



## **Standing Committee (Audit and Risk)**

# **Minutes**

Monday 29 July 2024



City of  
**Belmont**

# CITY OF BELMONT

## Standing Committee (Audit and Risk)

### Minutes

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**Confidential Attachments Index**

- Confidential Attachment 10.1.1 – Item 10.1 refers
- Confidential Attachment 11.1.1 – Item 11.1 refers
- Confidential Attachment 11.1.2 – Item 11.1 refers
- Confidential Attachment 11.1.3 – Item 11.1 refers

**Councillors are reminded to retain their confidential papers for discussion with the minutes.**

**Minutes of the Standing Committee (Audit and Risk) held in the Rivervale Room, City of Belmont Civic Centre, 215 Wright Street, Cloverdale on Monday 29 July 2024 commencing at 6.30pm.**

# Minutes

## Present

Cr C Kulczycki (Presiding Member)	West Ward
Cr G Sekulla (Deputy Presiding Member)	Central Ward
Mayor R Rossi JP (Ex Officio)	Mayor
Cr B Ryan	East Ward
Cr J Davis	South Ward
Ms S Zulsdorf	Independent Member

## In attendance

Mr J Christie	Chief Executive Officer
Mr S Downing	Director Corporate and Governance
Mr J Rechner	Senior Internal Auditor
Mr M Smith	Manager Information Technology
Ms D Dabala	Manager Governance and Legal
Mrs J Cherry-Murphy	Coordinator Governance

## Confidential Attachments Index

- Confidential Attachment 10.1.1 – Item 10.1 refers
- Confidential Attachment 11.1.1 – Item 11.1 refers
- Confidential Attachment 11.1.2 – Item 11.1 refers
- Confidential Attachment 11.1.3 – Item 11.1 refers

# 1 Official Opening

The Presiding Member will read aloud the Acknowledgement of Country.

## Acknowledgement of Country

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

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

## 2 Apologies and leave of absence

Nil.

## 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 1 May 2024**

#### **Officer Recommendation**

**Davis moved, Rossi seconded**

That the Minutes of the Standing Committee (Audit and Risk) Meeting held on 1 May 2024 be confirmed as a true and accurate record.

**Carried Unanimously 6 votes to 0**

For: Davis, Kulczycki, Ms Zulsdorf, Rossi, Ryan and Sekulla

Against: Nil

## **6 Questions by Members on which due notice has been given (without discussion)**

Nil.

## **7 New business of an urgent nature approved by the person presiding or by decision**

Nil.

## **8 Questions by members without notice**

Nil.

## **9 Business adjourned from a previous meeting**

Nil.

## **10 Information items**

### **10.1 Audit Log - Office of the Auditor General and Other Audits**

An Audit Log (refer Confidential Attachment 10.1.1) 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.

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

- There were 53 items in total, the committee is seeing the remaining 10 open items. Most of these actions will be completed prior to the end of the month. There are a couple of projects which will be completed by the end of the year.
- This is the June 2024 update current up to the June agenda settlement; some works have been undertaken since this log was submitted.
- When the City receives the Office of the Auditor General (OAG) information systems audit report, the Manager Information Technology and Director Corporate and Governance go through the report with the OAG. The Manager and Director try to challenge that some risks may not be as severe as the OAG deems, but the Manager and Director have not been successful in seeking an amendment to any OAG risk ratings.

- There are opportunities for improvement and this is how the City views this process and the City will implement the recommendations within the OAG audit reports.
- The document is updated on a monthly basis. 16.0 has been completed, and an updated Audit Log will be provided to Elected Members when the July 2024 audit log is updated.
- The emergence of AI has not resulted in the City's systems or processes being any more vulnerable to cyber-attacks than prior. AI is simply a tool, and the people that use AI pose the larger risk. Currently, one risk the City are handling relates to how this tool is used, it is more a legal and governance risk, mitigated by sound processes. Login authentication is currently multi-factor, which makes it very difficult for AI to impersonate or log in as someone. The City does not use voice recognition as an authentication method, but does use facial recognition, which requires a person to be physically situated in front of the computer. Facial recognition is preferable as this method avoids the risk of AI impersonating someone's voice.
- The cost overrun of 28% is an outcome of the internal audit. The City believes the gross figure for variance reporting is the better outcome rather than a % trigger point. There are staff employed to undertake the internal reviews, which is operational.
- The Chief Executive Officer has been discussing with the Director Infrastructure Services about getting the design team ahead on capital design projects by 12 months as the design estimate is what goes into the budget. However, actual construction costs are often more accurate for budgeting purposes and as such the City are looking at implementing a better budgeting process by using construction estimates.

