



City of Belmont
STANDING COMMITTEE (AUDIT AND RISK)
MINUTES
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24 November 2021

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ATTACHMENTS INDEX

Attachment 1 – Item 11.1 refers

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CONFIDENTIAL ATTACHMENTS INDEX

Confidential Attachment 1 – Item 10.1 refers

MINUTES OF THE STANDING COMMITTEE (AUDIT AND RISK) MEETING HELD IN THE RIVERVALE ROOM, CITY OF BELMONT CIVIC CENTRE, 215 WRIGHT STREET, CLOVERDALE ON WEDNESDAY, 24 NOVEMBER 2021 COMMENCING AT 6.30PM.

MINUTES

COMMITTEE MEMBERSHIP

Cr J Davis (Presiding Member)	South Ward
Cr P Marks, Mayor (Ex Officio)	East Ward
Cr R Rossi, JP, Deputy Mayor	West Ward
Mr R Back	Independent Member

IN ATTENDANCE

Ms M Reid	Acting Chief Executive Officer
Ms M Bell	Director Corporate and Governance
Ms V Govender	Manager Finance
Mrs M Lymon	Acting Manager Governance
Mr B Godfrey	Internal Auditor
Mrs J Cherry-Murphy	Senior Governance Officer

OBSERVER

Cr N Carter (6.32pm)	South Ward
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1. OFFICIAL OPENING

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

The Presiding Member read aloud the Acknowledgement of Country.

Before I begin I would like to acknowledge the Noongar Whadjuk 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

Mr J Christie (Apology)	Chief Executive Officer
Cr M Bass (Absent)	East Ward

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 18 OCTOBER 2021
(Circulated under separate cover)**

OFFICER RECOMMENDATION

DAVIS MOVED, MARKS SECONDED

That the Minutes of the Standing Committee (Audit and Risk) Meeting held 18 October 2021 be confirmed as a true and accurate record.

CARRIED 4 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 AUDIT LOG – OFFICE OF THE AUDITOR GENERAL (OAG) AUDITS

ATTACHMENT DETAILS

Attachment No	Details
Confidential Attachment 1 – Item 10.1 refers	<u>City of Belmont Audit Log (Confidential Matter in accordance with the Local Government Act 1995 Section 5.23(2)(fii))</u>

An Audit Log (refer [Confidential Attachment 1](#)) 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.

Committee Notes

The following responses were provided to questions raised:

- There are additional protocols and processes to provide additional “belts and braces” to our network security and this is a priority for IT to implement as soon as possible.
- Ethical hacking is undertaken at random times and performed behind the scenes.

10.2 2020 COMPLIANCE AUDIT RETURN: IMPROVEMENT OPPORTUNITIES STATUS REPORT

ATTACHMENT DETAILS

Nil.

Voting Requirement	:	Simple Majority
Subject Index	:	39/005 Statutory Compliance Return
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	23 March 2021 OCM – Item 12.2
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 Committee with a status report on the improvement opportunities identified as part of the 2020 Compliance Audit Return (CAR) process.

Item 10.2 Continued

SUMMARY AND KEY ISSUES

The 2020 CAR identified areas in which a non-compliance was recorded. Improvement opportunities to address each non-compliance were also identified as part of this process. The areas were:

- Integrated Planning and Reporting:
- Tenders for Providing Goods and Services
- Finance
- Disclosures
- Optional Questions

This report provides information on the progress of actions identified as opportunities for improvement.

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

5.6: 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.

Item 10.2 Continued

STATUTORY ENVIRONMENT

Local Government Act 1995

s7.12A (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.

Local Government (Audit) Regulations 1996

14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.

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;
- (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);

BACKGROUND

The 2020 CAR identified six non-compliances in five areas. Improvement opportunities to address the six non-compliances were also identified as part of this process. The areas were:

- Integrated Planning and Reporting (one non-compliance)
- Tenders for Providing Goods and Services (one non-compliance)
- Finance (one non-compliance)
- Disclosures (one non-compliance)
- Optional Questions (two non-compliances)

The 2020 CAR results were presented to the 22 February 2021 Standing Committee (Audit and Risk) and the Ordinary Council Meeting of 23 March 2021 at which Council resolved:

'That Council:

1. *Receive and adopt the 2020 Compliance Audit Return, as provided in Attachment 9.*
2. *Authorise the Mayor and Chief Executive Officer to complete the Joint Certification of the 2020 Compliance Audit Return.*

Item 10.2 Continued

3. *Request the Chief Executive Officer to submit the certified 2020 Compliance Audit Return and a copy of the minutes relative to this report to the Department of Local Government, Sport and Cultural Industries by 31 March 2021 in accordance with the requirements of the Local Government (Audit) Regulations 1996.*
4. *Request the Chief Executive Officer to provide a report to the next meeting of the Standing Committee (Audit and Risk) outlining the actions and improvements identified in the Compliance Audit Return and Report.'*

The reports to Standing Committee (Audit and Risk) and Council on the findings of the 2020 CAR also stated that the status of the improvement actions would be reported to the Executive Leadership Team to determine the next steps.

OFFICER COMMENT

There were two instances of non-compliance in the Optional Questions section and one in each of the Disclosures, Integrated Planning and Reporting, Finance and Tender sections.

The following Table identifies the areas of non-compliance and the status of actions.

CAR Area	Improvement Opportunity	Status and Comment
Disclosures – non submission of return by statutory deadline	Review supporting processes associated with the Annual/Primary Returns to ensure compliance with legislated requirements.	Completed Updates made to: Process Map - Manage Internal Accountability DSID 2053552; Work Instruction - Manage Primary (Financial) Returns DSID 1368976.
Optional Questions - Adoption of Attendance at Events Policy for Elected Members and CEO - Display of the policy on the City's website	Policy was adopted by Council in February 2021 and published on the City's website.	Completed Policy BEXB 3.4 Attendance at Events. Adoption date: OCM 23/02/2021 Item 12.7.
Integrated Planning and Reporting	As part of the annual review of the Corporate Business Plan additional consultation will be undertaken to identify any further applicable improvements to the integration and business planning processes by 30 June 2021.	Completed Corporate Business Plan 2021-2025 annual review endorsed by Council at the 22 June 2021 Ordinary Council Meeting Item 12.5. Refer Process Map - Corporate Business Plan. DSID 2273621.
Tenders for Providing Goods and Services	A review of the process carried out by the Procurement Section to assess monthly supplier expenditure will be undertaken by 31 March 2021 to include reporting to be escalated through to the	Completed Reporting requirement added as monthly task on the Compliance Calendar. Procurement End of Month Workflow developed for Finance One with the Monthly Tender Threshold

Item 10.2 Continued

CAR Area	Improvement Opportunity	Status and Comment
	relevant Director when no follow up is carried out by the responsible officer on an identified exception.	Monitoring report being included for submission to Manager Finance for sign off and or action as appropriate for escalation.
Finance	A process has been developed to set out the necessary steps to ensure compliance with s.7.12 of the Local Government Act 1995 following notification of an audit being undertaken at the City and ensure the reporting of audits (financial and performance) is managed and carried out as required (Process to be implemented by 31 March 2021).	Completed Process implemented. Process Map - Office of Auditor General (OAG) Audit Process DSID 4989692.

All actions associated with identified opportunities for improvement have been completed.

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

DAVIS MOVED, MARKS SECONDED

That the Standing Committee (Audit and Risk) receive this report outlining the progress on the actions and improvements identified in the 2020 Compliance Audit Return and Report.

CARRIED 4 VOTES TO 0

11. ITEMS REQUIRING RECOMMENDATION TO COUNCIL

11.1 WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT – PERFORMANCE AUDIT - LOCAL GOVERNMENT COVID - 19 FINANCIAL HARDSHIP SUPPORT - REPORT 5: 2021-22

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 1 – Item 11.1 refers	Auditor General's Report - Local Government COVID - 19 Financial Hardship Support - Report 5: 2021-22
Attachment 2 – Item 11.1 refers	City of Belmont Local Government COVID - 19 Financial Hardship Support Action Plan

Voting Requirement	:	Simple Majority
Subject Index	:	19/005 Statutory Compliance Return
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 consider the findings and information on the recent performance audit carried out by the Office of the Auditor General (OAG) on 'Local Government COVID - 19 Financial Hardship Support - Report 5: 2021-22' (the Report) (refer [Attachment 1](#)).

