follows:

- Infrastructure valuations have been outsourced to a professional firm of valuers.
- The valuation of land has increased from \$165.6M to \$214.9M as a result of independent valuation as at 30 June 2023.

Attachment details

Attachment No and title
Nil

II Items requiring recommendation to Council

II.I Internal Audit Report

Voting Requirement	:	Simple Majority
Subject Index	:	19/006
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	:	Executive Services

Council role

Executive The substantial direction setting and oversight role of the Council eg adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

Purpose of report

To submit two completed internal audit reports to the Standing Committee (Audit and Risk). These audits have been completed in accordance with the Council approved 2022 – 2023 annual internal audit plan.

Summary and key issues

Summary internal audit report findings for the two audits follow. The consequence levels of not implementing mitigating controls are moderate.

Infrastructure Services Division - Refurbishment of CoB Glasshouse Project

The audit objectives were to ensure project controls were managed effectively to ensure the completed project met stakeholders' requirements.

The conclusion is the project was effectively managed with a quality outcome.

An opportunity to improve documented procedures was identified which was addressed by new contract management procedures issued after the date of audit.

Infrastructure Services Division - Wilson Park Netball Courts

The audit objectives were to ensure project controls were managed effectively to ensure the completed project met stakeholders' requirements.

The conclusion is the project was effectively managed with a quality outcome.

Second line of defence officers from corporate risk management, safety, and environment had input to tender stage risk registers but did not have input to subsequent project execution stage risk assessments.

Officer Recommendation

Rossi moved, Mr Back seconded

That the Standing Committee (Audit and Risk) accepts the two internal audit reports from the Senior Internal Auditor (Confidential Attachments 11.1.1 and 11.1.2) and recommends that Council:

1. Receives the report (Confidential Attachment 11.1.1) titled Internal Audit - Refurbishment of CoB Glasshouse Project.
2. Receives the report (Confidential Attachment 11.1.2) titled Internal Audit - Wilson Park Netball Courts.
3. Notes the City of Belmont management comments in Confidential Attachments 11.1.1 and 11.1.2 and actions to be undertaken in response to the internal audit recommendations.

Carried Unanimously 4 votes to 0

For: Back, Marks, Rossi, Ryan

Against:

Location

Not applicable.

Consultation

All internal audit reports were reviewed by relevant staff, managers, directors and the CEO before being issued for action.

This ensures collective agreement on findings, recommendations, and management actions.

Strategic Community Plan implications

In accordance with the 2020 – 2040 Strategic Community Plan:

Goal 5: Responsible Belmont

Strategy: 5.2 Manage the City's assets and financial resources in a responsible manner and provide the best possible services for the community.

Policy implications

There are no policy implications associated with this report.

Statutory environment

Local Government Act 1995

7.1A. Audit committee

(1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

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.]

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 sub regulation (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.

[Regulation 17 inserted: Gazette 8 Feb 2013 p. 868;

amended: Gazette 26 Jun 2018 p. 2387.]

Local Government (Financial Management) Regulations 1996

5(2) CEO's duties as to financial management

- (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.

Background

The internal audit function operates in accordance with Council approved Terms of Reference (TOR) and Council approved annual internal audit plans.

The TOR requires the Internal Auditor to be functionally accountable to the CEO and Council via the Standing Committee (Audit and Risk).

The TOR also requires final engagement audit reports be issued to the CEO and Council via the Standing Committee (Audit and Risk) as directed.

Report

Infrastructure Services Division - Refurbishment of CoB Glasshouse Project

(Confidential Attachment 11.1.1)

The internal audit objectives were to ensure project tender, time, cost, quality, environment, WHS and contract variation objectives were managed.

The conclusion is the project was effectively managed with a quality outcome.

The findings/recommendations below relate to improving related procedure documentation.

