



City of Belmont

STANDING COMMITTEE (AUDIT AND RISK)

MINUTES

TABLE OF CONTENTS

24 October 2016

ITEM	SUBJECT	PAGE NO
NOTICE OF MEETING		
1.	OFFICIAL OPENING	1
2.	APOLOGIES AND LEAVE OF ABSENCE	2
3.	DECLARATIONS OF INTEREST THAT MIGHT CAUSE A CONFLICT	2
3.1	FINANCIAL INTERESTS	2
3.2	DISCLOSURE OF INTEREST THAT MAY AFFECT IMPARTIALITY	2
4.	ANNOUNCEMENTS BY THE PRESIDING MEMBER (WITHOUT DISCUSSION) ..	2
4.1	ANNOUNCEMENTS.....	2
4.2	DECLARATIONS BY MEMBERS WHO HAVE NOT GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPERS PRESENTLY BEFORE THE MEETING.....	2
5.	CONFIRMATION OF MINUTES.....	2
5.1	STANDING COMMITTEE (AUDIT AND RISK) MEETING HELD 25 JULY 2016	2
6.	QUESTIONS BY MEMBERS ON WHICH DUE NOTICE HAS BEEN GIVEN (WITHOUT DISCUSSION)	2
7.	NEW BUSINESS OF AN URGENT NATURE APPROVED BY THE PERSON PRESIDING OR BY DISCUSSION	3
8.	QUESTION BY MEMBERS WITHOUT NOTICE.....	3
9.	BUSINESS ADJOURNED FROM A PREVIOUS MEETING	3
10.	INFORMATION ITEMS	3

ITEM	SUBJECT	PAGE NO
11.	ITEMS REQUIRING RECOMMENDATION TO COUNCIL.....	4
11.1	2015-2016 ANNUAL FINANCIAL REPORT AND ANNUAL AUDIT REPORT	4
11.2	QUOTATION 21/2016 - PROVISION OF FINANCIAL AUDIT SERVICES.....	9
11.3	OPERATIONAL COMPARISON – REPORT OF THE INQUIRY INTO THE LORD MAYOR OF THE CITY OF PERTH MS LISA SCAFFIDI	14
11.4	CHIEF EXECUTIVE OFFICER’S SYSTEMS AND PROCEDURES REVIEW: <i>LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996, REGULATION 17</i>	22
11.5	AUDIT PLAN 2017	31
12.	NEXT MEETING	34
13.	CLOSURE.....	34

ATTACHMENTS INDEX

- Attachment 1 – Item 11.1 refers
- Attachment 2 – Item 11.3 refers
- Attachment 3 – Item 11.4 refers
- Attachment 4 – Item 11.4 refers
- Attachment 5 – Item 11.5 refers
- Attachment 6 – Item 11.5 refers

CONFIDENTIAL ATTACHMENTS INDEX

- Confidential Attachment 1 – Item 11.1 refers
- Confidential Attachment 2 – Item 11.2 refers
- Confidential Attachment 3 – Item 11.3 refers

TABLED ATTACHMENTS INDEX

- Tabled Attachment 1 – Item 11.1 refers
- Tabled Attachment 2 – Item 11.5 refers

<p>*** COUNCILLORS ARE REMINDED TO RETAIN THEIR ATTACHMENTS FOR DISCUSSION WITH THE MINUTES ***</p>
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MINUTES OF THE STANDING COMMITTEE (AUDIT AND RISK) MEETING HELD IN THE RIVERVALE ROOM, CITY OF BELMONT CIVIC CENTRE, 215 WRIGHT STREET, CLOVERDALE ON MONDAY, 24 OCTOBER 2016 COMMENCING AT 6.36PM.

MINUTES

PRESENT

Cr M Bass	East Ward
Cr P Marks, Mayor (Ex-Officio)	East Ward
Mr R Back	Independent Member
Cr R Rossi, JP, Deputy Mayor (Proxy)	West Ward

IN ATTENDANCE

Mr S Cole	Chief Executive Officer
Mr R Garrett	Director Corporate and Governance
Mr J Olynyk, JP	Manager Governance
Mr S Monks	Manager Finance
Mrs M Lymon	Principal Governance and Compliance Advisor
Ms D Uniza	Compliance Administrator
Ms E Cashman	Senior Governance Officer

OBSERVERS

Mr P Warr (<i>arr 6.40pm, dep 6.59pm and did not return</i>)	Partner, Grant Thornton
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1. OFFICIAL OPENING

6.36pm The Director Corporate and Governance welcomed all those in attendance and declared the meeting open.

It is important that we acknowledge the traditional owners of the land on which we are meeting today the Noongar Whadjuk people and pay respect to Elders both past and present.

Note:

As the Presiding Member and the Deputy Presiding Member were not in attendance, the Director Corporate and Governance called for nominations for a Presiding Member for the meeting.

Cr Marks nominated Cr Bass to chair the Standing Committee (Audit and Risk) meeting. Cr Rossi seconded Cr Bass' nomination.

MARKS MOVED, ROSSI SECONDED, That Cr Bass be Presiding Member of the 24 October 2016 Standing Committee (Audit and Risk) meeting.

CARRIED 4 VOTES TO 0

2. APOLOGIES AND LEAVE OF ABSENCE

Cr L Cayoun (Presiding Member) (Apology)
Cr P Gardner (Deputy Presiding Member) (Absent)

West Ward
South 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 25 JULY 2016
(Circulated under separate cover)**

OFFICER RECOMMENDATION

ROSSI MOVED, MARKS SECONDED, That the Minutes of the Standing Committee (Audit and Risk) Meeting held, 25 July 2016 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

Nil.

