



City of Belmont
STANDING COMMITTEE (AUDIT AND RISK)
MINUTES
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25 July 2016

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ATTACHMENTS INDEX

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CONFIDENTIAL ATTACHMENTS INDEX

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CONFIDENTIAL TABLED ATTACHMENTS INDEX

Confidential Tabled Attachment 1 – Item 10.1 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, 25 JULY 2016 COMMENCING AT 6.26PM.

MINUTES

PRESENT

Cr L Cayoun (Presiding Member)	West Ward
Cr P Gardner (Deputy Presiding Member)	South Ward
Cr M Bass	East Ward
Mr R Back	Independent Member

IN ATTENDANCE

Mr S Cole	Chief Executive Officer
Mr R Garrett	Director Corporate and Governance
Mr J Olynyk, JP (<i>arr 6.28pm</i>)	Manager Governance
Mr S Monks	Manager Finance
Mrs M Lymon	Principal Governance and Compliance Advisor
Ms E Cashman	Senior Governance Officer

OBSERVERS

Cr R Rossi, JP, Deputy Mayor	West Ward
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1. OFFICIAL OPENING

6.26pm The Presiding Member, Cr Cayoun welcomed those in attendance and declared the meeting open.

Acknowledgement of Country

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

2. APOLOGIES AND LEAVE OF ABSENCE

Cr P Marks, Mayor (Ex-Officio) (Apology)	East Ward
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3. DECLARATIONS OF INTEREST THAT MIGHT CAUSE A CONFLICT

3.1 FINANCIAL INTERESTS

Nil.

3.2 DISCLOSURE OF INTEREST THAT MAY AFFECT IMPARTIALITY

Nil.

4. ANNOUNCEMENTS BY THE PRESIDING MEMBER (WITHOUT DISCUSSION)

4.1 ANNOUNCEMENTS

Nil.

4.1 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 22 FEBRUARY 2016
(Circulated under separate cover)**

OFFICER RECOMMENDATION

GARDNER MOVED, BASS SECONDED, That the Minutes of the Standing Committee (Audit and Risk) Meeting held, 22 February 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.

6.28pm The Manager Governance entered the meeting.

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 COUNCIL INSURANCE PORTFOLIO UPDATE

<u>Attachment No</u>	<u>Details</u>
Confidential Tabled Attachment 1 – Item 10.1 refers	Insurance Portfolio Presentation

The Director Corporate and Governance provided an update on Council's Insurance Portfolio.

Committee Notes

The Insurance Portfolio Presentation included the following:

- City of Belmont Insurance Portfolio 2016-17
- Summary of Insurance Renewal Costs 2016/2017
- Comparison of Insurance Renewal Costs between 2015/2016 and 2016/2017
- Motor Vehicle Insurance 2012-13 to 2016-17
- Property Insurance 2012-13 to 2016-17
- Public Liability Insurance 2012-13 to 2016-17
- Workers Compensation 2012-13 to 2016-17
- Total Insurance 2012-13 to 2016-17

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

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

- The City has cyber insurance in place; however the risks to the City are different to risks faced by those undertaking commercial activities.
- The City has strong disaster recovery functions in place and does not believe that overall costs will exceed the amount required to get systems back on-line in worst case scenarios.
- The cyber insurance is focused on recovering funds extorted through electronic extortion methods.
- There are no particular claim trends emerging. The number of claims made is low, which is reflected in the low premium costs.
- Claims that are seen by the City, particularly fleet claims, are managed tightly and causes are investigated.
- The City has had a few minor incidents resulting in lost time injuries (LTI), which are not serious but may result in a small movement in premiums.

11. ITEMS REQUIRING RECOMMENDATION TO COUNCIL

11.1 INTERIM FINANCIAL AUDIT REPORT - CONFIDENTIAL MATTER IN ACCORDANCE WITH *LOCAL GOVERNMENT ACT 1995* SECTION 5.23

BUSINESS EXCELLENCE BELMONT

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Confidential Attachment 1 – Item 11.1 refers	<u>Interim Audit Report - Letter</u>

Voting Requirement : Simple Majority
Subject Index : 19/001
Location/Property Index : N/A
Application Index : N/A
Disclosure of any Interest : N/A
Previous Items : Nil
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 affects 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

This report provides Council feedback from the City's auditors as a result of their Interim Audit conducted in April 2016.