Item 11.1 Continued

The City of Belmont was a participant in the audit. As an audited entity, the City is required to prepare an action plan addressing relevant recommendations for submission to the Minister within three months of the tabling of the report in Parliament.

SUMMARY AND KEY ISSUES

The Office of the Auditor General (OAG) conducted a performance audit into whether local government entities provided effective financial hardship support to assist ratepayers impacted by COVID-19 response measures.

The City of Rockingham and the Shire of Northampton were also included in this performance audit. All WA local governments were asked whether a financial hardship policy was in place for 2020-2021 and continuing for 2021-2022.

The Report found:

- The three local government (LG) entities reviewed had policies and provided financial support at their own discretion to all ratepayers (not just those experiencing financial hardship), such as waiving interest or allowing additional time to pay rates.
- Northampton did not promote its policy or the availability of financial support to its ratepayers and did not establish processes to implement its policy. The Shire did not receive any financial hardship applications.
- Belmont and Rockingham promoted the availability of financial support to their ratepayers, made their policies and application forms available on their websites, and established eligibility criteria and processes to assess applications in line with their policies:
 - Belmont's processes reflected the dollar value of support available to each ratepayer and the administration costs and risks to the LG entity.
 - Rockingham's policy and processes were designed to cover both general and COVID-19 specific financial hardship and to provide applicants with the maximum financial assistance they were entitled to under the policy. OAG considered this approach as time consuming and onerous for ratepayers in need of short term support, and likely meant the City's costs to process each application exceeded the risks and dollar value of COVID specific support available to individual ratepayers. Streamlining processes could reduce information requirements for applicants and provide more timely responses.
- Of WA's 137 LG entities, 123 had a financial hardship policy in 2020-2021 and at the time of the report (October 2021), 109 LG entities have policies in 2021-2022.

The Report contained six recommendations that local government entities should implement:

- “
1. *have a current Council-approved financial hardship policy*
 2. *actively promote the policy to ratepayers and make the policy and application form publicly available (Northampton)*
 3. *put in place clear eligibility and assessment criteria and timeframes to process applications (Northampton and Rockingham)*
 4. *maintain records of applications and outcomes*
 5. *identify and manage actual, potential and perceived conflicts of interest for staff who assess applications (Belmont, Northampton and Rockingham)*

Item 11.1 Continued

6. *review their application and assessment processes in response to complaint feedback.”*

The findings of the report indicated that the City of Belmont did manage the perceived conflicts of interest for staff who assessed hardship applications.

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.
- 5.6: 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

Local Government Act 1995

s7. 12A. Duties of local government with respect to audits

- (3) A local government must —
 - (aa) examine an audit report received by the local government; and
 - (c) determine if any matters raised by the audit report, require action to be taken by the local government; and
 - (d) 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.

Item 11.1 Continued

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;

(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);

BACKGROUND

The audit was focussed on whether local government entities have an effective financial hardship policy and processed applications for financial hardship effectively. The OAG also audited compliance with the financial hardship aspects of the Local Government (COVID-19 Response) Order 2020 issued by the Minister for Local Government on 8 May 2020 and Ministerial Circular 03-2020 issued on the same date.

The City of Belmont was requested by the OAG to provide information to allow for scoping on the audit in March 2021 and was subsequently advised in May 2021 that the City had been selected to participate in the performance audit. 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 in August 2021 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 15 October 2021.

OFFICER COMMENT

The Report found that the City's processes to assess applications, were in accordance with policy and that appropriate records were kept. For the period, the City received 53 applications and approved 32. Most approved applicants received more than one type of support including waivers of interest and administration charges and extra time to pay. Around one-third also received a rates rebate of up to \$250 (of which the median value received was \$40). Applications were rejected for reasons including being assessed as not experiencing COVID-19 related hardship and providing insufficient information. The OAG reviewed in depth 10 applications and found:

- *Clear eligibility and assessment criteria that aligned with the intent of the City's policy. This supported consistent and timely assessment of applications and provision of support to the City's ratepayers.*
- *Minimal supporting information requirements that reflected the dollar value of support available to each ratepayer and the administration costs and risks to the City. The City accepted a Centrelink Job Keeper or Job Seeker statement, or a redundancy letter from an employer as sufficient evidence for reduced income.*