11. ITEMS REQUIRING RECOMMENDATION TO COUNCIL

11.1 2015-2016 ANNUAL FINANCIAL REPORT AND ANNUAL AUDIT REPORT

BUSINESS EXCELLENCE BELMONT

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 1 – Item 11.1 refers	Annual Financial Report
Confidential Attachment 1 – Item 11.1 refers	Grant Thornton – Report to the Audit Committee
Tabled Attachment 1 – Item 11.1 refers	Annual Financial Report Presentation

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	:	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 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 2016 year end process and present the Annual Financial Report and Audit Report for the period ended 30 June 2016.

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 Annual Financial Report and associated Audit Report for consideration and acceptance.

LOCATION

N/A.

CONSULTATION

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

STRATEGIC PLAN IMPLICATIONS

There are no Strategic 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.”

Item 11.1 Continued

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

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*.

OFFICER COMMENT

Once again this year, the City was presented with a “clean” audit report which was signed off by the auditors on 14 October 2016 (refer [Attachment 1](#)).

A presentation highlighting some key aspects of the report will be provided at the meeting and a report highlighting issues arising from the audit (refer [Confidential Attachment 1](#)) will be made available.

FINANCIAL IMPLICATIONS

The preparation, audit and distribution of the Annual Financial Statements are a statutory obligation. Audit fees are the subject of a tender and the year ending 30 June 2016 represents the final year of a 2 + 1 year contract.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications at this time.

SOCIAL IMPLICATIONS

There are no social implications at this time.

Item 11.1 Continued

Committee Notes

6.40pm The Manager Finance departed and returned to the meeting.

6.40pm Mr Warr entered the meeting.

The Manager Finance provided a presentation which included the following:

- Audit Report – Page A5
- Statement of Comprehensive Income – Pages A8 & A9
- Statement of Financial Position – Page A10
- Statement of Cash Flows – Page A12
- Notes to the accounts – Pages A15 to A65
- Ratios – Page A60
- Grant Thornton – Report to Audit Committee

(Refer [Tabled Attachment 1](#) for further information).

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

- As detailed in the notes, the City has a small number of loans which are diminishing rapidly. These include the Belmont Oasis loan, a loan for land acquired at 54 Grandstand Road and a self-supporting loan for the SES building.
- There was a decrease in operating results due to a federal grant of \$700,000 being allocated to the 2014/2015 financial year due to the prepayment of the grant, which was for use in the 2015/2016 financial year.
- The City is currently servicing approximately \$1.7M of debt.
- Due to prudent financial management practices, the City has consistently performed well financially, and it is expected that this trend will continue.
- The Audit Report is presented without fear or favour. The audit was conducted in a professional prompt manner.
- Every audit undertaken is standalone, so there is no reliance on past testing during an audit.
- An unqualified audit opinion has been provided.
- Grant Thornton are contractors to the Auditor General.
- It was noted that local government disclosure is more comprehensive than State Government departments.
- Council will have no control of fees charged for audits once the Auditor General awards the contracts.

Item 11.1 Continued

- The Valuer General might be impacted if they are required to undertake asset valuations when the Auditor General takes over the local government audit function.
- Issues may arise over the valuation of Crown land. The Auditor General generally takes a conservative view and firms contracted to the Valuer General may take a fair value view.
- More housing as a result of infill targets will result in increased rates revenue and increased dwellings will affect the Valuer General. Increased housing is not likely to directly impact the audit process.
- Local governments will have increased activity supporting residents through rating, roads, paths, drains, etc. due to increases in housing density.

6.59pm The Manager Finance departed the meeting.

6.59pm Mr Warr departed the meeting and did not return.

Note:

Mr Back suggested an amendment to the wording of the Officer Recommendation, the inclusion of the words 'and the Independent Auditors Report' which was agreed to by the Presiding Member and members of the Committee.

7.03pm The Manager Finance returned to the meeting.

OFFICER RECOMMENDATION

MARKS MOVED, ROSSI SECONDED.

That Council accept the Annual Financial Report and the Independent Auditors Report for the period ending 30 June 2016 (as detailed in [Attachment 1](#)) for inclusion in the City of Belmont's 2015-2016 Annual Report.

CARRIED 4 VOTES TO 0

11.2 QUOTATION 21/2016 - PROVISION OF FINANCIAL AUDIT SERVICES

BUSINESS EXCELLENCE BELMONT

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Confidential Attachment 2 – Item 11.2 refers	Q21/2016 Evaluation Matrix
Confidential Attachment 3 – Item 11.2 refers	Q21/2016 Price Schedule

Voting Requirement	:	Simple Majority
Subject Index	:	135/2016-21
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 seek Council approval to award Quotation 21/2016 - Provision of Financial Audit Services.

Item 11.2 Continued

SUMMARY AND KEY ISSUES

This report outlines the process undertaken to invite and evaluate quotations for the provision of financial audit services in accordance with Australian Auditing Standards, the *Local Government Act 1995* (the *Act*) and regulations under the *Act*.

Seven quotes were invited from members of the West Australian Local Government Association's (WALGA) preferred supplier panel as follows:

- AMD Chartered Accountants
- Butler Settineri (Audit) Pty Ltd
- Deloitte Risk Advisory Pty Ltd
- Grant Thornton Audit Pty Ltd
- Macri Partners
- Moore Stephens
- Paxon Group.

Five of the invitees declined to respond but submissions were received from:

- Grant Thornton Audit Pty Ltd
- Moore Stephens.

LOCATION

N/A

CONSULTATION

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

STRATEGIC COMMUNITY PLAN IMPLICATIONS

In accordance with the Strategic Community Plan Key Result Area: Business Excellence Belmont.

Objective: Achieve excellence in the management and operation of the local government.

Strategy: Ensure Council is engaged at a strategic level to enable effective decision making.

Objective: Apply sound and sustainable business management principles.

Strategy: Ensure competitive and sustainable financial performance through effective modelling, financial management and reporting practices which underpin capacity building.