1. Project defects were managed effectively but there was an opportunity to improve documented procedures.
 - System Procedure 23 – “Contract Management” was issued after this audit was completed and addresses project defects.
2. Minor post contract variations were managed effectively but there was an opportunity to improve documented procedures.
 - System Procedure 24 – “Management of Contract Variations” was issued after this audit was completed and addresses procedures for processing and approving major and minor contract variations.
3. Transfer of records from the contractor to the CoB at project conclusion was effective but there was an opportunity to improve documented procedures.
 - System Procedure 23 – “Contract Management” was issued after this audit was completed and addresses transfer of records.

Please note: The above 3 findings/recommendations are now considered closed out.

Infrastructure Services Division – Wilson Park Netball Courts

(Confidential Attachment 11.1.2)

The internal audit objectives were to ensure project tender, time, cost, quality, environment, WHS and contract variation objectives were managed.

The conclusion is the project was effectively managed with a quality outcome.

The audit resulted in one finding/recommendation.

1. Second line of defence officers from corporate risk management, safety, and environment had input to tender stage risk registers but did not have input to subsequent project execution stage risk assessments.
 - Management agreed the Coordinator Business Planning Improvement and Risk will participate in all project execution stage risk assessments.

Above findings, recommendations and management responses have been entered into Audit Logs for tabling at Standing Committee (Audit and Risk) meetings until closed out.

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.

Attachment details

Attachment No and title	
1.	CONFIDENTIAL REDACTED - Internal Audit Report Refurbishment of CoB Glasshouse Project SCAR (Confidential matter in accordance with Local Government Act 1995 section 5.23(2)(h)) [11.1.1 - 7 pages]
2.	CONFIDENTIAL REDACTED - Internal Audit Report Wilson Park Netball Courts SCAR (Confidential matter in accordance with Local Government Act 1995 section 5.23(2)(h)) [11.1.2 - 5 pages]

11.2 Interim Audit Report July 2023

Voting Requirement	:	Simple Majority
Subject Index	:	19/001
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

Legislative Includes adopting local laws, local planning schemes and policies.

Purpose of report

This report provides the Standing Committee (Audit and Risk) with details of the outcomes of the Office of the Auditor General (OAG) interim audit conducted in April 2023.

Summary and key issues

The interim audit is a key process in the audit of the City's 2023 Annual Financial Report. This audit commenced in April 2023 and will culminate with final audit in October 2023 as per OAG's audit plan.

Officer Recommendation

Ryan moved, Rossi seconded

That the Standing Committee (Audit and Risk) recommend that Council note the recommendations and comments associated with the 2022-2023 Interim Audit Report as detailed in Attachment 11.2.1.

Carried Unanimously 4 votes to 0

For: Back, Marks, Rossi, Ryan

Against:

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

Policy implications

The policy implications evident is to ensure that the Accounting Policies detailed in the Annual Financial Statements comply with legislative and Australian Accounting Standards requirements.

Statutory environment

Section 7.9(1) of the *Local Government Act 1995* requires an audit to be conducted to examine the accounts and annual financial report submitted for audit and to prepare a report thereon which is required to be forwarded to the Mayor, Chief Executive Officer, and the Minister for Local Government.

Section 7.9(2) of the *Local Government Act 1995* requires the auditor to report on any error or deficiency in any accounts, misapplication of funds or any matters that needs to be addressed by the Local Government.

Background

During April 2023, the Office of the Auditor General (OAG) undertook an interim audit of the City's financial systems and processes.

The main purpose of the interim audit was to:

- examine the City's business, control environment and assess the design and implementation of key controls and risks
- review prior year's audit findings and management recommendations

- clarify significant accounting issues before the annual financial report is prepared for audit.

The OAG plans to perform the final audit in October 2023 as per the Audit Planning Summary report presented to Standing Committee (Audit and Risk) in May 2023.

Report

The Interim Audit Management Letter as per Attachment 11.2.1 reflects two findings identified by the auditors together with the respective management response.

Below is a summary of the findings identified:

1. Review of monthly accounts payable reconciliation

Finding:

The City's Accounts Payable End of Month Reports Procedures states that, monthly reconciliations should be reviewed by the Manager Finance.

The OAG's review of the month end process for March 2023 and November 2022, identified that there was no documented evidence of review of the reconciliation between the accounts payable aging report and general ledger.