Item 11.1 Continued

- *Six of the 10 applications were submitted with sufficient information to demonstrate eligibility and did not require staff follow-up. These applications were processed, approved and a decision communicated to the applicant within three days (which is less than the 10-day target established by the City's customer service charter). The remaining four applicants had to provide further supporting information. Three were advised of the outcome in four, 21 and 96 days from the time they applied, and one was pending further information at the time of our review.*
- *Consistent with the Order, the City did not charge interest or administration fees to approved applicants.*
- *The City relied on existing employee declarations against its code of conduct to identify and manage conflicts of interest in the assessment process.*
- *The City's complaints register did not list any formal complaints from ratepayers about its hardship policy, processes or decisions.*

The OAG has indicated an opportunity for improvement through the report recommendations for the City to implement improved processes relating to the management of conflicts of interest of those individuals assessing the applications. No conflicts for the applications were identified during the audit.

The City accepts this recommendation and will ensure a conflict of interest declaration is completed by all staff members assessing hardship applications every financial year.

As required under the *Local Government Act 1995* s7.12A an Action Plan (refer [Attachment 2](#)) 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

There are no environmental implications associated with this report.

SOCIAL IMPLICATIONS

There are no social implications associated with this report.

Item 11.1 Continued

OFFICER RECOMMENDATION

DAVIS MOVED, MARKS SECONDED

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

- 1. Receive the Auditor General's Report - Local Government COVID - 19 Financial Hardship Support - Report 5: 2021-22 ([Attachment 1](#));***
- 2. Endorse the attached City of Belmont Local Government COVID - 19 Financial Hardship Support Action Plan ([Attachment 2](#)) 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 include actions onto the Audit Log and provide a report at the next Standing Committee (Audit and Risk) Meeting detailing progress of actions outlined in the Action Plan ([Attachment 2](#)).***

CARRIED 4 VOTES TO 0

11.2 2022 CONSOLIDATED ASSURANCE MAP

ATTACHMENT DETAILS

Attachment No	Details
Attachment 3 – Item 11.2 refers	2022 Consolidated Assurance Map

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 15 December 2020 – Item 12.2 Standing Committee (Audit and Risk) 10 November 2020 - Item 11.2
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 2022 Consolidated Assurance Map (refer [Attachment 3](#)).

SUMMARY AND KEY ISSUES

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

The City has developed a coordinated approach to these activities, managed year to year by an annual plan. This report is for endorsement of the Consolidated Assurance Map (formerly named Audit Plan) for the forthcoming year – 2022.

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:

- 5.2 Manage the City's assets and financial resources in a responsible manner and provide the best possible services for the community.
- 5.6 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 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

Regulation 5(2) of the *Local Government (Financial Management) Regulations 1996* states the following:

'(2) The CEO is to —

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

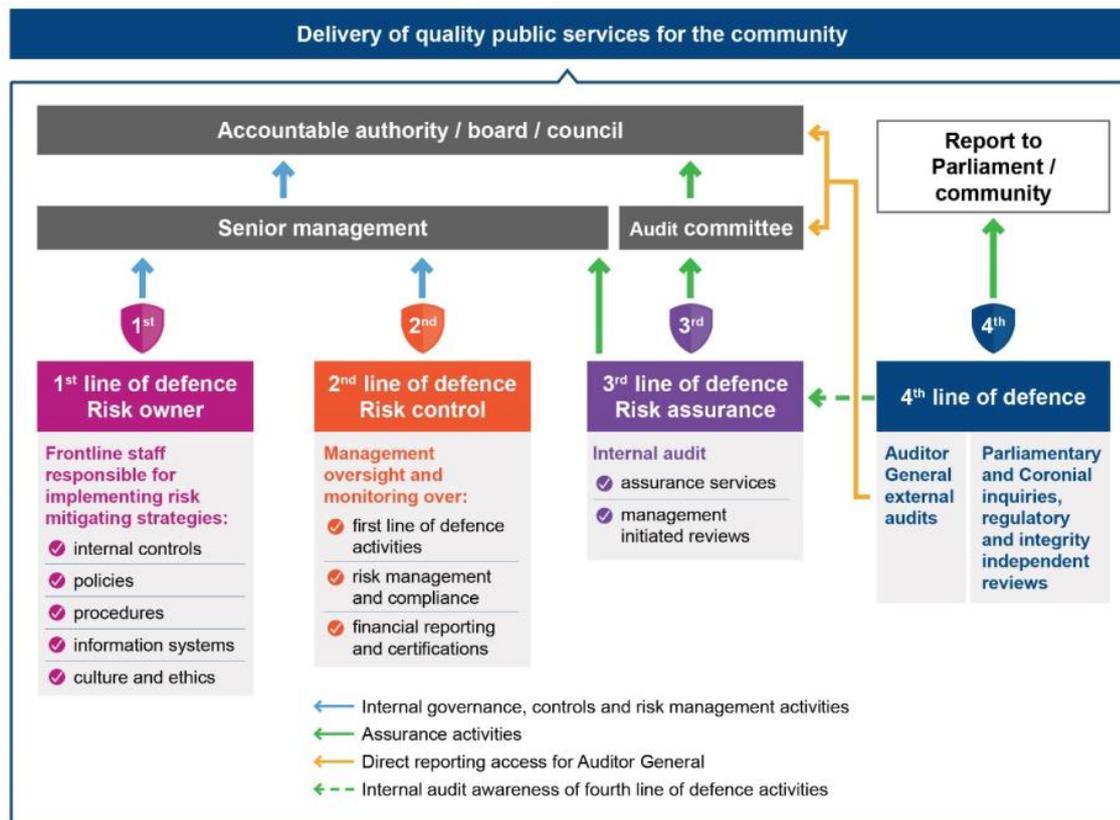
In addition, under the International Standard of ISO 9001:2015 Quality Management Systems, the City is required to conduct an annual programme of internal and external audits to maintain certification of the ISO Standards.