Item 11.2 Continued

POLICY IMPLICATIONS

BEXB28–Purchasing

POLICY OBJECTIVE

This policy aims to deliver a high level of accountability whilst providing a flexible, efficient and effective procurement framework.

STATUTORY ENVIRONMENT

Section 7.3 of the *Act* requires “A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint a person, on the recommendation of the audit committee, to be its auditor.”

As the State Government intends to amend the *Act* to allow for the Auditor General and the Office of the Auditor General to take responsibility for local government financial audits from 1 July 2017 the decision was made to appoint an auditor for a term of one year with a one year extension option.

As the total cost would not exceed the \$150,000 tender threshold, no tender was required. However, under Council’s Purchasing Policy BEXB28, three or more written quotes need to be invited, with a formal assessment of the responses received to be undertaken.

BACKGROUND

The City’s Standing Committee (Audit and Risk) reviewed the proposed Quotation specifications and evaluation criteria at its meeting of 22 February 2016 and an Invitation to Quote for the Provision of Financial Audit Services was issued through the WALGA eQuotes system on Monday, 15 August 2016, closing on Tuesday, 30 August 2016.

OFFICER COMMENT

The Evaluation Committee consisted of Coordinator Contracts and Tenders, Director Corporate and Governance and Manager Finance.

The responses were assessed on the same selection criteria included within the tender, being:

	CRITERIA	WEIGHTING
1	Company Profile	20%
2	Experience	20%
3	Company Capacity	20%
4	Methodology	10%
5	Price	30%
	TOTAL	100%

Item 11.2 Continued

Grant Thornton and Moore Stephens both have experience in conducting financial audits for local governments within Western Australia. However, Grant Thornton provided more examples of providing similar services to metropolitan local governments of a similar size to the City of Belmont. They also confirmed their ability to meet the City's timeframes and provided a timeline to show how the services would be undertaken to meet the deadlines while demonstrating they have the necessary resources.

Having achieved the highest score on the Evaluation Matrix (refer [Confidential Attachment 2](#)), Grant Thornton Audit Pty Ltd are the recommended service provider.

FINANCIAL IMPLICATIONS

The accepted price represents an increase of 10% on the current price (refer [Confidential Attachment 3](#)).

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications at this time.

SOCIAL IMPLICATIONS

There are no social implications at this time.

Item 11.2 Continued

Committee Notes

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

- From 2017/2018, the Auditor General will be appointing local government auditors.
- Council will no longer determine the fees charged for audit services, this will be determined by the State Government and prices are expected to increase.
- It is the view of the State Government that the audit function in local government is ineffective and that the process needed to be significantly addressed.
- It is presumed that standardised reports will be introduced in order for information to be more readily collectable for analysis and monitoring.
- A number of local governments do not finish financial reports in time. The average wait time for financial statements is 490 days after the close of the financial year.
- Auditors contracted by the Auditor General will not be able to conduct any other consulting work for local governments.
- Grant Thornton achieved the highest score on the Evaluation Matrix and it is also practical to retain the same Auditor for the one year period required.

OFFICER RECOMMENDATION

ROSSI MOVED, MARKS SECONDED,

That Quotation 21/2016 for the Provision of Financial Audit Services be awarded to concurring partners Patrick Warr and Michael Hillgrove of Grant Thornton Audit Pty Ltd for the financial year 2016/2017 with the option of a one year extension at the sole discretion of the City, for the lump sum of \$22,500 excluding GST for the first year.

CARRIED 4 VOTES TO 0

11.3 OPERATIONAL COMPARISON – REPORT OF THE INQUIRY INTO THE LORD MAYOR OF THE CITY OF PERTH MS LISA SCAFFIDI

BUSINESS EXCELLENCE BELMONT

ATTACHMENT DETAILS

Attachment No	Details
Attachment 2 – Item 11.3 refers	<u>Report of the Inquiry into the Lord Mayor of the City of Perth Ms Lisa Scaffidi</u>

Voting Requirement : Simple Majority
Subject Index : 32/001 Operational / Strategic Planning
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 & 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, town planning schemes & 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 town 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

This report presents an assessment of the City's operations in comparison with findings from the recent Department of Local Government and Communities' inquiry into the operations of the City of Perth (refer [Attachment 2](#)). The report seeks Council's endorsement of the report and the use of this comparison to provide for strategic planning for operational improvements.

SUMMARY AND KEY ISSUES

The operational comparison has reinforced the need to proactively address issues around gift and travel contribution disclosures arising from recently amended legislation.

Item 11.3 Continued

LOCATION

N/A

CONSULTATION

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

STRATEGIC PLAN IMPLICATIONS

In accordance with the Strategic Plan Key Result Area: Business Excellence Belmont.

Objective: Achieve excellence in the management and operation of the local government.

Strategy: Ensure decision making is supported by effective information and knowledge management.

POLICY IMPLICATIONS

BEXB31 – Compliance Management

Policy Objective

The City recognises that its organisational value of INTEGRITY is a prerequisite to the City being able to act to achieve its Vision.

The objective of this policy is to provide a framework that supports the City in identifying, applying and monitoring compliance requirements across the City's activities and services.