Item 11.1 Continued

SUMMARY AND KEY ISSUES

The Interim Audit Report provides a background of the audit including the approach, methodology and preliminary risk assessment carried out by the City's auditors including any findings. In this case there were no findings to be reported to the Standing Committee (Audit and Risk).

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 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

POLICY IMPLICATIONS

There are no significant policy implications evident at this time.

STATUTORY ENVIRONMENT

Section 7.2 of the *Local Government Act 1995* requires that "the accounts and Annual Financial Report of a local government for each financial year are audited by an auditor appointed by the local government."

BACKGROUND

During April 2016, Grant Thornton, the City's appointed auditors, undertook an interim audit for the purposes of assessing the internal controls and compliance aspects of the City's operations. This provides the auditors with an indication of the extent to which they can rely on the City's systems and controls in determining the accuracy of the City's Annual Financial Report as at 30 June of the year in question.

Item 11.1 Continued

OFFICER COMMENT

The audit letter from Grant Thornton (refer [Confidential Attachment 1](#)) details key aspects of the audit. It should be noted that there were no items found during the audit to be raised with the Standing Committee (Audit and Risk).

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 Finance provided an update as follows:

- Auditors from Grant Thornton completed the interim audit in April and will return in September to finalise the audit.
- The interim audit focused on compliance and internal controls.
- The auditors did not identify any items to bring to the attention of the Standing Committee (Audit and Risk).
- The auditors will attend the 24 October 2016 Standing Committee (Audit and Risk) meeting to report on the City's financial audit.

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

- The auditors did not attend the July 2015 Standing Committee (Audit and Risk) meeting, as similar to this year; there were no items to be brought to the attention of the Standing Committee (Audit and Risk).
- As has occurred in the past, the auditors will attend the October meeting of the Standing Committee (Audit and Risk) to report on the results of the financial audit.
- The auditors will only attend the July meeting of the Standing Committee (Audit and Risk) if the interim audit has identified any items to be brought to the attention of the Committee.

Item 11.1 Continued

OFFICER RECOMMENDATION

GARDNER MOVED, BASS SECONDED,

That Council note the results of the 2015-2016 Interim Audit Report as detailed in [Confidential Attachment 1](#).

CARRIED 4 VOTES TO 0

11.2 REVISED TERMS OF REFERENCE FOR STANDING COMMITTEE (AUDIT AND RISK)

BUSINESS EXCELLENCE BELMONT

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 1 – Item 11.2 refers	Revised Terms of Reference – Standing Committee (Audit and Risk)
Attachment 2 – Item 11.2 refers	Terms of Reference – Standing Committee (Audit and Risk)
Attachment 3 – Item 11.2 refers	Local Government Operational Guideline Number 9 – Audit in Local Government

Voting Requirement	:	Simple Majority
Subject Index	:	154/007: Standing Committees
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 present revised Terms of Reference for the Standing Committee (Audit and Risk) (refer [Attachment 1](#)) to Council for endorsement.

SUMMARY AND KEY ISSUES

To revise and update the Terms of Reference for the Standing Committee (Audit and Risk).

Item 11.2 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: 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

There are no significant policy implications evident at this time.

STATUTORY ENVIRONMENT

Part 7 of the *Local Government Act 1995* details the audit of the financial accounts of the local government. Section 7.1A states –

7.1A. Audit committee

- (1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*
** Absolute majority required*
- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

Item 11.2 Continued

The *Local Government (Audit) Regulations 1996* detail the role and requirements of local government audit committees, in particular, Regulation 16 outlines the functions of the audit committee –

16. Audit committee, functions of

An audit committee —

- (a) *is to provide guidance and assistance to the local government —*
- (i) *as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*
 - (ii) *as to the development of a process to be used to select and appoint a person to be an auditor;*

and

- (b) *may provide guidance and assistance to the local government as to —*
- (i) *matters to be audited; and*
 - (ii) *the scope of audits; and*
 - (iii) *its functions under Part 6 of the Act; and*
 - (iv) *the carrying out of its functions relating to other audits and other matters related to financial management; and*
- (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.]

BACKGROUND

The City of Belmont's Standing Committee (Audit and Risk) first met on 22 December 2004 and continues today.

The current Standing Committee (Audit and Risk) Terms of Reference are detailed in [Attachment 2](#).