## Attachment details

### Attachment No and title

- |   |
|---|
| 1. CONFIDENTIAL - Audit Log - Office of the Auditor General and other Audits (Confidential Matter in accordance with the Local Government Act 1995 (WA) Section 5.23(2)(f)(ii)) [ <b>10.1.1</b> - 13 pages] |
|---|



# 11 Items requiring recommendation to Council

## 11.1 Internal Audit Report

Voting Requirement	:	Simple Majority
Subject Index	:	19/006
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	N/A
Previous Items	:	N/A
Applicant	:	N/A
Owner	:	N/A
Responsible Division	:	Executive Services

### Council role

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

### Purpose of report

To submit three completed internal audit reports to the Standing Committee (Audit and Risk). These audits have been completed in accordance with the Council approved 2023 -2024 internal audit plan.

### Summary and key issues

Findings for the completed audits are detailed below.

#### **Infrastructure Services Division – Buildings Maintenance (report issued 11 March 2024)**

Findings:

- Asset Management Plans have historically been reviewed and updated by the Asset Custodians, however not formally approved by Directors. The Facilities, Structures & Equipment Asset Management Plan has no

evidence of approval and this is considered to be an opportunity for improvement.

- The current approach to the City Facilities' Preventative Maintenance Plan (PMP) using MS Excel format relies heavily on manual input, leading to duplicated efforts in data handling. This method is not only time-consuming for monitoring and updating but also susceptible to human errors. The City will review options for a system approach so as to transition away from MS Excel.
- The risk register included in the Facilities, Structures & Equipment Asset Management Plan requires alignment with the risk register in RMSS.
- Internal audit testing reviewed two invoices submitted by the City's cleaning contractor. Both invoices were authorised for payment by the Facilities Administration Officer. SP23 requires the authorisation to be made by the Contract Administrator. While the payment has been delegated to the Facilities Administration Officer, it is considered that future payments should only be authorised by the Contract Administrator.
- The City's risk based portable appliance testing and tagging schedule requires review and updating. This will be part of the systems review discussed above.
- The Tenderer Evaluation – The current Consensus Scorecard form does not have provision for the Coordinator Procurement & Contracts signature and only includes those of the evaluators. The Coordinator Procurement & Contracts plays an active role in the review process, and it is considered appropriate that the form be modified to include sign off by the Coordinator Procurement & Contracts.

### **Executive Services Division – Internal Audit Quality Assurance – (report issued 10 June 2024)**

#### Findings:

- As a result of the release of the new Global Internal Audit Standards there is a requirement to develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the board, senior management, and other key stakeholders.

- Internal audit must establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards. Transitioning to the new Standards by January 2025 will be a priority.

### **Infrastructure Services Division – Roads, Footpaths & Drains Maintenance & Construction (report issued 7 June 2024)**

#### Findings:

- Three Asset Management Plans previously reviewed and updated by the Asset Custodians (i.e. Roads, Drainage, Paths) did not record evidence of approvals from the Director Infrastructure Services. This is seen as an opportunity for improvement and should be implemented in future.
- A review of the process for approving increased project costs due to variations should be undertaken to ensure project costs are monitored and validated in accordance with contract provisions.
- To ensure the City captures and documents Contract obligations these should be included in risk registers.
- In accordance with SP23 it is recommended that only Contract Administrators should check and approve invoices and this should not be delegated to other officers.

#### **Officer Recommendation**

##### **Ms Zulsdorf moved, Davis seconded**

That the Standing Committee (Audit and Risk) accepts the three internal audit reports from the Senior Internal Auditor (Confidential Attachments 11.1.1, 11.1.2 and 11.1.3) and recommends that Council:

1. Receives the report (Confidential Attachment 11.1.1) titled Internal Audit – Building Maintenance.
2. Receives the report (Confidential Attachment 11.1.2) titled Internal Audit Quality Assurance).
3. Receives the report (Confidential Attachment 11.1.3) titled Roads, Footpaths & Drains Maintenance and Construction.

4. Notes the City of Belmont's management comments in Confidential Attachments 11.1.1, 11.1.2 and 11.1.3 and actions to be undertaken in response to the internal audit recommendations.