STATUTORY ENVIRONMENT

The key elements of this comparison report are governed by s5.82 Gifts and s5.83 Contribution to Travel in the *Local Government Act 1995*. Further relevant regulations include both the *Local Government (Rules of Conduct Regulations) 2007* Regulation 11 and Regulation 12 for Elected Members and the *Local Government (Administration) Regulations 1996* Regulation 34B for staff. A summary of key legislation is outlined below:

Legislation	Summary	Persons Affected
<i>Local Government Act 1995</i>	<u>s5.82 Gift & s5.83 Contributions to Travel</u> Relevant persons, as prescribed under Section 5.74 of the <i>Local Government Act 1995</i> are to declare gifts and contributions to travel, in writing, to the CEO within 10 days of receipt. This includes multiple gifts made within a year by the same person, the aggregate value of which reaches the prescribed amount of \$200.	All

Item 11.3 Continued

	<p>The disclosure for a gift must include –</p> <ul style="list-style-type: none"> – a description of the gift; – the name and address of the person who made the gift; – the date on which the gift was received; – the estimated value of the gift at the time it was made; <p>and</p> <ul style="list-style-type: none"> – the nature of the relationship between the relevant person and the person who made the gift. <p>For contributions to travel, the disclosure must include –</p> <ul style="list-style-type: none"> – a description of the contribution; – the name and address of the person who made the contribution; – the date on which the contribution was received; – the estimated value of the contribution at the time it was made; – the nature of the relationship between the relevant person and the person who made the contribution; – a description of the travel; and – the date of the travel. 	
<p><i>Local Government (Rules of Conduct Regulation) 2007</i></p>	<p><u>Regulation 12 Gifts</u> The definition of the following types of gifts for declaration purposes –</p> <p>“Notifiable Gift” is any gift between \$50 - \$300 in value. “Prohibited Gift” are two or more gifts given by the same person within a 6 month period that is over \$300.</p>	<p>Elected Members</p>
<p><i>Local Government (Administration) Regulations 1996</i></p>	<p><u>Regulation 34B Codes of Conduct about gifts, content of (Act s5.103(3))</u> The definition of the following types of gifts for declaration purposes:</p> <p>“Notifiable Gift” is any gift between \$50 - \$300 in value. “Prohibited Gift” are two or more gifts given by the same person within a 6 month period that is over \$300.</p>	<p>Employees</p>

Item 11.3 Continued

BACKGROUND

To stay abreast of industry best practices, it has been standard protocol for the City to conduct internal audits and comparison reports in response to inquiries that may be relevant to the organisation. Previous reports to Council include the City's response to the following inquiries:

1. City of Wanneroo – Royal Commission 1998
2. City of Cockburn – Inquiry 1999
3. City of Belmont – Inquiry 2001
4. City of South Perth – Inquiry 2002
5. City of Joondalup – Inquiry 2004
6. City of South Perth – Inquiry 2006
7. Shire of Shark Bay – Inquiry 2011
8. CCC Report on Misconduct in Procurement – Inquiry 2015.

It should be noted that the nature of these inquiries differ from case to case.

OFFICER COMMENT

This comparison report represents an assessment of the operational processes of the City of Belmont against the selected allegations found in the City of Perth Inquiry.

The methodology used in assessing the City's rating against allegations raised in the City of Perth Inquiry was through an internal audit of a random sample group. The audit period was conducted in line with the City of Perth Inquiry, inspecting annual returns, gift / hospitality / travel contribution declarations, and disclosures of interests lodged during the period between 2008 and 2015. The City believes that the audit sample depicts an accurate picture of the City's current practices.

The City of Belmont responses and assessment scores have been compiled as a result of the internal audit, reflecting consideration of the findings in comparison with the non-compliances found in the City of Perth Inquiry report.

While it is recommended that priority be given to areas scoring below 5, it is considered equally important to address issues that have scored a 5 to scope for potential opportunities for improvement.

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

Item 11.3 Continued

1. Issues arising from the City of Perth Inquiry

The main events covered by the Inquiry relate to the following:

- Appropriate disclosure of gifts and contributions to travel
- Refraining from accepting prohibited gifts
- Disclosing interests affecting impartiality
- Timely lodgement of Annual Returns.

The City of Belmont's current practices were audited against the above issues.

1.1 Appropriate disclosures of gifts and contributions to travel

Assessment Score	5
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The City of Belmont's requirements in disclosure and acceptance of gifts for both elected members and employees are outlined in Section 7.8.1 ('Acceptance of Gifts or Benefits') of the City of Belmont Code of Conduct. The City's current Code of Conduct is undergoing a full review to include legislative changes around disclosure of gifts and contributions to travel. In the interim, both elected members and employees have been advised of the changes as of 4 March 2016. Results from the internal review found that the City's current practices are in line with industry standards.

All participants in the sample group audited for the purpose of this comparison report are consistent in declaration of gifts. While there have been no instances of contributions to travel declared within the sample group, this is historically characteristic of the City. The nature of business undertakings of the City fall within its district and, thus, elicit little reason for outside travel for both elected members and employees.

1.2 Declining 'Prohibited Gifts'

Assessment Score	5
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The City of Belmont's current Code of Conduct Section 7.8.1(c) states that, "gifts with a commercial value greater than \$300 and considered to be in public's interest may be accepted on behalf of the City provided that (i) ownership is transferred to the City; and (ii) the elected member or employee submits a 'Gift Declaration Form' and evidence of the Director or Chief Executive Officer's approval within 10 days of the gift." While this provision is valid, debate about the recently changed legislation has brought about much industry-wide confusion around the topic of accepting "Prohibited Gifts" and surrounding issues such as taking into account "consideration" and the nature of the donor making the gift. This has been identified as an opportunity for improvement by way of conducting a full review of the City of Belmont's Code of Conduct, gift / hospitality / contribution to travel practices, and associated forms, in light of the new legislation. In commencing the review process, the City has sought advice from the Department of Local Government and Communities. Officers have been advised that the Department is not considering a review of the current legislation prior to the 2017 State election.

Results from the internal audit are dependent upon the interpretation of current legislation and, as such, are largely subjective. Some gifts received by the sample group might fall over the "notifiable gift" threshold and classified as a "prohibited gift", however,

Item 11.3 Continued

each of these cases can easily be rebuked by way of justification through potential “considerations” surrounding each gift.