BACKGROUND

Historically an annual Audit Plan has been endorsed by Council outlining the audits for the coming year.

Following the release of the WA Auditor General's Report 26: 2019-20 'Western Australian Public Sector Audit Committees – Better Practice Guide' (OAG Report) and the introduction of the Internal Auditor role at the City, referencing has been updated to reflect the WA Public Sector 'Lines of Defence Model' as included in the OAG Report and included in Figure 1 below.

Item 11.2 Continued



Source: OAG

Figure 1: WA public sector four lines of defence model

As stated in the OAG Report 'To apply the model, entities need to understand and assess business activities performed by each line of defence. This is often referred to as 'assurance mapping'. This mapping helps the accountable authority, audit committee and management to understand whether there are any gaps in assurance activities that manage key risks or whether there is duplication of effort. This can help inform the internal audit program, improve efficiency and assist the audit committee in their oversight responsibilities.'

The 2022 Consolidated Assurance Map provides an overview of the audits and reviews planned for 2022 and is presented to the Standing Committee (Audit and Risk) for endorsement prior to consideration by Council.

OFFICER COMMENT

The 2022 Consolidated Assurance Map is based on:

- Internal control and legislative compliance
- Statutory audit requirements
- The Integrated Management System (IMS) approach of integrating the Quality, Environment and Occupational Safety and Health 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.

Item 11.2 Continued

The City's approach to the internal audit function is currently being implemented. Audit Plans are being developed and are not included in the Consolidated Assurance Map. The 2022 Consolidated Assurance Map ([Attachment 3](#)) outlines the audits and reviews as proposed at the current time.

There are a number of focus audits that any area of the City could be subject to each year, these could be conducted as internal audits or reviews, 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 Office of the Auditor General. As these audits are carried out as required, they are not identified on the Consolidated Assurance Map.

An outline of the actual audits undertaken in 2022 will be reported to the February 2023 Standing Committee (Audit and Risk) meeting.

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

DAVIS MOVED, MARKS SECONDED

That the Standing Committee (Audit and Risk) recommend that Council endorse the City of Belmont 2022 Consolidated Assurance Map as outlined in [Attachment 3](#).

CARRIED 4 VOTES TO 0

11.3 TERMS OF REFERENCE FOR INTERNAL AUDIT

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 4 – Item 11.3 refers	<u>Terms of Reference - Internal Audit</u>
Attachment 5 – Item 11.3 refers	<u>International Standard for the Professional Practice of Internal Auditing</u>

Voting Requirement	:	Simple Majority
Subject Index	:	32/034 – Terms of Reference
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	:	Executive Services

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 present Terms of Reference for the internal audit activity to the Standing Committee (Audit and Risk) (refer [Attachment 4](#)) for recommendation to Council for endorsement.