**Carried Unanimously 6 votes to 0**

For: Davis, Kulczycki, Ms Zulsdorf, Rossi, Ryan and Sekulla

Against: Nil

**Committee Notes**

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

- Asset Management is usually the responsibility of each directorate, and it is their responsibility to have asset plans for different assets such as roads and footpaths. These asset plans are reviewed on an annual basis to determine what maintenance is required; these are approved by Managers. The previous Senior Internal Auditor, saw the possibility for this process to be reviewed and recommended that the Director sign-off the Asset Management Plans.
- The City has a lot of processes in place and the internal audit team can recommend improvements.
- Risk should be included in the risk register; this is a process issue. The contract Manager is responsible for the management of specific tenders and contracts.
- The City will determine once the assessment is completed whether new software for City buildings is justified.
- Officers will investigate other possible systems before deciding on the most appropriate system.
- The Internal Audit Report does not need updating before going to Council as the audits were undertaken before Council adopted the new Strategic Community Plan.

**Location**

Not applicable.

**Consultation**

All draft internal audit reports were reviewed by relevant staff, Managers, Directors and the CEO before being issued for action.

## **Strategic Community Plan implications**

In accordance with the 2024–2034 Strategic Community Plan:

### **Key Performance Area: Performance**

**Outcome:** 10. Effective leadership, governance and financial management.

## **Policy implications**

There are no policy implications associated with this report.

## **Statutory environment**

### ***Local Government Act 1995 (WA)***

#### 7.1A. Audit committee

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

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

#### 16. Functions of audit committee

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
  - (i) its functions under Part 6 of the Act; and
  - (ii) its functions relating to other audits and other matters related to financial management.
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
  - (i) report to the council the results of that review; and

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

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

#### 17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
  - (a) risk management; and
  - (b) internal control; and
  - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

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

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

amended: Gazette 26 Jun 2018 p. 2387.]

### ***Local Government (Financial Management) Regulations 1996 (WA)***

(2) CEO's duties as to financial management

(c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

## **Background**

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

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

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

## **Report**

### **Infrastructure Services Division – Buildings Maintenance (report issued 11 March 2024)**

The audit objective was to ensure building maintenance was timely and effective.

The scope of the audit included the following functional areas / documents:

- Department: City Facilities & Property Department.
- Section: City Facilities.
- Function: Buildings Maintenance.
- Acts of Parliament:

*Local Government Act 1995 (WA).*

*Local Government (Functions and General) Regulations 1996 (WA).*

*Work Health and Safety Act 2020 (WA)*

*Work Health and Safety (General) Regulations 2022 (WA).*  
*Environmental Protection Act 1986 (WA)*

- AS ISO 55000 2014 Asset Management.
- Asset Management Strategy.
- Asset Management Plan.
- Policy: CP01 Asset Management Policy.
- Programs: progress against programs and performance reporting.
- Risk: RMSS Risk Register.
- Procedures, Process Maps, Work Instructions.
- Two tenders and contract awards tested to ensure compliance with contracts.

Focus of the audit included:

- Review implementation of SP23 - Contract Management.
- Determine if contract obligations were included in the risk registers.
- Review effectiveness of the three lines of defence. The first line is staff and area management, the second line is corporate oversight functions e.g. procurement, risk, WHS and the third line is internal audit.

## **Findings and Management Responses**

- As detailed above, Asset Management Plans have historically been reviewed and updated by Asset Custodians. The Facilities, Structures & Equipment Asset Management Plan has no evidence of approval from the Director Infrastructure Services and this has been identified as an opportunity for improvement.

Management has agreed to review the Asset Management Plan's format and content and obtain Director approval.

The current approach to the City Facilities' Preventative Maintenance Program (PMP) using MS Excel format relies heavily on manual input, leading to duplicated efforts in data handling. This method is not only time-consuming for monitoring and updating but also susceptible to human errors.

Management has agreed MS Excel is not the most effective tool for managing a preventative maintenance program and will investigate costs and benefits of a new software system in 2024-25.

- The risk register included in the Facilities, Structures & Equipment Asset Management Plan requires alignment with the risk register in RMSS.



Management has agreed to consolidate all risks in the RMSS risk register.

- Internal audit testing reviewed two invoices submitted by the City's cleaning contractor. Both invoices were authorised for payment by the Facilities Administration Officer instead of the Contract Administrator, as required by SP23.

Management has acknowledged SP 23 is a key control and will ensure all invoices are approved by the Contract Administrator in accordance with SP23.

- The City's risk based portable appliance testing and tagging schedule requires review and updating.

Management has agreed to risk rate portable appliance testing schedules to identify frequency of testing, and update the schedule as required.

- The Tenderer Evaluation - Consensus Scorecard form has no provision for the Coordinator Procurement & Contracts signature and only included those of the evaluators.

Management has since updated the form to provide for the Coordinator Procurement & Contracts signature.

### **Executive Services Division – Internal Audit Quality Assurance – (report issued 10 June 2024)**

The audit objective was to ensure the City identifies gaps between current internal audit activities and new "Global Internal Audit Standards" and has a plan to meet the new requirements by 9 January 2025.