Accordingly, Officers have developed a ‘Gift Disclosure Guidelines’ matrix to assist elected members and officers in making informed decisions regarding acceptance of gifts (this will be the subject of an Information Forum discussion). As part of the guidelines, it has been deemed appropriate to take into account any factors of “consideration” provided by the attendee relative to the gift. This will discount the overall value of the gift as seen appropriate (more specifically in the case of hospitality invitations) when calculating both its true and cumulative value. The determination of “consideration” for each gift will be on a case by case basis.

The current ‘Notification of Gift / Hospitality / Contribution to Travel’ Form has been amended to reflect the changes above, and to allow further comment on the nature of the gift received to justify any “consideration” allocated.

1.3 Disclosure of interests affecting impartiality

Assessment Score	5
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Disclosures of interests are governed by Section 7.6 *Statutory requirements to disclose financial interests* and Section 7.7 *Impartiality Interests* of the City of Belmont’s Code of Conduct.

These provisions state that elected members and employees are required to disclose any of the above interests in the course of meetings, and in their annual financial returns. Where applicable, elected members and employees are advised to refrain from contributing to the decision making process where there may be any kind of conflict of interest. In its 23 August 2016 Ordinary Council Meeting, Council also adopted policy BEXB42 Elected Members Disclosure of Interests Register with the objective to “provide clear guidelines on the publication of the City of Belmont Elected Member Disclosure of Interest Register on the City’s website” in order to “provide the highest standards in openness and accountability the City of Belmont will, in addition to the requirements of the *Local Government Act 1995* and the *Local Government (Rules of Conduct) Regulations 2007* in relation to the keeping of a register of interests disclosed, publish a register of the elected member disclosures of interest on the City of Belmont website.”

Results from the internal audit identify a total of 87 financial interest disclosures and 81 conflicts that may affect impartiality disclosures between 2008 and 2015. While these results show that provisions regarding disclosures of interests, as per the *Local Government Act 1995*, are being followed in practice, it is (will remain) inconclusive on whether all disclosures are being reported as this is at the discretion of the elected member or employee in question.

1.4 Management of annual returns for elected members and staff with delegated authority

Assessment Score	5
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As per the City of Belmont’s Work Instruction ‘Manage Annual (Financial) Returns’ the annual return process is coordinated by the City’s Compliance Administrator with the aim to ensure that all returns are submitted within the prescribed timeframe. This process spans from distributing the initial memo advising elected members and employees with delegated authority of statutory obligation to accurately complete annual return forms, to a rigorous

Item 11.3 Continued

reminder and monitoring system leading up to the 31 August due date of each financial year. As included in the Work Instruction, any non-compliance to this process is to be reported to the Department of Local Government and Communities. There have been no reported breaches of this process within the City to date.

The efficacy of this current process is substantiated through results of the internal audit. From the sample group chosen, all persons have completed and submitted Annual Returns before the due date every year during the period audited.

2. Conclusion

Of the four findings identified through the Inquiry, the City of Belmont complies with all of the findings with assessment scores of 5. This was assessed using the Assessment Criterion Scores adopted.

FINANCIAL IMPLICATIONS

There are no financial implications evident at this time.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications at this time.

SOCIAL IMPLICATIONS

There are no social implications at this time.

Committee Notes

The Manager Governance provided an update as follows:

- It is the City's practice to undertake comparisons and review procedures in relation to the findings of the CCC or the Department of Local Government and Communities.
- A comprehensive presentation and discussion relation to gifts will be provided at an Information Forum before the end of the year.
- As demonstrated by the report, the City is well positioned in relation to gift and travel declarations.

Item 11.3 Continued

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

- It is always a good idea for organisations to review the findings of these types of reports.
- The City's practice to date has been to assess the findings from other local government inquiries and send the results to the Department of Local Government and Communities and the Minister for Local Government for information.
- There is an inherent risk of attracting attention and further scrutiny involved in providing these report outcomes to the Department of Local Government and Communities.
- The City and Council are aware of these types of risk management issues through the preparation and investigation of these reports.
- There are numerous risk issues concerning the use of corporate credit cards. Very stringent controls are required; however credit cards are required to conduct certain business.
- Most corporate credit card policies ensure that the Mayor or President signs off on Chief Executive Officer credit card expenses.
- Credit cards, gifts and travel are the biggest risk exposures for local government.

OFFICER RECOMMENDATION

MARKS MOVED, ROSSI SECONDED.

That:

- 1. The report from the Department of Local Government and Communities "Report of the Inquiry into the Lord Mayor of the City of Perth Ms Lisa Scaffidi" be received (refer [Attachment 2](#)).***
- 2. A copy of the report "Operational Comparison – Report of the Inquiry into The Lord Mayor of The City of Perth Ms Lisa Scaffidi" be forwarded to the Minister for Local Government.***

CARRIED 4 VOTES TO 0

11.4 CHIEF EXECUTIVE OFFICER'S SYSTEMS AND PROCEDURES REVIEW: LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996, REGULATION 17

BUSINESS EXCELLENCE BELMONT

ATTACHMENT DETAILS

Attachment No	Details
Attachment 3 – Item 11.4 refers	BEXB34 Risk Management
Attachment 4 – Item 11.4 refers	Terms of Reference – Business Improvement Team

Voting Requirement : Simple Majority
Subject Index : 19/003
Location/Property Index : N/A
Application Index : N/A
Disclosure of any Interest : Nil.
Previous Items : N/A
Applicant : N/A
Owner : City of Belmont
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) and Council with information, and to seek endorsement of its risk management systems and procedures, to demonstrate compliance with Regulation 17 of the *Local Government (Audit) Regulations 1996*.

Item 11.4 Continued

SUMMARY AND KEY ISSUES

The City is required, under the *Local Government (Audit) Regulations 1996*, to undertake a biennial review of its systems and procedures relevant to risk management, internal control and legislative compliance. Having reviewed internal control and legislative compliance in 2015, this review is focused on risk management.