SUMMARY AND KEY ISSUES

The position of Internal Auditor is a new activity for the City of Belmont and an initial Terms of Reference has been created to direct the function.

Item 11.3 Continued

LOCATION

Not applicable.

CONSULTATION

There has been consultation between the Internal Auditor and the City's Executive Leadership Team in the development of the Terms of Reference. The Internal Auditor has also recently met with the City of Melville's Internal Auditor to share information and clarify the audit function and the role it plays in relation to their Financial Management Audit and Risk and Compliance Committee. This discussion was of benefit to both organisations and has resulted in improvements to the terms of reference tabled for consideration.

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

Section 7.1A(1) of the *Local Government Act 1995* requires the local government to establish an audit committee of three or more persons to exercise the powers and discharge the duties conferred on it.

Regulation 16 of the *Local Government (Audit) Regulations 1996* requires an audit committee to guide and assist the local government in areas of:

1. Financial Management.
2. Supporting external auditors conduct the annual audit.
3. Following up external audit recommendations.
4. Reviewing CEO reports made in accordance with regulation 17(1) relating to risk management, internal control, and legislative compliance.
5. Reviewing CEO reports made in accordance with *Local Government (Financial Management Regulations 1996*, regulation 5(2)(c) relating to effectiveness of financial management systems.

The Terms of Reference provide sufficient scope for the Internal Auditor to conduct audits to assist the Standing Committee (Audit and Risk) meet its statutory requirements.

Item 11.3 Continued

BACKGROUND

International Standard for the Professional Practice of Internal Auditing 1000 (refer [Attachment 5](#)) requires the purpose, authority and responsibility for the internal audit activity to be formally defined in an internal audit charter, which is presented to senior management and the board for approval.

Please note when international standards use the term “board” (as above) the meaning in the Terms of Reference is Council and Standing Committee (Audit and Risk). The proposed Terms of Reference (refer [Attachment 4](#)) are being presented to the Standing Committee (Audit and Risk) for consideration prior to referral to the Council for endorsement.

OFFICER COMMENT

The recent appointment of the Internal Auditor will enhance the internal audit function at the City and an initial Terms of Reference has been created to provide governance for the function.

The Terms of Reference will ensure a consistent approach to the audit function of the City. It will provide an independent assessment of the City’s core functions to ensure the City accomplishes its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

SOCIAL IMPLICATIONS

There are no social implications associated with this report.

Committee Notes

Following discussion, the Committee proposed the following amendments to the Terms of Reference:

- Under the heading “Purpose”, the meaning of “board” should be Council, not “and the Standing Committee (Audit and Risk)” and activities requested by the CEO should state “... and Council via the Standing Committee (Audit and Risk).”
- Reference to the “Council” should be added throughout the Terms of Reference – Internal Audit (Attachment 1) where required to confirm the Standing Committee (Audit and Risk) performs a review function.

A copy of the updated Terms of Reference with tracked changes to be included with the report to Council for consideration.

Item 11.3 Continued

OFFICER RECOMMENDATION

DAVIS MOVED, BACK SECONDED

That the Standing Committee (Audit and Risk) recommends Council endorse the Terms of Reference for the Internal Audit function with the following amendments:

- **Under the heading “Purpose”, the meaning of “Board” should be Council, not “and the Standing Committee (Audit and Risk)” and activities requested by the CEO should state “... and Council via the Standing Committee (Audit and Risk).”**
- **Reference to the “Council” should be added throughout the Terms of Reference – Internal Audit (Attachment 1) where required to confirm the Standing Committee (Audit and Risk) performs a review function.**

CARRIED 4 VOTES TO 0

12. NEXT MEETING

The next meeting of the Standing Committee (Audit and Risk) will be held on 31 January 2022.

13. CLOSURE

There being no further business the Presiding Member thanked everyone for their attendance and closed the meeting at 6.51pm.

MINUTES CONFIRMATION CERTIFICATION

The undersigned certifies that these Minutes of the Standing Committee (Audit and Risk) Meeting held on 24 November 2021 were confirmed as a true and accurate record at the Standing Committee (Audit and Risk) Meeting held 14 February 2022:

Signed by the Person Presiding: _____

PRINT name of the Person Presiding: **JENNY DAVIS**