Management Response:

Existing month end reconciliation processes have been reviewed, with documented evidence of the independent review of the monthly reconciliation between the Accounts Payable Aging Report and the general ledger recommencing for April 2023.

2. Financial policies and procedures management

Finding:

The OAG noted that some of the City's financial policies, procedures or process maps were not reviewed in a timely manner. This includes the:

- SP16 Procurement System procedure is to be reviewed every three years according to the City's System Procedure SP-08 Documented Information. SP16 was last reviewed on 25 July 2019.
- BEXB32 Decision Making Policy is to be reviewed every four years according to the City's Operational Policy Manual. The policy was last reviewed on 27 September 2016.

The *Local Government (Financial Management) Regulations 1996* regulation 5(2c) states that financial management systems and procedures review should be undertaken 'not less than once every three financial years'.

Additionally, there is currently no documented procedure on the reconciliation process between the fixed asset register and general ledger.

Management Response:

The City is utilising a staged approach for the review of its' policies, procedures and process maps, commencing with a review of the City's Business Management System (BMS) and document review. A review of the City's operational policies and process maps will follow a review of the City's integrated framework later in the calendar year.

Financial implications

Where reconciliations are not reviewed regularly, there is an increased risk of unreconciled items or errors not being detected promptly.

Environmental implications

There are no environmental implications associated with this report.

Social implications

There are no social implications associated with this report.

Attachment details

Attachment No and title	
1.	Interim Management Letter Attachment - City of Belmont - 30 June 2023 [11.2.1 - 3 pages]

ATTACHMENT

CITY OF BELMONT

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Review of monthly accounts payable reconciliation	No		✓		
2. Policies and procedures management	No		✓		

Key to ratings

The Ratings in this management letter are based on the audit team’s assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT

CITY OF BELMONT

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Review of monthly accounts payable reconciliation

Finding

The City's Accounts Payable End of Month Reports Procedures states that, monthly reconciliations should be reviewed by the Manager Finance.

Our review of the month end process for March 2023 and November 2022, identified that there was no documented evidence of review of the reconciliation between the accounts payable aging report and general ledger.

Rating: Moderate

Implication

Where monthly reconciliations are not reviewed regularly, there is an increased risk of unreconciled items or errors not being detected promptly.

Recommendation

Management should ensure that the monthly reconciliations are reviewed promptly.

Management comment

Existing month end reconciliation processes have been reviewed, with documented evidence of the independent review of the monthly reconciliation between the Accounts Payable Aging Report and the general ledger recommencing for April 2023.

Responsible person: Manager Finance

Completion date: May 2023

ATTACHMENT

CITY OF BELMONT

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Financial policies and procedures management

Finding

We noted that some of the City's financial policies, procedures or process maps were not reviewed in a timely manner. This includes the:

- SP16 Procurement System procedure is to be reviewed every three years according to the City's System Procedure SP-08 Documented Information. SP16 was last reviewed on 25 July 2019.
- BEXB32 Decision Making Policy is to be reviewed every four years according to the City's Operational Policy Manual. The policy was last reviewed on 27 September 2016.

The Local Government (Financial Management) Regulations 1996 Paragraph 5(2c) states that financial management systems and procedures review should be undertaken 'not less than once every three financial years'.

Additionally, there is currently no documented procedure on the reconciliation process between the fixed asset register and general ledger.

Rating: Moderate

Implication

Without timely review of policies and procedures, there is an increased risk that the existing policies and procedures are no longer fit for purpose. It may also result in non-compliance with Local Government (Financial Management) Regulations 1996.

Recommendation

Management should regularly review and update its policies and procedures. Updated policies and procedures with key changes should be communicated to all employees and relevant stakeholders.

Management comment

The City is utilising a staged approach for the review of its' policies, procedures and process maps, commencing with a review of the City's Business Management System (BMS) and document review. A review of the City's operational policies and process maps will follow a review of the City's integrated framework later in the calendar year.

SP16 Procurement System Procedure has been reviewed subsequent to the interim audit visit in May 2023

Responsible Person: Organisational Leadership Team
Completion Date: June 2024