The Department of Local Government and Communities developed Local Government Operational Guideline Number 9 – Audit in Local Government (refer [Attachment 3](#)) in July 2005, which was revised in September 2013 and outlines the appointment, function and responsibilities of Audit Committees. This document has been used for guidance as the Terms of Reference were reviewed and amended.

A revision to the Standing Committee (Audit and Risk) Terms of Reference is pertinent to ensure consistency with amended legislation and the expanded responsibilities of the Standing Committee (Audit and Risk).

Terms of Reference for all City of Belmont Standing Committees are currently being reviewed and updated to ensure consistency.

The revised Standing Committee (Audit and Risk) Terms of Reference are included in [Attachment 1](#).

Item 11.2 Continued

OFFICER COMMENT

The revised Terms of Reference provide clear guidance on the purpose and objectives of the Standing Committee (Audit and Risk) and the duties and responsibilities of Committee members.

The content has been amended from the current Terms of Reference, and includes updates reflecting legislative amendments, however the changes do not substantively change the current role performed by the Committee.

The key changes to the Terms of Reference include:

- The inclusion of legislative compliance and risk management in the Duties and Responsibilities section, in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996*
- The Duties and Responsibilities section being divided into four categories – internal and external audit planning and reporting; financial management; legislative compliance; and risk management
- The removal of information pertaining to quorum, terms of membership and the election of the Presiding Member and Deputy Presiding Member in the Membership section that is detailed in the *Local Government Act 1995*
- Clarification to the Staff and Invitees/Attendees Section
- Inclusion of the requirement to receive and report to Council the result of the CEO's review of the appropriateness and effectiveness of the City's systems and procedures in the Meetings section.

The revised Terms of Reference clarify the scope of the Standing Committee (Audit and Risk) and expectations for Committee Members. Guidelines are have been updated to reflect current practices for Committee membership, Staff, Invitees/Attendees and Meetings.

FINANCIAL IMPLICATIONS

There are no financial implications at this time.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications at this time.

SOCIAL IMPLICATIONS

There are no social implications at this time.

Item 11.2 Continued

Committee Notes

The Manager Governance provided an update as follows:

- The main differences in the revised Terms of Reference are outlined in the report item.
- Local Government Operational Guideline No. 9 – Audit in Local Government was referenced and referred to in updating the Terms of Reference.
- The Duties and Responsibilities section has been broken down into sub-sections for clarity.
- The requirement for the Chief Executive Officer to review and report on risk management, internal controls and legislative compliance in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996* has been included.
- Minor amendments have been made to the membership section, removing information that is prescribed in the *Local Government Act 1995*.

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

- There is a requirement for staff to attend meetings to provide advice and guidance to the Standing Committee (Audit and Risk).
- The Director Corporate and Governance undertook to include the wording ‘as required’ to the attendance of the Manager Finance and the Manager Governance at Standing Committee (Audit and Risk) meetings as detailed in the revised Terms of Reference. Where there are no applicable items on the agenda, approval for the relevant Manager to not attend the meeting will be sought.
- The revised Terms of Reference will be presented to Council for endorsement.
- Invitees/Attendees at Standing Committee (Audit and Risk) meetings will be discussed and agreed upon by the Director Corporate and Governance and the Presiding Member. It is not anticipated that there will be disagreements in relation to Invitees/Attendees.
- There is no requirement for the revised Terms of Reference to be reported to the Department of Local Government and Communities. It is the responsibility of individual Councils to decide on the Terms of Reference for Standing Committees, in accordance with legislation.

OFFICER RECOMMENDATION

BASS MOVED, BACK SECONDED,

That Council endorse the revised Terms of Reference for the Standing Committee (Audit and Risk) (refer [Attachment 1](#)).

CARRIED 4 VOTES TO 0

12. NEXT MEETING

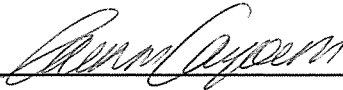
The next meeting of the Standing Committee (Audit and Risk) will be held on Monday 24 October 2016, commencing at 6.30pm.

13. CLOSURE

There being no further business the Presiding Member thanked everyone for their attendance and closed the meeting at 6.50pm.

MINUTES CONFIRMATION CERTIFICATION

The undersigned certifies that these minutes of the Standing Committee (Audit and Risk) Meeting held 25 July 2016 were confirmed as a true and accurate record at the Standing Committee (Audit and Risk) Meeting held 24 October 2016.

Signed by the Person Presiding: 

PRINT name of the Person Presiding: LAUREN CATOUN.