The scope of the audit included the following functional areas / documents:

- Division: Executive Services.
- Section: Internal Audit.
- Function: Compliance with Internal Audit Standards.
- Institute of Internal Auditors – Global Internal Audit Standards (new) – which take effect from 9 January 2025.

Focus of the audit included:

- Identifying the gap between current internal audit activities and new Global Internal Audit Standard requirements.

## **Findings and Management Responses**

- With the release of the new Standards there is a requirement for the Internal Audit to develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.

Management has agreed to develop and implement an Internal Audit Strategy for the organisation to ensure compliance with the new Standards.

- Internal Audit is required to review and establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards.

Management has agreed to review, develop and update methodologies to ensure compliance with the new Standards.

## **Infrastructure Services Division – Roads, Footpaths & Drains Maintenance & Construction (report issued 7 June 2024)**

The audit objectives were to ensure maintenance and construction work programs were managed effectively.

The scope of the audit included reviewing:

- Department: Works Department.
- Section: Works.
- Function: Roads, Footpaths & Drains Maintenance and Construction.
- Acts of Parliament:
  - Local Government Act 1995 (WA).*
  - Work Health and Safety Act 2020 (WA).*
  - Environmental Protection Act 1986 (WA)*
  - Swan and Canning Rivers Management Act 2006 (WA).*
  - Road Traffic Act 1974 (WA)*
  - Main Roads Act 1930 (WA)*
- Policy: CP01 Asset Management Policy

- Plans: Corporate Business Plan, Asset Management Plans (Roads, Paths, Drainage).
- Programs: Related Works Programs, progress against programs and performance reporting.
- Risk Register: RMSS Corporate Risk Register.
- Procedures: System Procedure 23 – Contract Management.
- Process Maps.
- Tenders: 4 tender awards and 7 related invoice payments checked.
- Quotations: 4 quotation awards and 6 related invoice payments checked.

Focus of the audit included:

- Review implementation of SP23 - Contract Management.
- Determine if contract obligations were included in the risk registers.
- Review effectiveness of the three lines of defence. The first line is staff and area management, the second line is corporate oversight functions e.g. procurement, risk, WHS and the third line is internal audit.

## **Findings and Management Responses**

- Asset Management Plans have historically been reviewed and updated by Asset Custodians. Three Asset Management Plans (i.e. Roads, Drainage, Paths) did not record evidence of approvals by the Director Infrastructure.

Management has agreed to update the plans to require Director's approval.

- A review of the process for approving increased project costs due to variations should be undertaken to ensure project costs are monitored and validated in accordance with contract provisions.

Management has agreed to review the documented processes for project variations and approvals to ensure project expenditure is monitored and approved.

- To ensure the City captures and documents Contract obligations these should be included in risk registers.
- Management has agreed to record contract obligations in risk registers.
- Contract Administrators should be responsible for the checking and the approval of invoices in accordance with SP23.

Management has agreed that Contract Administrators will check and approve invoices.

## Financial implications

There are no financial implications evident at this time.

## Environmental implications

There are no environmental implications associated with this report.

## Social implications

There are no social implications associated with this report.

## Attachment details

Attachment No and title	
1.	CONFIDENTIAL - Internal Audit Report Building Maintenance SCAR (Confidential matter in accordance with Local Government Act 1995 (WA) section 5.23(2)(h)) [ <b>11.1.1</b> - 7 pages]
2.	CONFIDENTIAL - Internal Audit Report Internal Audit Quality Assurance SCAR (Confidential matter in accordance with Local Government Act 1995 (WA) section 5.23(2)(h)) [ <b>11.1.2</b> - 6 pages]
3.	CONFIDENTIAL - Internal Audit Report Roads Footpaths Drains SCAR (Confidential matter in accordance with Local Government Act 1995 (WA) section 5.23(2)(h)) [ <b>11.1.3</b> - 7 pages]

## 12 Next Meeting

The next meeting of the Standing Committee (Audit and Risk) will be held on 25 November 2024 commencing at 6.30pm.

## 13 Closure

**There being no further business, the Presiding Member thanked everyone for their attendance and closed the meeting at 7.05pm.**

### Minutes confirmation certification

The undersigned certifies that these Minutes of the Standing Committee (Audit and Risk) held on 29 July 2024 were confirmed as a true and accurate record at the Standing Committee (Audit and Risk) meeting held on 25 November 2024.

Signed by the Person Presiding: *C. Kulczycki*

PRINT name of the Person Presiding: **CHRISTOPHER KULCZYCKI**