This review of the City's risk management system follows the initial review undertaken in October 2014 as part of the inaugural report as required by Regulation 17 of the *Local Government (Audit) Regulations 1996*.

LOCATION

N/A

CONSULTATION

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

STRATEGIC COMMUNITY PLAN IMPLICATIONS

In accordance with the Strategic Community Plan Key Result Area: Business Excellence.

Objective: Achieve excellence in the management and operation of the local government.

Strategy: Ensure Council is engaged at a strategic level to enable effective decision Making and Ensure decision making is supported by effective information and knowledge management.

POLICY IMPLICATIONS

BEXB34 Risk Management

POLICY OBJECTIVE

To develop a culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the City of Belmont and to reduce the potential costs of risk through the implementation of an organisation wide risk management framework.

Item 11.4 Continued

STATUTORY ENVIRONMENT

Regulations 16 and 17 of the *Local Government (Audit) Regulation 1996* states:

16. Audit committee, functions of

An audit committee —

(c) is 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.*

[Regulation 16 inserted in Gazette 31 Mar 2005 p. 1043; amended in Gazette 8 Feb 2013 p. 867.]

17. CEO to review certain systems and procedures

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

- (a) risk management; and*
- (b) internal control; and*
- (c) legislative compliance.*

(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.

(3) The CEO is to report to the audit committee the results of that review.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

BACKGROUND

The Standing Committee (Audit and Risk) is to consider the CEO's biennial review of the appropriateness and effectiveness of the City's systems and procedures in regards to risk management, and report to the Council the results of those reviews.

The Department of Local Government and Communities (DLGC) has produced an Operational Guideline (No 9 – Revised September 2013) addressing the conduct of audits in local government. Part of this document outlines issues that should be considered as part of this biennial review:

Risk Management

Internal control and risk management systems are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

- Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered.
- Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time.

Item 11.4 Continued

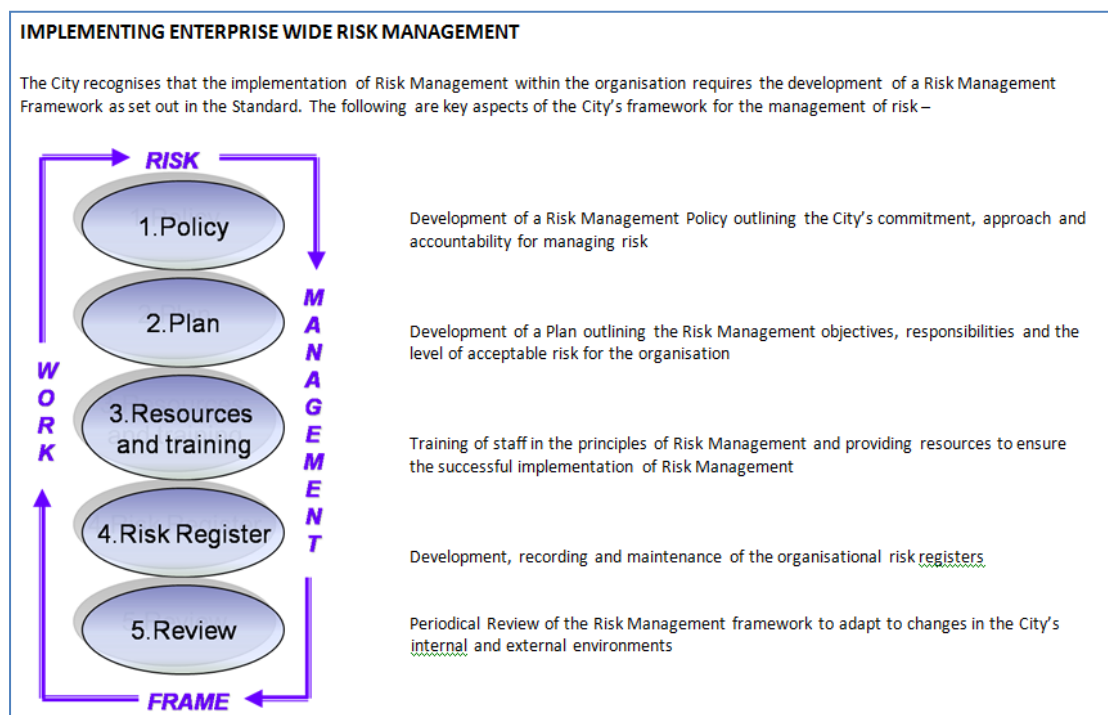
- Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:
 - potential non-compliance with legislation, regulations and standards and local government's policies
 - important accounting judgements or estimates that prove to be wrong
 - litigation and claims
 - misconduct, fraud and theft
 - significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government.
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported.
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance.
- Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors.
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk.
- Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.
- Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment.
- Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

OFFICER COMMENT

Risk Management

In 2006 the City of Belmont introduced a comprehensive Enterprise Wide Risk Management framework. This aligns with AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines which defines the framework as *“a set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.”* This includes plans, objectives, accountabilities, processes and activities which support effective risk management within the City.

Item 11.4 Continued



The framework provides the foundations and arrangements that embed risk management across the City. It assists in managing risks effectively through the application of the risk management process within specific contexts of the City. The framework ensures information derived from the risk management process is adequately reported and used as a basis for decision making.

The City's risk management framework is supported by a Council adopted policy (BEXB34) (refer [Attachment 3](#)), demonstrating commitment to managing risks in improving organisational objectives and better delivery of service. The framework provides for the assignment of risk ownership to ensure it is managed effectively. The framework is documented and made available to all staff on the City's intranet (Belnet). It is reviewed periodically to ensure the policy, plan, resources and training requirements are updated as necessary as the City matures in its understanding of risk.

The risk management process is applied across the business by identifying both strategic and operational risks that may cause financial, environmental, reputational, operational or health and safety impacts on the organisation's deliverables. Operational risk assessments are conducted and recorded in the City's Risk Management Software System (RMSS). Strategic risk assessments are conducted at a high level and recorded as part of the strategic planning documentation.

Risks identified are recorded in RMSS and are subject to regular review by responsible officers within each Department through the assigning of automated actions that need to be addressed and completed in a specific time frame.

The City's Business Continuity and Risk Coordinator sits on the Business Improvement Team and reports on the progression of Risk Management within the organisation. [Attachment 4](#) is a copy of the Terms of Reference for the Business Improvement Team.

Item 11.4 Continued

Risk reports are drawn from the risk registers by the Business Continuity and Risk Coordinator and presented to the Standing Committee (Audit and Risk) annually. Identified risks are managed using the City's Risk Criteria:

- Risks with a Low – Moderate rating are monitored on a regular basis by the appropriate levels of Management.
- Risks with a High – Extreme rating are addressed by the appropriate levels of Management and where deemed necessary, escalated to the Senior Management Group (SMG) for its attention when identified.

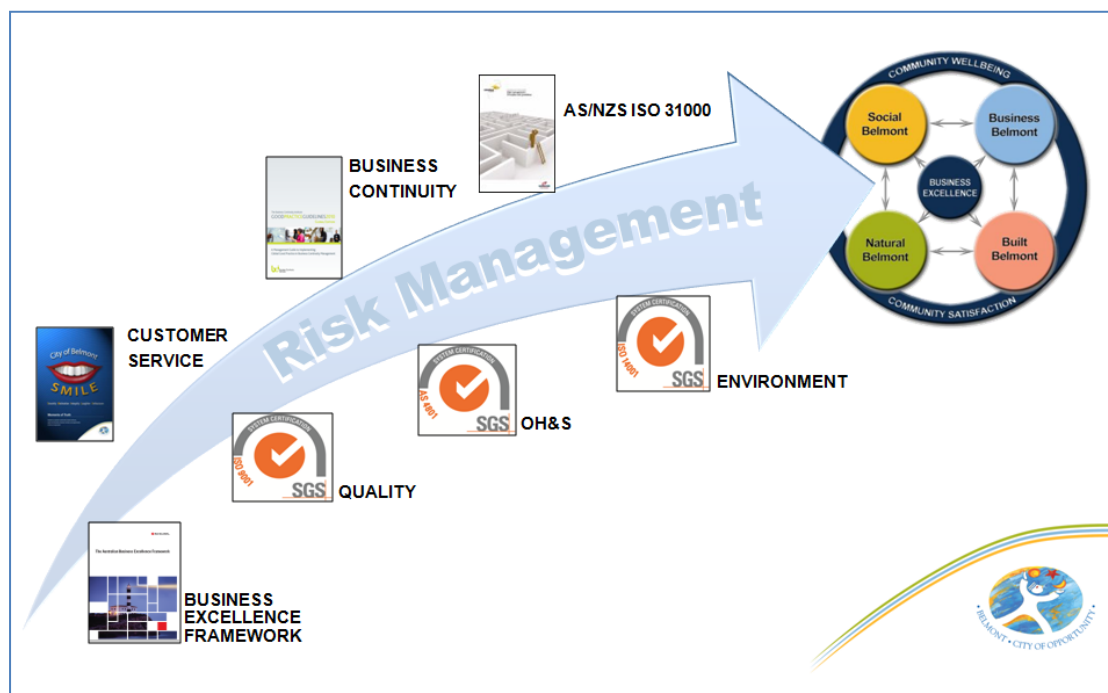
Where possible the City aims to reduce the risk exposure to the business in the first instance. However, the majority of risks identified are inherent in the functions of the business and as such need to be managed and mitigated accordingly. This is fulfilled by internal controls as part of a number of other management systems including Safety Management, Environmental Management, and Emergency Management. Risk is also shared or transferred in line with good business practice through the management of the City's Insurance portfolio where insurance policies are procured to address and treat specific risks.

Business Continuity management practices, introduced in 2010, form a part of the risk framework by providing an organised response to disaster events. The City's Business Continuity Plans aim to contain damage, minimise consequences, and ensure business continuity throughout recovery and to restore business capabilities as quickly as possible. The plans meet the requirements of ISO 22301:2012 Societal security - Business continuity management systems and are regularly reviewed and updated. Periodic desktop testing validated by the Local Government Insurance Services (LGIS) is in place, and live testing and review has occurred as incidents have been identified.

Revised standards ISO 9001:2015 and ISO 14001:2015 place a greater emphasis on risk management. SGS Australia Pty Ltd as part of the Quality Management System audit review the City's Risk Management system and processes. In the 2016 surveillance audit conducted by SGS, it was expressed that the initiatives taken by the City to progress risk management placed it well to meet requirements of the new standards.

The City's Risk Management Framework is also regarded as a leading example by LGIS who continually recommend the City as a referral site to other local governments. LGIS considers the overall risk profile of a local government and evidence of a structured Risk Management Framework in determining contributions towards the self-insurance schemes.

Item 11.4 Continued



The City has successfully maintained a discount in contributions due to its low claims experience and ongoing commitment to Risk Management at all levels of the organisation.

The City recently received the Worksafe Platinum Award for Safety for a second time, being the first Local Government to achieve this award back in 2012, highlighting a high level of process and management to sustain this level of compliance.

To further its risk management processes, the City has begun implementing a risk marker project. This involves the assessment of functions / activities detailed in the City's 279 process maps. The project output is a 'risk marker' hyperlink on each process map to the related RMSS risk assessment. The project is scheduled for completion in December 2016.

The table below contains a sample of the key documents utilised in delivering and controlling risk management for the City. It is by no means reflective of all supporting documentation.

Document Title	Document Title
Policy BEXB34 Risk Management	Records Disaster Recovery Plan
SP10 Organisational Risk Assessment	PM Risk Management Framework
Risk Management Plan	PM Business Continuity Plan Activation
Risk Definition & Classification Document	PM RMSS Action Manager
Business Continuity Plans	WI RMSS Action Manager
Fraud Control Plan	WI Hazard Risk Reporting
IT Disaster Recovery Plan	

(SP = System Procedure, PM = Process Map, WI = Work Instruction, RMSS = Risk Management & Safety System, ECM = Enterprise Content Management, SIR = System Improvement Request, OSA = Organisational Self Assessment, FOI = Freedom of Information)

Item 11.4 Continued

FINANCIAL IMPLICATIONS

There are no financial implications evident at this time.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications at this time.

SOCIAL IMPLICATIONS

There are no social implications at this time.

Committee Notes

The Chief Executive Officer provided an update as follows:

- This is a comprehensive report which reflects the City's mature risk management approach.
- The City has dedicated risk management resources embedded in the organisation, which allows the Senior Management Group to have a good hand on risk management issues.
- Business Excellence processes and the integration of quality assurance with occupational safety and health practices shows that the City is as well placed as any local government.
- This report demonstrates compliance with the legislative requirement to show that the necessary controls are in place.

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

- A change in Chief Executive Officer could mean changes to the City's practices, however following the principles of risk management is good business practice.
- The Chief Executive Officer has ensured that good structures and frameworks are in place, these practices are embedded within the organisation and that includes processes that work effectively.
- Positive risk management practices ensure that outcomes such as service delivery and capital works are well managed.
- The requirements of Regulation 17 have been segmented. Risk management has been reviewed in 2016, and internal controls and legislative compliance will be reviewed in 2017.

Item 11.4 Continued

OFFICER RECOMMENDATION

MARKS MOVED, ROSSI SECONDED.

1. ***That the Chief Executive Officer's review, as outlined in the above report, addressing the requirements of Local Government (Audit) Regulations 1996, Regulation 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 "

is endorsed.

2. ***That Council note that this review has been undertaken by the Chief Executive Officer to provide information on the various risk management systems and procedures to demonstrate compliance with Regulation 17 of the Local Government (Audit) Regulation 1996.***
3. ***That Council note that the 2017 review undertaken by the Chief Executive Officer will provide information on the various internal control and legislative compliance systems and procedures that demonstrate compliance with Regulation 17 of the Local Government (Audit) Regulations 1996.***

CARRIED 4 VOTES TO 0

11.5 AUDIT PLAN 2017

BUSINESS EXCELLENCE BELMONT

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 5 – Item 11.5 refers	Proposed 2017 Audit Plan
Attachment 6 – Item 11.5 refers	2016 Audit Plan
Tabled Attachment 2 – Item 11.5 refers	Audit Plan 2017 Presentation

Voting Requirement	:	Simple Majority
Subject Index	:	193/003 Audit and Risk Schedule
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	OCM 24/11/2015 – Item 12.5
Applicant	:	N/A
Owner	:	City of Belmont
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 2017 Audit Plan (refer [Attachment 5](#)).

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, the activities are managed year to year by an Audit Plan. The adopted 2016 Audit Plan is attached for reference (refer [Attachment 6](#)).

Item 11.5 Continued

LOCATION

N/A

CONSULTATION

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

STRATEGIC COMMUNITY PLAN IMPLICATIONS

In accordance with the Strategic Community Plan Key Result Area: Business Excellence Belmont.

Objective: Apply sound and sustainable business management principles.

Strategy: Ensure competitive and sustainable financial performance through effective modelling, financial management and reporting practices which underpin capacity building.

Objective: Maximise organisational effectiveness and reputation as an organisation, employer and a community.

Strategy: Ensure that the organisation's capacity and capability meets strategic, customer and operational needs.

POLICY IMPLICATIONS

The adoption of the Audit Plan is supported by Council Policies BEXB31 Compliance Management and BEXB38 Business Improvement.

STATUTORY ENVIRONMENT

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

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer (CEO) to “undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and no less than once in every 4 financial years) and to report to the local government the results of those reviews.

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.

Under the International Quality Management Standard ISO 9001:2015 Quality Management Systems the City is required to conduct a program of internal audits.

Item 11.5 Continued

BACKGROUND

The 2017 Audit Plan is presented to the Standing Committee (Audit and Risk) for endorsement prior to consideration by Council.

OFFICER COMMENT

The 2017 Audit Plan is based on:

- Internal audit best practice
- Statutory audit requirements
- The integration of the internal audit approach with other management system initiatives being produced by the City (such as Quality Assurance, Risk Management and Process Mapping)
- The need to support the City's chosen governance approach
- The requirement to provide a comprehensive solution that can be undertaken with existing resources.

FINANCIAL IMPLICATIONS

There are no financial implications evident at this time.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications at this time.

SOCIAL IMPLICATIONS

There are no social implications at this time.

Item 11.5 Continued

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

- There are two types of external audits conducted, recertification audits, which occur every three years and surveillance audits which occur during the other years. The surveillance audit monitors the City's compliance with Quality Assurance during the period of certification.

OFFICER RECOMMENDATION

MARKS MOVED, ROSSI SECONDED,

That Council endorse the City of Belmont 2017 Audit Plan as outlined in Attachment 5.

CARRIED 4 VOTES TO 0

12. NEXT MEETING

The next meeting of the Standing Committee (Audit and Risk) is to be advised.

13. CLOSURE

There being no further business the Presiding Member thanked everyone for their attendance and closed the meeting at 7.28pm.

MINUTES CONFIRMATION CERTIFICATION

The undersigned certifies that these minutes of the Standing Committee (Audit and Risk) Meeting held 24 October 2016 were confirmed as a true and accurate record at the Standing Committee (Audit and Risk) Meeting held 27 February 2017.

Signed by the Person Presiding: _____

PRINT name of the Person Presiding: _____